



PUBLIC DISCLOSURE

Date of Evaluation: NOVEMBER 5, 2018

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Name of Depository Institution: MERCHANTS BANK OF BANGOR

Institution's Identification Number: 935111

Address: 25 BROADWAY

BANGOR, PENNSYLVANIA

**FEDERAL RESERVE BANK OF PHILADELPHIA
TEN INDEPENDENCE MALL
PHILADELPHIA, PENNSYLVANIA 19106**

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

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INSTITUTION'S CRA RATING

This institution is rated outstanding. The lending test is rated satisfactory, and the community development test is rated outstanding.

Major factors contributing to this rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the bank's assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes, given the demographics of the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area.
- The bank's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities in the bank's assessment area.

SCOPE OF EXAMINATION

The performance of Merchants Bank of Bangor (Merchants Bank) under the Community Reinvestment Act (CRA) was evaluated using the Interagency Intermediate Small Institution Examination Procedures adopted by the Board of Governors of the Federal Reserve System. Performance for intermediate small banks is evaluated under two tests that consider the bank's lending and community development activities. This review evaluates the bank's performance in its single assessment area from September 10, 2013 through November 5, 2018, using full-scope examination procedures.

The lending test includes an analysis of:

- The loan-to-deposit ratio;
- The volume of loans extended inside and outside the bank's assessment area;
- The extent of lending to borrowers of different income levels, including low- and moderate-income borrowers, and businesses of different sizes, including small businesses;
- The geographic distribution of lending within the assessment area, including low- and moderate-income census tracts; and
- The bank's response to CRA-related complaints.

Under the lending test, the loan products evaluated consisted of:

- Home-purchase, home-improvement, and multi family loans and the refinancing of such loans, collectively titled Home Mortgage Disclosure Act (HMDA) loans, originated in calendar years 2013-2017; and
- A sample of 60 small business loans originated by the bank during calendar year 2017.

Loan products were weighted according to loan volume. Due to the volume by number and by dollar amount, HMDA loans were given more weight in determining the bank's overall CRA performance. As of June 30, 2018 HMDA loans comprised 51% of the bank's loan portfolio by dollar volume. Commercial loans, which comprised 36% of the bank's loan portfolio by dollar volume, were given less weight in determining overall CRA performance. Finally, the consumer loan portfolio was not considered in the evaluation, as it comprised less than 2% of the bank's loan portfolio.

Merchants Bank is a HMDA reporter, and therefore the bank's HMDA performance was compared to the aggregate of all lenders in the bank's assessment area reporting loans pursuant to HMDA. At the time of the evaluation, aggregate HMDA data was available for comparison in all years included in this evaluation.

For purposes of evaluating the geographic distribution of loans, census tracts were classified on the basis of 2010 Census data for years 2013 through 2016, and on the basis of 2015 American Community Survey (ACS) data for 2017¹. The distribution of HMDA loans to borrowers of different income levels was analyzed based upon annually-adjusted Department of Housing and Urban Development (HUD) median family income data for each year, made available by the Federal Financial Institutions Examination Council (FFIEC). All other demographic indices and statistics presented throughout this evaluation are based on 2010 Census data for years 2013, 2014, 2015, and 2016, and 2015 ACS data for 2017, unless otherwise noted.

Merchants Bank does not report small business loans for purposes of the CRA, and therefore the analysis of the bank's small business lending is based on a statistical sample of 60 commercial loans originated in calendar year 2017. For small business loans, examiners compared the bank's lending to Dun & Bradstreet data. Dun & Bradstreet collects and publishes data detailing the revenues and locations of local businesses. Because Merchants Bank is not a small business reporter, it is not included in the ranking of aggregate lenders who report such loans in the Allentown-Bethlehem-Easton, PA Metropolitan Statistical Area (MSA). Consequently, the bank's performance was not directly compared to the lending of aggregate small business lenders. Conversely, aggregate lending was considered for contextual purposes only.

