

PUBLIC DISCLOSURE

February 4, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Markesan State Bank
RSSD# 489641

84 North Bridge Street
Markesan, Wisconsin 53946

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Markesan State Bank is rated **Satisfactory**.

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

SCOPE OF EXAMINATION

Markesan State Bank's performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Interagency Small Institution Examination Procedures. Performance was evaluated in the context of information about the institution and its assessment area, including the bank's asset size, financial condition, competition, and economic and demographic characteristics.

Loan products reviewed include home mortgage, small business, and small farm loans originated from January 1, 2017 through December 31, 2017. These products are considered the bank's primary business lines based on volume by number and dollar amount.

Markesan State Bank has delineated three assessment areas within the State of Wisconsin: Non-Metropolitan Statistical Area, Wisconsin; Madison, Wisconsin Metropolitan Statistical Area (MSA) #31540; and Fond du Lac, Wisconsin MSA #22540. The evaluation included a full review of the bank's Non-Metropolitan Statistical Area, Wisconsin assessment area based on several factors including deposit market share, branch concentration, volume of residential, agricultural and commercial lending, and credit needs.

The Madison, Wisconsin MSA #31540 and Fond du Lac, Wisconsin MSA #22540 received limited reviews, and were evaluated for consistency with the bank's performance in its full review assessment area. The bank's performance in the assessment areas under limited review did not affect the overall rating.

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

- **Loan-to-Deposit Ratio** – A 16-quarter average loan-to-deposit ratio ending September 30, 2018 was calculated for the bank and compared to a sample of local competitors.

- *Lending in the Assessment Area* – The bank’s home mortgage, small business, and small farm loans originated from January 1, 2017 to December 31, 2017 were reviewed to determine the percentage of loans originated in the assessment area.
- *Geographic Distribution of Lending in the Assessment Area* – The bank’s home mortgage, small business, and small farm loans originated within the assessment area, from January 1, 2017 to December 31, 2017, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income.
- *Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes* – The bank’s home mortgage, small business, and small farm loans originated within the assessment area, from January 1, 2017 to December 31, 2017, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- *Response to Substantiated Complaints* – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. Organizations representing economic development and affordable housing were contacted.

DESCRIPTION OF INSTITUTION

Markesan State Bank is a subsidiary of Markesan Bancshares Incorporated, a shell, one bank holding company located in Markesan, Wisconsin. The bank operates its main office and a satellite office in Markesan, Wisconsin, along with two branch offices located in Waupun and Randolph, Wisconsin. The bank has not opened or closed any branches since the previous evaluation and does not operate any automated teller machines (ATMs).

According to the Uniform Bank Performance Report (UBPR), the bank reported total assets of \$127.5 million as of September 30, 2018. Markesan State Bank offers residential real estate, commercial, agricultural, and consumer loans. Markesan State Bank is primarily an agricultural lender, as this category represents 62.3 percent of the loan portfolio. Commercial and residential real estate lending represent notable portions of the portfolio at 19.3 percent and 16.7 percent, respectively.

Details of the allocation of the bank’s loan portfolio are provided in the following table.

Composition of Loan Portfolio as of September 30, 2018 (\$ are in 000s)		
Type	\$	%
Residential RE	16,116	16.7
Commercial	18,674	19.3
Agriculture	60,145	62.3
Consumer	1,672	1.7
Other	9	0.0
Total Loans	96,616	100.0
<i>Note: Percentage 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 November 17, 2014.

DESCRIPTION OF ASSESSMENT AREA

Markesan State Bank’s combined assessment area consists of the Non-Metropolitan Statistical Area Wisconsin; Madison, Wisconsin Metropolitan Statistical Area (MSA) #31540; and Fond du Lac, Wisconsin MSA #22540. The combined assessment area is a contiguous geography comprised of 36 census tracts located within Dodge and Green Lake Counties in their entirety (26 census tracts) and portions of Columbia (five census tracts) and Fond du Lac (five census tracts) Counties. Dodge and Green Lake Counties are Non-MSA designated geographies. The combined assessment area includes one moderate-, 32 middle-, and three upper-income census tracts. There are no low-income census tracts in the assessment area and also no designated distressed or underserved middle-income census tracts in the combined assessment area.

The assessment area has changed since the previous evaluation. The bank expanded to take Dodge and Green Lake Counties in their entirety and removed Marquette County from the assessment area delineation. The changes to the assessment area were made to better reflect the bank’s lending activities. During the previous CRA evaluation, the combined assessment area consisted of 25 census tracts; one moderate-, 23 middle-, and one upper-income census tract.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Markesan State Bank’s loan-to-deposit (LTD) ratio is more than reasonable given the bank’s size, financial condition, and assessment area credit needs. Also considered were demographic factors, the bank’s lending and deposit strategy, economic conditions, and lending opportunities within

the assessment area. As of September 30, 2018, the LTD ratio was 80.1 percent, with a 16-quarter average of 89.9 percent. The 16-quarter average is comparable to the 91.0 percent average at the previous evaluation dated November 17, 2014. Further, the bank's LTD ratio remains comparable to local competitors of similar size and structure.