¹ According to Federal Financial Institutions Examination Council policy, 2015 ACS data is used to analyze 2017 lending data, while previous years use 2010 Census data for comparison.

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The community development test includes an analysis of:

- The number and amount of community development loans;
- The number and amount of qualified investments;
- The extent to which the bank provides community development services; and
- The bank’s responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services.

Under the community development test, the bank’s level of community development loans, qualified investments, and community development services were reviewed for the entire evaluation period, from September 10, 2013 through November 5, 2018. Merchants Bank’s level of community development activities was considered in the context of local needs and opportunities, as well as the bank’s capacity to participate in such activities.

DESCRIPTION OF INSTITUTION

Merchants Bank was rated outstanding at its previous CRA evaluation dated September 9, 2013, also using the Interagency Intermediate Small Institution Examination Procedures.

Merchants Bank, headquartered in Bangor, Northampton County, Pennsylvania, is a state chartered, full-service commercial bank, and a wholly-owned subsidiary of MNB Corporation. The bank offers both consumer and commercial banking products and services to its customers through nine full-service branches, all located in Northampton County. Three branches are located in moderate-income tracts (two in Bangor and one in Bethlehem), while five branches are located in middle-income tracts, including locations in Mt. Bethel, Wind Gap, Martins Creek, Nazareth, and Easton. The ninth branch is located in an upper-income tract in Easton.

The bank has experienced asset growth since its last CRA evaluation dated September 9, 2013. Bank assets have grown 26%, from \$316 million as of June 30, 2013, to \$397 million as of June 30, 2018. During the same period, loans have grown from \$182 million as of June 30, 2013 to \$238 million as of June 30, 2018.

The bank’s loan portfolio as of June 30, 2018 is presented in the following table:

LOANS as of 06/30/2018	\$000	%
Construction & Land Development	12,676	5.3
Secured by Farmland	2,241	0.9
Secured by Residential Properties (Open-end)	8,444	3.5
Secured by Residential Properties (Closed-end)	89,290	37.5
Multifamily Residential Properties	22,840	9.6
Commercial Mortgages	70,431	29.6
Loans to Finance Agricultural Production and Other Loans to Farmers	0	0.0
Commercial and Industrial Loans	13,975	5.9
Consumer Loans	3,530	1.5
Obligations of States and Political Subdivisions	14,587	6.1
Other Loans and Leases	28	<.1
TOTAL	\$238,042	100.0%

Source: June 30, 2018 Consolidated Reports of Condition and Income, Schedule RC-C.

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As seen in the table on the preceding page, and mentioned previously, on a dollar volume basis, loans secured by residential mortgages, which include open-end, closed-end, and multifamily properties, were the most significant credit product offered by the bank and comprised 51% of the loan portfolio. Commercial loans, which include commercial mortgages and commercial and industrial loans, were also a significant credit product, comprising 36% of the bank's loan portfolio.

Schedule RC-C, Part II (Loans to Small Businesses and Small Farms) of the Call Report as of June 30, 2018 indicated that 61% of Merchants Bank's commercial loans were designated as small business loans, as detailed in the following table.

Merchants Bank of Bangor Commercial Loan Portfolio		
	Amount Outstanding as of 06/30/2018 (\$000)	Percent
Loans with original amounts of \$100,000 or less	5,884	7.0%
Loans with original amounts of more than \$100,000 through \$250,000	13,945	16.5%
Loans with original amounts of more than \$250,000 through \$1,000,000	31,910	37.8%
TOTAL SMALL BUSINESS LOANS	51,739	61.3%
Loans with original amounts of more than \$1,000,000	32,667	38.7%
TOTAL COMMERCIAL LOANS	\$84,406	100.0%

The bank's asset size and financial condition indicate that it has the ability to effectively meet the credit needs of the assessment area. There are no legal or other impediments that would hamper the bank's ability to meet community credit needs.

DESCRIPTION OF ASSESSMENT AREA

For purposes of the CRA, Merchants Bank has designated its assessment area to include the entirety of Northampton County, Pennsylvania, and 31 census tracts in Lehigh County, Pennsylvania. It is noted that the 31 census tracts in Lehigh County were added to the assessment area since the previous CRA evaluation, and these new tracts are located within the Lehigh County portion of the city of Bethlehem, as well as in the city of Allentown. The bank's assessment area is part of the Allentown-Bethlehem-Easton MSA, which comprises Northampton, Lehigh, and Carbon Counties in Pennsylvania, and Warren County in New Jersey. The bank's assessment area complies with the requirements of the CRA and does not arbitrarily exclude low- or moderate-income census tracts.

Examiners analyzed the demographic characteristics of the assessment area as one way to measure loan demand. Further, bank management provided information regarding the bank's lending activities, credit demand, and competition. This demographic information should not be construed as defining an expected level of lending for a particular loan product, group of borrowers, or geography. Rather, the demographic data provides context for the bank's performance in the assessment area where it operates.

To supplement economic, demographic, and performance data, and to gain a better perspective on credit and community development needs in the assessment area, interviews were conducted with three community representatives that serve the bank's assessment area. More specifically, discussions were held with a local housing agency, an economic development organization, and a local government agency.

Community representatives identified a need for affordable housing for both renters and first-time homebuyers due to the costs associated with rehabilitating the aging housing stock in the area. Further, funding for community development projects were cited as a need for the area. Particularly, revitalization projects for public spaces, including those located in low- and moderate-income neighborhoods, and on the grounds of abandoned textile factories throughout the assessment area were mentioned as current projects. According to contacts, factories in the area have been completely renovated to provide mixed-income housing, along with commercial and retail spaces, and these projects have been successful from both housing and economic development perspectives. Finally, one contact indicated that financial literacy training goes hand-in-hand with successful homeownership, and is a need in the assessment area.

2010 Census Data

According to 2010 Census data, the assessment area consisted of 99 census tracts: 16% (16 tracts) were designated as low-income, 24% (24 tracts) were moderate-income, 40% (40 tracts) were middle-income, and 19% (19 tracts) were upper-income. Of the 16 low-income census tracts in the assessment area, four were located in the city of Bethlehem. The remaining 12 low-income census tracts were located in the city of Allentown. Of the 24 moderate-income census tracts, nine were located in the city of Allentown, six were in Easton, and five were in Bethlehem. The remaining four were in the boroughs of Wilson, Bath, Walnutport, and Pen Argyl. Thirty-eight percent of the assessment area's population resided within these low- and moderate-income census tracts.

2015 ACS Data

According to 2015 ACS data, the assessment area consisted of 99 census tracts: 15% (15 tracts) were designated low-income, 26% (26 tracts) were moderate-income, 40% (40 tracts) were middle-income, and 18% (18 tracts) were upper-income. Of the 15 low-income census tracts, 11 were located in the city of Allentown, three in the city of Bethlehem, and one in the city of Easton. Of the 26 moderate-income census tracts, 11 were located in the city of Allentown, seven in the city of Bethlehem, and three in the city of Easton. The remaining five were in the boroughs of Bath, West Easton, Wilson, Pen Argyl, and Bangor. Forty-one percent of the assessment area's population resided within these low- and moderate-income census tracts.

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Merchants Bank's CRA performance was evaluated in terms of the demographic and business context in which the bank operates. According to the Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report, as of June 30, 2018², there were 32 depository institutions operating in the Allentown-Bethlehem-Easton, PA MSA. As a whole, these institutions maintained an aggregate of 258 branches, holding \$16.9 billion in deposits within the MSA. Merchants Bank ranked 11th among these institutions and held \$336 million in deposits (2% of the deposit market). Wells Fargo Bank, N.A. had the largest share of deposits with 20% of the market share. Branch Banking and Trust Company ranked second with nearly 13%, followed by PNC Bank, N.A. (11%).

As noted previously, Merchants Bank's home-mortgage lending was compared to the aggregate of all lenders in the market that report real estate loans pursuant to HMDA. Annual data below provides information on the relative market share for HMDA loans in the bank's assessment area.