The following table compares the bank's LTD ratio to its local competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 - Quarter Average
Markesan State Bank	89.9
Competitors	
Horicon Bank	99.0
Farmers and Merchants Union Bank	97.0
Farmers and Merchants Bank	92.6
United Community Bank	89.1
NBW Bank	78.7
National Exchange Bank and Trust	71.6
Fox Valley Savings Bank	63.8

Assessment Area Concentration

A sample of home mortgage, small business, and small farm loans originated from January 1, 2017 through December 31, 2017 were reviewed to determine the percentage of loans originated in the assessment area. Overall, a substantial majority of home mortgage, small business, and small farm loans were originated in the assessment area. Specifically, the bank originated 92.3 percent of its total loans by volume and 93.7 percent by dollar inside the assessment area during the evaluation period. The bank originated 88.2 percent by number and 92.0 percent by dollar of its home mortgage loans inside its assessment area. Similarly, the bank originated 87.3 percent by number and 88.1 percent by dollar of its small business loans inside its assessment area. Finally, the bank originated 100.0 percent by number and by dollar of its small farm loans inside its assessment area. Ultimately, the percentage of home mortgage, small business, and small farm originations within the assessment area indicates the bank is actively serving the credit needs of the community.

The following table summarizes Markesan State Bank's lending inside and outside its assessment area by product from January 1, 2017 through December 31, 2017.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Mortgage Loans	45	88.2	4,293	92.0	6	11.8	374	8.0
Small Business Loans	62	87.3	3,943	88.1	9	12.7	533	11.9
Small Farm Loans	72	100.0	5,256	100.0	0	0.0	0	0.0
Total Loans	179	92.3	13,491	93.7	15	7.7	907	6.3

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

Geographic and Borrower Distribution

The geographic distribution of home mortgage, small business, and small farm loans reflects reasonable dispersion throughout the assessment area. The analysis takes into consideration the size and complexity of the bank and focuses on loan penetration in moderate-income census tracts as there are no low-income census tracts in the assessment area. The borrower distribution of home mortgage, small business and small farm loans indicates excellent penetration among individuals of different income levels, including low- and moderate-income, and businesses and farms of different sizes. Please refer to the full review of the Wisconsin Non-MSA assessment area for further information.

A gap analysis was completed as part of the evaluation. Markesan State Bank's combined assessment area is comprised of 36 census tracts. The gap analysis indicates that the bank made no loans within its single moderate-income census tract; however, lending opportunities are limited as only 2.6 percent of housing units are owner-occupied. Overall, in 2017 the bank originated no loans within 16 of the 36 census tracts (44.4 percent) within the combined assessment area. Considering the evaluation period, the bank's size and complexity, and the assessment area is primarily rural, lending penetration throughout the assessment area is considered reasonable.

Response to Complaints

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

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

NON-MSA WISCONSIN – FULL REVIEW

SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Non-MSA Wisconsin assessment area. The scope is consistent with that presented in the overall section of the Performance Evaluation. For further information, refer to the "Scope of Examination" section for details.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON-MSA WISCONSIN – DODGE AND GREEN LAKE COUNTIES

Markesan State Bank's Non-Metropolitan Wisconsin assessment area is comprised of 26 census tracts and includes Dodge and Green Lake Counties, in their entirety. Based on 2017 FFIEC Census Data, the census tract composition is comprised of one moderate-, 22 middle-, and three upper-income census tracts. There are no low-income census tracts and no designated distressed or underserved middle-income census tracts in the assessment area. The assessment area has changed since the previous evaluation. The bank expanded their assessment area to take Dodge and Green Lake Counties in their entirety and removed Marquette County. The changes to the assessment area were made to better reflect the bank's lending activities.

The bank maintains operations in the Non-Metropolitan Wisconsin assessment area through three offices and one satellite office. The bank does not operate any ATMs. The main office, satellite office, and two branch offices are located within this assessment area. Further, all offices are located in middle-income census tracts. Since the previous evaluation, there have been no branch openings or closings within the assessment area.

According to the June 30, 2017, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Markesan State Bank ranked fifth among 19 FDIC-insured financial institutions operating in the assessment area with 7.3 percent of market share. Outranking Markesan State Bank in market share is Horicon Bank (19.4 percent), Farmers and Merchants Bank (12.8 percent), First National Bank of Berlin (9.9 percent), and BMO Harris Bank National Association (7.5 percent).

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 2016 and 2017. Lending activity performed in 2017 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2016 Designations (#)	2017 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	1	1	0
Middle	20	22	2
Upper	5	3	-2
Total	26	26	0

*Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010
U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015*

Information about census-related and business and farm demographic characteristics of the assessment area in 2017 is provided in the following table.

Assessment Area: 2017 WI Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	4,082	14.9
Moderate-income	1	3.8	925	3.4	166	17.9	5,197	19.0
Middle-income	22	84.6	22,920	83.8	1,454	6.3	6,337	23.2
Upper-income	3	11.5	3,499	12.8	134	3.8	11,728	42.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	26	100.0	27,344	100.0	1,754	6.4	27,344	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	1,478	780	2.6	52.8	570	38.6	128	8.7
Middle-income	40,550	25,011	83.5	61.7	10,055	24.8	5,484	13.5
Upper-income	5,821	4,146	13.8	71.2	699	12.0	976	16.8
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	47,849	29,937	100.0	62.6	11,324	23.7	6,588	13.8
	Total Businesses Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	129	4.3	111	4.2	18	5.4	0	0.0
Middle-income	2,459	81.6	2,140	81.9	261	77.7	58	87.9
Upper-income	427	14.2	362	13.9	57	17.0	8	12.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	3,015	100.0	2,613	100.0	336	100.0	66	100.0
	Percentage of Total Businesses:		86.7		11.1		2.2	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	3	0.7	3	0.8	0	0.0	0	0.0
Middle-income	336	80.8	322	80.5	14	87.5	0	0.0
Upper-income	77	18.5	75	18.8	2	12.5	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	416	100.0	400	100.0	16	100.0	0	0.0
	Percentage of Total Farms:		96.2		3.8		0.0	
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Population Characteristics

The table below presents the population trends for the assessment area and the State of Wisconsin from 2010 to 2015. According to the 2015 U.S. Census Bureau demographic data, the assessment area’s population is 107,513, a slight decrease of 0.3 percent from 2010. The same decrease is throughout the counties that make up the assessment area; Dodge and Green Lake Counties saw population decreases of 0.2 and 0.5 percent, respectively. The State of Wisconsin experienced an increase of 1.0 percent over the same time period. According to community representatives, population levels have remained relatively stable in recent years; however, the slight decreases are attributed to young adults moving to other parts of the state for employment opportunities. Further, a contact stated that families are historically smaller than they have been, contributing to the stable population.