According to 2013 aggregate data, 14,283 home-mortgage loans were originated or purchased by 357 institutions operating in the assessment area. Wells Fargo Bank, N.A. ranked first among these institutions with 2,677 (18%) of all originations or purchases in the area, followed by JP Morgan Chase Bank, N.A. (8%), and Bank of America, N.A. (5%). Merchants Bank ranked 17th, with 184 (2%) of all loans reported.

Aggregate data for 2014 included 9,466 home-mortgage loan originations or purchases by 352 institutions operating in the assessment area. Wells Fargo Bank, N.A. continued to rank first with 1,410 originations or purchases (15%), followed by JP Morgan Chase Bank, N.A. (nearly 5%), and Quicken Loans, Inc. (nearly 4%). Merchants Bank ranked 19th with 118 loans (1%).

In 2015, aggregate HMDA lenders reported 10,571 home-mortgage originations or purchases by 342 institutions. Again, Wells Fargo Bank, N.A. ranked first with 1,477 originations or purchases (14%), followed by Quicken Loans, Inc. and JP Morgan Chase Bank, N.A., both with just under 4% of the deposit market share. Merchants Bank ranking 22nd with 115 loans (1%).

Aggregate data from 2016 included 11,664 home-mortgage loans originated or purchased by 368 institutions. Wells Fargo Bank, N.A. ranked first with 1,468 loans (13%), followed by Quicken Loans, Inc. and American Neighborhood Mortgage, both with approximately 4% of the market. Merchants Bank ranked 25th with 111 loans (1%).

Finally, in 2017, aggregate lenders reported 11,385 home-mortgage loan originations and purchases, made by 382 institutions. As in other years, Wells Fargo Bank, N.A. ranked first with 1,236 loans (11%), followed by American Neighborhood Mortgage, and PennyMac Loan Servicing, LLC, both with 4% of the market. Merchants Bank ranked 25th, with 112 loans (1%).

² June 30, 2018 is the most recent date for which FDIC deposit data is available.

As previously mentioned, Merchants Bank does not report small business loans for purposes of the CRA, and is therefore not included in the ranking of small business lenders operating in the assessment area. However, small business market share information is provided for 2017, for contextual purposes only. According to 2017 aggregate CRA loan data, there were a total of 97 small business loan reporters in the assessment area. These 97 reporters collectively originated 7,806 small business loans. American Express Bank, FSB ranked first with 1,450 originations or purchases, resulting in a 19% share of the market. PNC Bank, N.A. ranked second with 11% of the small business market, followed by Wells Fargo Bank, N.A. with 8% market share. The highest ranking local bank was Embassy Bank for the Lehigh Valley, ranking 13th with 157 small business loans, amounting to a 2% share of the market.

Since CRA small business loan reporting includes small business loans issued under corporate credit card arrangements, the reporters with the highest rankings include national originators, such as those noted above, as well as institutions like Capital One Bank USA, N.A., Citibank N.A., and Bank of America, N.A. Together, these six institutions originated or purchased 4,535 (58%) of all small business loans reported in the assessment area in 2017.

ECONOMIC CHARACTERISTICS

Located in eastern Pennsylvania, the Allentown-Bethlehem-Easton MSA is situated between the larger Philadelphia and New York City metropolitan areas. As of the 2010 Census, the MSA had a population of 821,173, making it the third largest metropolitan area in Pennsylvania. As of the 2015 ACS update, the population grew to 828,232. The MSA itself is part of the larger New York-Newark, NY-NJ-CT-PA Combined Statistical Area, which contained approximately 22 million people as of the 2010 Census.