Population Change 2010 and 2011-2015			
Area	2010 Population	2011-2015 Population	Percentage Change
Assessment Area	107,810	107,513	-0.3
Dodge County	88,759	88,547	-0.2
Green Lake County	19,051	18,966	-0.5
State of Wisconsin	5,686,986	5,742,117	1.0

*Source: 2006-2010—U.S. Census Bureau: Decennial Census
 2011-2015—U.S. Census Bureau: Annual Population Estimates OR 2010—U.S. Census Bureau: Decennial Census*

Income Characteristics

According to the 2017 FFIEC Census Data, the assessment area is comprised of 27,344 families, of which 14.9 percent are designated as low-income, 19.0 percent are moderate-income, 23.2 percent are middle-income, and 42.9 percent are upper-income. Only 6.4 percent of families residing within the assessment area live below the poverty line, slightly below the State of Wisconsin poverty rate of 8.6 percent.

The following table compares the median family income for the assessment area and the State of Wisconsin. According to the 2011-2015 Census Bureau data, median family income (MFI) in the assessment area increased 4.8 percent from 2010, which is comparable to the State of Wisconsin increase of 4.9 percent. Dodge County experienced the greatest increase in median family income of 7.1 percent while Green Lake County experienced a decrease of 1.9 percent. According to a community representative, Dodge County's MFI increase is attributed to an expansion in the John Deere Manufacturing Plant, which has higher paying wages than other businesses in the area. In addition, a representative from Green Lake County attributed the decrease in MFI to an elderly and retiring population.

Median Family Income Change 2006-2010 and 2011-2015			
Area	2006-2010 Median Family Income	2011-2015 Median Family Income	Percentage Change
Assessment Area	61,765	64,709	4.8
Dodge County	62,341	66,765	7.1
Green Lake County	61,232	60,068	-1.9
State of Wisconsin	64,869	68,064	4.9

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

Housing Characteristics

There are a total of 47,849 housing units in the assessment area. The majority of housing units are owner-occupied at 62.6 percent, while 23.7 are rental units. Further, 13.8 percent of housing units are vacant, which is comparable to the State of Wisconsin rate of vacancy at 13.0 percent.

The following table presents recent trends in housing costs within the assessment area and the State of Wisconsin. According to the 2011-2015 American Community Survey, the assessment area had a median housing value of \$150,662 and median gross rent value of \$735. Median housing values in the assessment area decreased 1.4 percent, while median gross rents increased 7.5 percent from 2010. Dodge County had a median housing value of \$153,100, a decrease of 1.8 percent and median gross rent value of \$761, an increase of 8.1 percent from 2010. Green Lake County had a median housing value of \$140,300, an increase of 2.0 percent and median gross rent value of \$615, an increase of 9.0 percent from 2010. During the same

period, the State of Wisconsin had a median housing value of \$165,800 and median gross rent value of \$776. The State of Wisconsin experienced a decrease in median housing value of 1.9 percent, and an increase in median gross rent of 8.8 percent from 2010.

According to a community representative, the increase in rent is attributed to the lack of apartment housing in the area. Three separate apartment fires within Dodge County directly impacted the amount of apartment units available for rent and increased rent prices. Representatives also mentioned the need for affordable housing options. Within Green Lake County, a community representative stated the demand for housing and increase in housing values is attributed to the individuals who purchase summer homes within the area.

Trends in Housing Costs 2006-2010 and 2011-2015				
Location	2006-2010 Median Housing Value	2011-2015 Median Housing Value	2006-2010 Median Gross Rent	2011-2015 Median Gross Rent
Assessment Area	152,872	150,662	684	735
Dodge County	155,900	153,100	704	761
Green Lake	137,500	140,300	564	615
State of Wisconsin	169,000	165,800	713	776

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

According to the Administrative Office of the U.S. Courts, in 2016, the bankruptcy filing rates in Dodge and Green Lake Counties and the State of Wisconsin were 2.8, 2.0 and 2.9 filings per 1,000 in population, respectively. Overall, personal bankruptcy filing rates have steadily decreased since 2013 for Dodge and Green Lake Counties and the State of Wisconsin, indicating the local and statewide economies have improved.

Personal Bankruptcy Filing Rate (per 1,000 population)				
Area	2013	2014	2015	2016
Dodge County	3.9	3.4	2.8	2.8
Green Lake County	3.2	2.9	2.3	2.0
State of Wisconsin	4.0	3.6	3.2	2.9

Source: 2015—Administrative Office of the U.S. Courts

Foreclosure Trends

The Federal Reserve Bank of Chicago conducted a study on the change in foreclosure inventory rates at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure and excludes properties that have completed the foreclosure cycle.

Foreclosure inventory rates in the state and assessment area have declined since the previous evaluation, indicating the housing crisis that affected much of the nation, including the assessment area, has abated. As of October 2016, the State of Wisconsin’s foreclosure inventory rate was 1.0 percent, comparable to the foreclosure inventory rates of Dodge and Green Lake Counties of 1.4 and 0.7 percent, respectively. The lower percentage of properties in the process of foreclosure indicates housing sector improvements within the assessment area and State of Wisconsin.