According to the October 2018 Moody's Analytics Precis Report, the Allentown-Bethlehem-Easton MSA is experiencing economic expansion. Wage growth was reported in top area industries including healthcare and professional and business services. While the transportation/warehousing industry experienced lower wage growth than other industries, the industry accounts for a major portion of the rise in employment in the area. Moody's speculates job growth in this industry is expected to slow, but growing consumer preferences toward e-commerce increases the demand for such logistics operations. Investments by FedEx, Amazon, and clothing retailer Stitch Fix have solidified the area's status as a logistics hub. According to the report, healthcare will take over as the driver of the MSA's expansion, as this sector is performing better than previously estimated. The high and rising senior population in the area contributes to the industry's growth, and it is expected that one-quarter of net new jobs created in the MSA over the next five years will be in the healthcare industry.

Strengths of the local economy include below-average employment volatility, investment and hiring spurred by downtown revitalization throughout the three primary cities in the assessment area, and the close proximity to both the New York City and Philadelphia markets, which are higher-cost. However, weaknesses include aging infrastructure that is increasingly strained by the growing logistics industry, weak local government finances, weak migration patterns, and an aging population which will lead to increased healthcare demands.

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Top industries in the MSA include education and health services (20% of employment), professional and business services (13%), and retail trade and government, both accounting for just under 11% of employment.

The area’s largest employers include Lehigh Valley Health Network, St. Luke’s University Health Network, Air Products and Chemicals, and Sands Bethworks Gaming, LLC. The area is also home to many colleges, universities and technical schools. Northampton County is home to Lafayette College, Lehigh University, Moravian College, Northampton County Community College, and Respect Graduate School. Lehigh County is home to Cedar Crest College, DeSales University, Lehigh-Carbon County Community College, Lehigh Valley College, McCann School of Business & Technology, Muhlenberg College, Penn State Lehigh Valley, and Triangle Tech.

Data in the table below indicates that unemployment levels have been on a downward trend, and are generally correlated with statewide rates, though slightly higher than national rates.

Merchants Bank of Bangor Unemployment Rates					
Geographical Area	Annual 2013	Annual 2014	Annual 2015	Annual 2016	Annual 2017
Lehigh County	7.8%	6.1%	5.3%	5.3%	5.0%
Northampton County	7.4%	5.9%	5.3%	5.2%	4.9%
Allentown-Bethlehem-Easton, PA MSA	7.8%	6.1%	5.4%	5.2%	4.9%
Pennsylvania	7.4%	5.9%	5.3%	5.4%	4.9%
United States	7.4%	6.2%	5.3%	4.9%	4.4%

Unemployment data is from the Bureau of Labor Statistics. Rates are not seasonally adjusted.

HOUSING

2010 Census Data

According to 2010 Census data, the bank’s assessment area contained 175,982 housing units, of which 63% were owner-occupied, 30% were rental, and 7% were vacant. The overall owner-occupancy rate in the assessment area was on par with that in the Commonwealth of Pennsylvania (both just above 63%). Census data for 2010 shows that 74% of the housing units in the bank’s assessment area were single family units, 11% were two-to-four family units, 12% were multifamily units, and less than 2% were mobile homes.

The amount of owner-occupied housing units located within designated census tracts is used as a proxy to estimate demand for home-mortgage credit within such tracts. Owner-occupied units in low-income tracts represented 32% of total housing units in these tracts. In moderate-income tracts, owner-occupied units represented 47% of total housing units. Owner-occupancy in low- and moderate-income census tracts fell significantly below the percentage of owner-occupied units in middle-income (73%) and upper-income census tracts (84%).

The median age of housing stock in the assessment area was 53 years, compared to 50 years for the state. Of note, the age of the housing stock was appreciably higher in low- and moderate-income census tracts (61 years), as compared to the age of housing stock in middle- and upper-income tracts (52 and 28 years, respectively). The age of the assessment area's housing stock indicates a need for rehabilitation, which was also noted by community contacts.

The median housing value in the assessment area was \$198,820, which is higher than the state median housing value of \$159,300. Further, there is a significant disparity between the median housing value in low-income geographies (\$110,927) and moderate-income geographies (\$137,394), compared to values in middle-income (\$198,811) and upper-income census geographies (\$289,032).