Employment Conditions

The following table presents the unemployment trends for Dodge County, Green Lake County, and the State of Wisconsin from 2013 to 2016. Both Dodge and Green Lake Counties saw declining unemployment rates from 2013 to 2016. This is aligned with unemployment trends in the State of Wisconsin. As of 2016, the unemployment rate for Dodge County and Green Lake County was 3.8 percent and 5.0 percent, respectively. Dodge County’s unemployment rate was slightly lower when compared to the State of Wisconsin at 4.1 percent, while Green Lake County’s unemployment rate was slightly higher when compared to the state. Historically, Green Lake County has consistently seen higher unemployment rates when compared to the State of Wisconsin.

A community representative stated that Green Lake County has higher unemployment when compared to the state and neighboring counties, due to less attractive job opportunities. Further, the small businesses in the county do not hire to the same degree as larger retail businesses, which makes them less attractive positions. In addition, the Berlin Foundry closed in 2015 and laid off nearly 100 workers and other local businesses are consolidating or closing and moving into neighboring counties.

A community representative stated that Dodge County has an abundance of employment opportunities; however challenges exist in finding qualified workers. John Deere Manufacturing Plant brought hundreds of jobs to the area contributing to a lower unemployment rate and continues to hire more employees to date. Additionally, the presence of Beaver Dam Hospital assists in decreased unemployment figures. Contacts expect unemployment to continue to decrease, primarily driven by the continued expansion of large employers in the area.

Unemployment Rates				
Region	2013	2014	2015	2016
Dodge County	7.2	5.6	4.4	3.8
Green Lake County	8.2	6.5	5.4	5.0
State of Wisconsin	6.7	5.5	4.6	4.1

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Industry Characteristics

The information presented below indicates Dodge and Green Lake Counties are heavily impacted by industries of manufacturers, government offices, and construction. Dun & Bradstreet 2017 data indicates that there were 3,015 businesses located in the assessment area, of which 86.7 percent were small businesses with gross revenue of \$1 million or less. Similarly, of the 416 farms located in the assessment area, 96.2 percent reported gross revenues of \$1 million or less.

The largest employer within the assessment area is John Deere Manufacturing Plant with 1,650 employees. A community representative noted that the John Deere Manufacturing Plant has continued to add positions and hire employees from the area. Aside from the employers listed, a community representative noted that Beaver Dam Hospital is also a large employer within Dodge County.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
John Deere-Manufacturing Plant	1,650	Garden & Lawn Equipment & Supls-Mfrs
Quad/Graphics Inc	1,500	Printers (Mfrs)
Dodge County Administration	900	Government Offices-County
Michels Corporation	760	Stone-Natural
Dodge Correctional Institution	700	Government Offices-State
Metalcraft Of Mayville Inc	610	Steel-Structural (Mfrs)
Mayville Engineering Company Inc	600	Metal Goods-Manufacturers
Care Wisconsin First Inc	600	State Gov't-Social/Human Resources
Watertown Regional Medical Center	597	Hospitals

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

Community Representatives

Information from two community organizations representing economic development and affordable housing were contacted to better understand the credit needs and local economic conditions of the assessment area. The representatives provided information on housing and economic development needs within Dodge and Green Lake Counties. Overall, the organizations continue to work with financial institutions to drive continued growth in the assessment area and surrounding communities. Nevertheless, contacts mentioned the area is in need of affordable housing units and less stringent lending criteria from local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA WISCONSIN

LENDING TEST

Geographic Distribution of Loans

The bank's home mortgage, small business, and small farm loans originated inside the assessment area from January 1, 2017 through December 31, 2017 were analyzed to determine the extent to which the bank is making loans in geographies of different income levels. Overall, Markesan State Bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The analysis takes into consideration the size and complexity of the bank and focuses on loan penetration in moderate-income census tracts as there are no low-income census tracts in the assessment area.

A gap analysis was completed as part of the evaluation. Markesan State Bank's Non-MSA assessment area consists of 26 census tracts; one moderate-, 22 middle-, and three upper-income census tracts. The gap analysis indicates that the bank made no loans within its single moderate-income census tract. However, as previously discussed lending opportunities are limited as only 2.6 percent of housing units are owner-occupied. Overall, the bank originated no loans within 14 of the 26 census tracts (53.8 percent) within this assessment area. Considering the evaluation period, and the bank's size and complexity, lending penetration throughout the assessment area is reasonable.

Unless otherwise stated, all comparisons in this section are made to the number of loans originated.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion among geographies of different income designations. During the evaluation period, the bank did not originate any loans within moderate-income census tracts. However, the bank's lending volume in moderate-income census tracts is comparable to the percentage of owner-occupied units in moderate-income census tracts at 2.6 percent. The majority of the bank's home mortgage loans were originated in middle-income census tracts at 94.6 percent, exceeding the percentage of owner-occupied units located in those geographies at 83.5 percent. Lastly, the bank originated 5.4 percent of its home mortgage loans in upper-income census tracts, below the percentage of owner-occupied units in those geographies at 13.8 percent.

The following table presents the bank’s geographic distribution of home mortgage loans in 2017.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: 2017 WI Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2017				
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	2.6
	Middle	35	94.6	3,568	96.7	83.5
	Upper	2	5.4	122	3.3	13.8
	Unknown	0	0.0	0	0.0	0.0
	Total		37	100.0	3,690	100.0
2017 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion among geographies of different income designations. During the evaluation period, the bank did not originate any small business loans within moderate-income census tracts. The bank’s lending volume in moderate-income census tracts is below the percentage of total businesses located in moderate-income census tracts at 4.3 percent. A large majority (87.8 percent) of the bank’s small business loans were originated in middle-income tracts, exceeding the percentage of total businesses located in those geographies at 81.6 percent. The bank originated 12.2 percent of its small business loans in upper-income census tracts, consistent with the percentage of total businesses located in those geographies at 14.2 percent.

The following table presents the bank’s geographic distribution of small business loans in 2017.

Geographic Distribution of Small Business Loans						
Assessment Area: 2017 WI Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2017 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	4.3
	Middle	43	87.8	2,041	78.6	81.6
	Upper	6	12.2	556	21.4	14.2
	Unknown	0	0.0	0	0.0	0.0
	Total	49	100.0	2,597	100.0	100.0

2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion among geographies of different income designations. During the evaluation period, the bank did not originate any small farm loans within moderate-income census tracts. The bank’s lending volume in moderate-income census tracts is consistent with the low percentage of total farms located in moderate-income census tracts (0.7 percent). A large majority (90.7 percent) of the bank’s small farm loans were originated in middle-income tracts, exceeding the percentage of total farms operating in those geographies at 80.8 percent. The bank originated 9.3 percent of its small farm loans in upper-income census tracts, below the percentage of total farms those geographies at 18.5 percent.

The following table presents the bank’s geographic distribution of small farm loans in 2017.

Geographic Distribution of Small Farm Loans						
Assessment Area: 2017 WI Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2017 Dollar Bank		Total Farms
		#	%	\$ 000s	\$ %	
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	0.7
	Middle	39	90.7	2,254	71.8	80.8
	Upper	4	9.3	884	28.2	18.5
	Unknown	0	0.0	0	0.0	0.0
	Total	43	100.0	3,138	100.0	100.0

2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

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

An analysis of loans was conducted to determine the level of lending to borrowers of different income levels and businesses and farms of different revenues. Overall, loan distribution reflects excellent penetration among individuals of different income levels, including low- and moderate-income and to businesses and farms of different sizes.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income. During the evaluation period, the bank originated 13.5 percent of its home mortgage loans to low-income borrowers, which was comparable to the percentage of low-income families in the assessment area at 14.9 percent. Amongst moderate-income borrowers, the bank originated 24.3 percent of its home mortgage loans, exceeding the percentage of moderate-income families within the assessment area at 19.0 percent. The bank also originated 24.3 percent of its home mortgage loans to middle-income borrowers, comparable to the percentage of middle-income families within the assessment area at 23.2 percent. Lastly, the bank originated 37.8 percent of its home mortgage loans to upper-income borrowers, slightly below the percentage of upper-income families within the assessment area at 42.9 percent.

The following table presents the bank's borrower distribution of home mortgage loans in 2017.

Borrower Distribution of Home Mortgage Loans						
Assessment Area: 2017 WI Non MSA						
	Borrower Income Levels	Bank & Demographic Comparison 2017				Families by Family Income %
		Count		Dollar		
		#	%	\$ (000s)	\$ %	
Totals	Low	5	13.5	263	7.1	14.9
	Moderate	9	24.3	487	13.2	19.0
	Middle	9	24.3	861	23.3	23.2
	Upper	14	37.8	2,080	56.4	42.9
	Unknown	0	0.0	0	0.0	0.0
	Total	37	100.0	3,691	100.0	100.0
2017 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. Overall, the bank originated 100.0 percent of its commercial loans to businesses with annual revenues equal to or less than \$1 million during the evaluation period. The bank's performance is above the percentage of small businesses operating in the assessment area at 86.7 percent. Of those small business loans, 85.7 percent were made in amounts of \$100,000 or less. These loans are considered to be most beneficial to small businesses, indicating the bank's willingness to meet the credit needs of small businesses.

The following table presents the borrower distribution of small business loans in 2017.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2017 WI Non MSA							
Product Type		Bank & Demographic Comparison					
		2017		2017		Total Businesses %	
Revenue		Count Bank		Dollar Bank			
		#	%	\$ 000s	%		
Small Business	Revenue	\$1 Million or Less	49	100.0	2,597	100.0	86.7
		Over \$1 Million or Unknown	0	0.0	0	0.0	13.3
		Total	49	100.0	2,597	100.0	100.0
	Loan Size	\$100,000 or Less	42	85.7	1,128	43.4	
		\$100,001 - \$250,000	5	10.2	763	29.4	
		\$250,001 - \$1 Million	2	4.1	706	27.2	
		Total	49	100.0	2,597	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	42	85.7	1,128	43.4	
		\$100,001 - \$250,000	5	10.2	763	29.4	
		\$250,001 - \$1 Million	2	4.1	706	27.2	
		Total	49	100.0	2,597	100.0	

Originations & Purchases
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Small Farm Loans

The distribution of small farms loans reflects excellent penetration among farms of different sizes. Overall, Markesan State Bank originated 100.0 percent of its agricultural loans to farms with revenues equal to or less than \$1 million during the evaluation period. The bank's performance is slightly above the percentage of small farms operating in the assessment area at 96.2 percent. Of those small farm loans, 79.1 percent were made in amounts of \$100,000 or less. These loans are considered to be most beneficial to small farms, indicating the bank's willingness to meet the credit needs of small farms.

The following table presents the borrower distribution of small farm loans in 2017.