Median gross rents in the assessment area are lower than in the MSA, but higher than in the Commonwealth overall. According to 2010 Census data, the median gross rent (rent plus utilities) for the assessment area was \$810, compared to the MSA, at \$828 per month, and the state, at \$739 per month. A majority of renters in the assessment area (50%) pay more than 30% of their monthly income on rent. This compares slightly unfavorably to the same measure in the MSA (48%) and in the state overall (44%). Higher rents are a burden, particularly to low- and moderate-income renters in the assessment area, effectively diminishing their ability to save for a down payment on a home.

Community contacts stated the development of the warehousing industry in the area has not significantly increased wages in the area, and affordable housing is located far away from job sites. Further, increased development of market-rate apartments was cited as a contributing factor to the increase in gross rental prices, and the struggle for low- and moderate-income residents to find affordable housing. Finally, community interviews noted that the aging housing stock in the area does not incentivize investment by individuals looking to purchase their first home. Of particular concern was existing single family homes in center city Allentown, which community contacts stated were not desirable to homeowners in general, as they are typically smaller in size with alleyway access, leaving little yard space or space between buildings.

2015 ACS Data

According to 2015 ACS data, the bank's assessment area contained 175,970 housing units, of which 59% were owner-occupied, 33% were rental, and 8% were vacant. The overall owner-occupancy rate in the assessment area (59%) dropped slightly below the same measure for the Commonwealth (61%). 2015 ACS data shows that 73% of the housing units in the bank's assessment area were single family units, 12% were two-to-four family units, 13% were multifamily units, and 2% were mobile homes.

As explained previously, the amount of owner-occupied housing units within designated census tracts is used as a proxy to estimate demand for home-mortgage credit within such tracts. Owner-occupied units represented 25% of total housing units in low-income tracts, and 45% in moderate-income tracts. Both measures remained well below the percentage of owner-occupied units in middle-income (69%) and upper-income tracts (82%).

The median age of housing stock in the assessment area was 61 years, compared to 54 years for the state. The age of the assessment area's housing stock continues to indicate a need for rehabilitation.

Using 2015 ACS data, the median housing value in the assessment area dropped to \$184,503, though it remained higher than the state median housing value of \$166,000. As with 2010 Census data, there is a significant disparity between the median housing value in low-income geographies (\$94,587) and moderate-income geographies (\$130,906), compared to values in middle-income (\$190,913) and upper-income geographies (\$256,723).

Finally, median rent in the bank's assessment area increased to \$923, with nearly 54% of renters paying more than 30% of their income on rent. Again, the assessment area's rental costs are significantly greater than in the Commonwealth overall, where rent was \$840, with 46% of renters paying more than 30% of their income on rent.

BORROWER INCOME DATA

2010 Census Data

The percentage of low- and moderate-income families is used as a proxy to estimate demand for the home-mortgage lending in the assessment area. According to 2010 Census data, of the 109,912 families in the assessment area, 24% were designated as low-income, 19% were designated as moderate-income, 22% were middle-income, and the remaining 35% were upper-income. Families living below the poverty level represented 10% of families in the assessment area, which was slightly higher than the statewide level (9%).

2015 ACS Data

According to 2015 ACS data, of the 109,480 families in the assessment area, 25% of families were low-income, 18% were moderate-income, 21% were middle-income, and 36% were upper-income. Finally, nearly 11% of families lived below the poverty level, compared to a statewide level of 9%.

For purposes of evaluating the distribution of loans to borrowers of different income levels, incomes were classified based upon HUD's annually-adjusted median family income data made available by the FFIEC.

The assessment area's HUD-adjusted median family incomes for the years 2013 through 2017 are listed in the table on the following page, along with the dollar amounts recognized as low-, moderate-, middle-, and upper-income.