Small Farm Lending By Revenue & Loan Size								
Assessment Area: 2017 WI Non MSA								
Product Type		Bank & Demographic Comparison						
		Count Bank		Dollar Bank		Total Farms		
		#	%	\$ 000s	\$ %	%		
Small Farm	Revenue	\$1 Million or Less	43	100.0	3,138	100.0	96.2	
		Over \$1 Million or Unknown	0	0.0	0	0.0	3.8	
		Total	43	100.0	3,138	100.0	100.0	
	Loan Size	\$100,000 or Less	34	79.1	1,109	35.3		
		\$100,001 - \$250,000	7	16.3	1,195	38.1		
		\$250,001 - \$500,000	2	4.7	834	26.6		
		Total	43	100.0	3,138	100.0		
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	34	79.1	1,109	35.3		
		\$100,001 - \$250,000	7	16.3	1,195	38.1		
		\$250,001 - \$500,000	2	4.7	834	26.6		
		Total	43	100.0	3,138	100.0		
	Originations & Purchases							
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

FOND DU LAC, WISCONSIN MSA #22540 – LIMITED REVIEW

SCOPE OF THE EXAMINATION

The scope is consistent with that presented in the overall section of the Performance Evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN FOND DU LAC, WISCONSIN MSA #22540

Markesan State Bank does not maintain operations in the Fond du Lac, Wisconsin Metropolitan Statistical Area (MSA) #22540 assessment area; however, the bank delineates a portion of Fond du Lac County which is part of the Fond du Lac, Wisconsin MSA #22540. The bank delineates five census tracts (0414.00, 0415.00, 0416.00, 0417.00, and 0418.00) within Fond du Lac County.

The Fond du Lac, Wisconsin MSA #22540 assessment area has remained unchanged since the previous evaluation. Further, census tract income designations within the assessment area have also remained unchanged from 2016 to 2017. The assessment area is comprised of five census tracts, all of which are designated as middle-income census tracts. The assessment area does not contain any low- or moderate-income census tracts.

Assessment Area: 2017 Fond Du Lac, WI MSA 22540								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	905	13.9
Moderate-income	0	0.0	0	0.0	0	0.0	1,059	16.2
Middle-income	5	100.0	6,522	100.0	284	4.4	1,835	28.1
Upper-income	0	0.0	0	0.0	0	0.0	2,723	41.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	5	100.0	6,522	100.0	284	4.4	6,522	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	9,889	7,169	100.0	72.5	2,070	20.9	650	6.6
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	9,889	7,169	100.0	72.5	2,070	20.9	650	6.6
	Total Businesses Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	663	100.0	575	100.0	76	100.0	12	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	663	100.0	575	100.0	76	100.0	12	100.0
	Percentage of Total Businesses:			86.7		11.5		1.8
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	121	100.0	118	100.0	3	100.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	121	100.0	118	100.0	3	100.0	0	0.0
	Percentage of Total Farms:			97.5		2.5		0.0

2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS

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

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FOND DU LAC, Wisconsin
 MSA #22540**

LENDING TEST

Markesan State Bank's lending performance in the assessment area is consistent with the bank's overall performance.

Geographic Distribution of Loans

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans						
Assessment Area: 2017 Fond Du Lac, WI MSA 22540						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2017				
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	0.0
Totals	Middle	5	100.0	290	100.0	100.0
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	5	100.0	290	100.0	100.0
	2017 FFIEC Census Data					
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

Geographic Distribution of Small Business Loans						
Assessment Area: 2017 Fond Du Lac, WI MSA 22540						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2017 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	0.0
	Middle	12	100.0	1,337	100.0	100.0
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	12	100.0	1,337	100.0	100.0
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Farm Loans

Geographic Distribution of Small Farm Loans						
Assessment Area: 2017 Fond Du Lac, WI MSA 22540						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2017 Dollar Bank		Total Farms
		#	%	\$ 000s	\$ %	%
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	0.0
	Middle	17	100.0	1,156	100.0	100.0
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	17	100.0	1,156	100.0	100.0
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

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

Home Mortgage Loans

Borrower Distribution of Home Mortgage Loans						
Assessment Area: 2017 Fond Du Lac, WI MSA 22540						
	Borrower Income Levels	Bank & Demographic Comparison				Families by Family Income
		2017				
		Count		Dollar		
		#	%	\$ (000s)	\$ %	%
Totals	Low	3	60.0	194	66.9	13.9
	Moderate	1	20.0	30	10.3	16.2
	Middle	1	20.0	66	22.8	28.1
	Upper	0	0.0	0	0.0	41.8
	Unknown	0	0.0	0	0.0	0.0
	Total		5	100.0	290	100.0
2017 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2017 Fond Du Lac, WI MSA 22540							
Product Type		Bank & Demographic Comparison					
		2017					
		Count Bank		Dollar Bank		Total Businesses	
		#	%	\$ 000s	\$ %	%	
Revenue	\$1 Million or Less	12	100.0	1,336	99.9	86.7	
	Over \$1 Million or Unknown	0	0.0	1	0.1	13.3	
	Total	12	100.0	1,337	100.0	100.0	
Small Business Loan Size	\$100,000 or Less	8	66.7	230	17.2		
	\$100,001 - \$250,000	3	25.0	414	31.0		
	\$250,001 - \$1 Million	1	8.3	692	51.8		
	Total	12	100.0	1,336	100.0		
Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	8	66.7	230	17.2		
	\$100,001 - \$250,000	3	25.0	414	31.0		
	\$250,001 - \$1 Million	1	8.3	692	51.8		
	Total	12	100.0	1,336	100.0		
Originations & Purchases							
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Small Farm Loans

Small Farm Lending By Revenue & Loan Size						
Assessment Area: 2017 Fond Du Lac, WI MSA 22540						
Product Type		Bank & Demographic Comparison				
		Count		2017		Total Farms
		Bank		Dollar	Bank	
#	%	\$ 000s	%	%		
Revenue	\$1 Million or Less	17	100.0	1,157	100.1	97.5
	Over \$1 Million or Unknown	0	0.0	-1	-0.1	2.5
	Total	17	100.0	1,156	100.0	100.0
Small Farm Loan Size	\$100,000 or Less	14	82.4	355	30.7	
	\$100,001 - \$250,000	1	5.9	150	13.0	
	\$250,001 - \$500,000	2	11.8	652	56.4	
	Total	17	100.0	1,157	100.0	
Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	14	82.4	355	30.7	
	\$100,001 - \$250,000	1	5.9	150	13.0	
	\$250,001 - \$500,000	2	11.8	652	56.4	
	Total	17	100.0	1,157	100.0	

Originations & Purchases
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

MADISON, WISCONSIN MSA #31540 – LIMITED REVIEW

SCOPE OF THE EXAMINATION

The scope is consistent with that presented in the overall section of the Performance Evaluation.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MADISON, WISCONSIN MSA #31540

Markesan State Bank does not maintain operations in the Madison, Wisconsin Metropolitan Statistical Area (MSA) #31540 assessment area; however, the bank delineates a portion of Columbia County which is part of the Madison, Wisconsin MSA #31540. The bank delineates five census tracts (9701.00, 9702.00, 9710.00, 9711.00, and 9712.00) within Columbia County.

The Madison, Wisconsin MSA #31540 assessment area has remained unchanged since the previous evaluation. However, census tract income designations within the assessment area have changed from 2016 to 2017. The assessment area is comprised of five census tracts, all of which are designated as middle-income census tracts. The assessment area does not contain any low- or moderate-income census tracts.

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 2016 and 2017. Lending activity performed in 2017 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2016 Designations (#)	2017 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	1	0	-1
Middle	4	5	1
Upper	0	0	0
Total	5	5	0

*Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010
 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015*

Assessment Area: 2017 Madison, WI MSA 31540									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	1,277	20.4	
Moderate-income	0	0.0	0	0.0	0	0.0	1,458	23.2	
Middle-income	5	100.0	6,271	100.0	423	6.7	1,750	27.9	
Upper-income	0	0.0	0	0.0	0	0.0	1,786	28.5	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	5	100.0	6,271	100.0	423	6.7	6,271	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0	
Middle-income	9,948	6,805	100.0	68.4	2,165	21.8	978	9.8	
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	9,948	6,805	100.0	68.4	2,165	21.8	978	9.8	
	Total Businesses Tract		Businesses by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	645	100.0	565	100.0	67	100.0	13	100.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	645	100.0	565	100.0	67	100.0	13	100.0	
	Percentage of Total Businesses:			87.6		10.4		2.0	
	Total Farms by Tract		Farms by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	137	100.0	136	100.0	1	100.0	0	0.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	137	100.0	136	100.0	1	100.0	0	0.0	
	Percentage of Total Farms:			99.3		0.7		0.0	
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MADISON, WISCONSIN
 MSA #31540**

LENDING TEST

Markesan State Bank's lending performance in the assessment area is consistent with the bank's overall performance.

Geographic Distribution of Loans

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans						
Assessment Area: 2017 Madison, WI MSA 31540						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2017				
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	0.0
	Middle	3	100.0	312	100.0	100.0
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	3	100.0	312	100.0	100.0
2017 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

Geographic Distribution of Small Business Loans						
Assessment Area: 2017 Madison, WI MSA 31540						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2017 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	0.0
	Middle	1	100.0	9	100.0	100.0
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	1	100.0	9	100.0	100.0

2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Small Farm Loans

Geographic Distribution of Small Farm Loans						
Assessment Area: 2017 Madison, WI MSA 31540						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2017 Dollar Bank		Total Farms
		#	%	\$ 000s	\$ %	%
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	0.0
	Middle	12	100.0	961	100.0	100.0
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	12	100.0	961	100.0	100.0

2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

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

Home Mortgage Loans

Borrower Distribution of Home Mortgage Loans						
Assessment Area: 2017 Madison, WI MSA 31540						
	Borrower Income Levels	Bank & Demographic Comparison 2017				Families by Family Income %
		Count		Dollar		
		#	%	\$ (000s)	\$ %	
Totals	Low	1	33.3	105	33.7	20.4
	Moderate	0	0.0	0	0.0	23.2
	Middle	1	33.3	180	57.7	27.9
	Upper	1	33.3	27	8.7	28.5
	Unknown	0	0.0	0	0.0	0.0
	Total	3	100.0	312	100.0	100.0
2017 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2017 Madison, WI MSA 31540							
Product Type		Bank & Demographic Comparison 2017					
		Count Bank		Dollar Bank		Total Businesses %	
		#	%	\$ 000s	\$ %		
Small Business	Revenue	\$1 Million or Less	1	100.0	9	100.0	87.6
		Over \$1 Million or Unknown	0	0.0	0	0.0	12.4
		Total	1	100.0	9	100.0	100.0
	Loan Size	\$100,000 or Less	1	100.0	9	100.0	
		\$100,001 - \$250,000	0	0.0	0	0.0	
		\$250,001 - \$1 Million	0	0.0	0	0.0	
		Total	1	100.0	9	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	1	100.0	9	100.0	
		\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$1 Million		0	0.0	0	0.0		
Total		1	100.0	9	100.0		
Originations & Purchases							
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

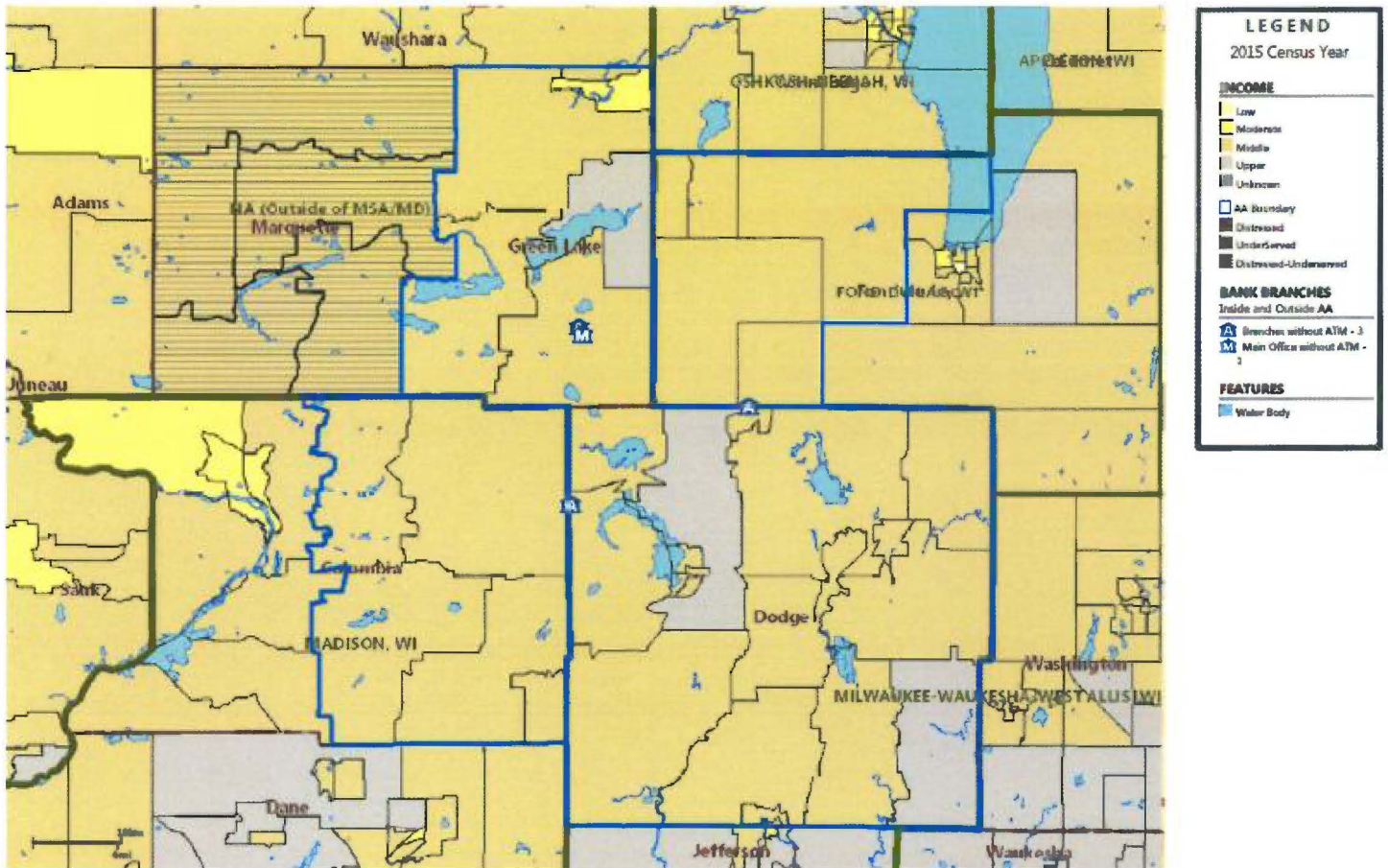
Small Farm Loans

Small Farm Lending By Revenue & Loan Size								
Assessment Area: 2017 Madison, WI MSA 31540								
Product Type		Bank & Demographic Comparison						
		2017		2017		Total Farms		
		Count Bank		Dollar Bank				
		#	%	\$ 000s	\$ %	%		
Small Farm	Revenue	\$1 Million or Less	12	100.0	961	100.0	99.3	
		Over \$1 Million or Unknown	0	0.0	0	0.0	0.7	
		Total	12	100.0	961	100.0	100.0	
	Loan Size	\$100,000 or Less	10	83.3	369	38.4		
		\$100,001 - \$250,000	1	8.3	217	22.6		
		\$250,001 - \$500,000	1	8.3	375	39.0		
		Total	12	100.0	961	100.0		
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	10	83.3	369	38.4		
		\$100,001 - \$250,000	1	8.3	217	22.6		
		\$250,001 - \$500,000	1	8.3	375	39.0		
		Total	12	100.0	961	100.0		

Originations & Purchases
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

APPENDIX A – Maps of Assessment Area

Markesan State Bank 489641 Combined AA



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Home mortgage, small business, and small farm loans originated from January 1, 2017 through December 31, 2017.		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Markesan State Bank			Home Mortgage Small Business Loans Small Farm Loans
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
Non-MSA Wisconsin	Full Review	N/A	N/A
Fond du Lac, Wisconsin MSA #22540	Limited Review	N/A	N/A
Madison, Wisconsin MSA #31540	Limited Review	N/A	N/A

APPENDIX C – Glossary

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

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

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

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

Area Median Income (AMI): AMI means –

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

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

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

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

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

228.11(c)(2).

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

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

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

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

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

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

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

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

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

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

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

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

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

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th

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

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

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

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

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

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

Income Level: Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;
- 3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median

income, or a median family income that is at least 120 percent in the case of a census tract.

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

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

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

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

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

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

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

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or

more bordering states is called a multistate metropolitan statistical area.

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

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

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

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

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

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

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

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

Small Farm 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).