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Merchants Bank of Bangor Adjusted Median Family Income					
Year	HUD-Adjusted Median Family Income	Low Income (<50%)	Moderate Income (50%-less than 80%)	Middle Income (80%-less than 120%)	Upper Income (120% or Greater)
2013	\$71,400	Less than \$35,700	\$35,700 - \$57,119	\$57,120 - \$85,679	\$85,680 or more
2014	\$68,800	Less than \$34,400	\$34,400 - \$55,039	\$55,040 - \$82,559	\$82,560 or more
2015	\$71,200	Less than \$35,600	\$35,600 - \$56,959	\$56,960 - \$85,439	\$85,440 or more
2016	\$70,900	Less than \$35,450	\$35,450 - \$56,719	\$56,720 - \$85,079	\$85,080 or more
2017	\$75,200	Less than \$37,600	\$37,600 - \$60,159	\$60,160 - \$90,239	\$90,240 or more

GEOGRAPHIC BUSINESS DATA

2010 Census Data

The percentage of businesses located within designated census tracts is used as a proxy to estimate demand for business credit within such census tracts. According to Dun & Bradstreet, in 2013, there were 18,452 businesses located in the bank’s assessment area. Of these, 11% of businesses were located in low-income census tracts, 23% were located in moderate-income tracts, 41% were located in middle-income tracts, and 24% were located in upper-income tracts. Business demographics also revealed that of the 18,452 businesses, 89% were small businesses with gross annual revenues of \$1 million or less.

Both upward and downward fluctuations occurred with regard to the number of small businesses in the assessment area between 2014 and 2016, while geographic distribution remained largely constant.

2015 ACS Data

ACS data reflected a dramatic drop in the number of businesses in the assessment area in 2017 (15,853 businesses). Of these, 10% of businesses were located in low-income census tracts, 24% were located in moderate-income tracts, 41% were located in middle-income tracts, and 25% were located in upper-income tracts. Business demographics also revealed that of the 15,853 businesses, 90% were small businesses with gross annual revenues of \$1 million or less.

The demographics used to assess the performance context in which Merchants Bank operated are detailed in the tables on the following pages. As mentioned previously, 2010 Census data is used to compare the bank’s lending for years 2013 through 2016, and 2015 ACS data is used to compare the bank’s 2017 lending.

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Merchants Bank of Bangor Assessment Area Demographics 2013								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	16	16.2	14,207	12.9	4,677	32.9	26,508	24.1
Moderate-income	24	24.2	23,637	21.5	4,060	17.2	21,140	19.2
Middle-income	40	40.4	45,257	41.2	1,725	3.8	23,649	21.5
Upper-income	19	19.2	26,811	24.4	489	1.8	38,615	35.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	99	100.0	109,912	100.0	10,951	10.0	109,912	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
	#	#	%	%	#	%	#	%
Low-income	24,981	7,998	7.2	32.0	14,309	57.3	2,674	10.7
Moderate-income	42,681	20,078	18.1	47.0	18,961	44.4	3,642	8.5
Middle-income	71,989	52,404	47.1	72.8	15,497	21.5	4,088	5.7
Upper-income	36,331	30,682	27.6	84.5	4,144	11.4	1,505	4.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	175,982	111,162	100.0	63.2	52,911	30.1	11,909	6.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	2,099	11.4	1,800	10.9	201	16.8	98	12.4
Moderate-income	4,275	23.2	3,737	22.7	314	26.3	224	28.4
Middle-income	7,593	41.2	6,923	42.0	384	32.2	286	36.2
Upper-income	4,485	24.3	4,009	24.3	294	24.6	182	23.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	18,452	100.0	16,469	100.0	1,193	100.0	790	100.0
	Percentage of Total Businesses:			89.3		6.5		4.3

Based on 2010 Census Data

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Merchants Bank of Bangor Assessment Area Demographics 2014								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	16	16.2	14,207	12.9	4,677	32.9	26,508	24.1
Moderate-income	24	24.2	23,637	21.5	4,060	17.2	21,140	19.2
Middle-income	40	40.4	45,257	41.2	1,725	3.8	23,649	21.5
Upper-income	19	19.2	26,811	24.4	489	1.8	38,615	35.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	99	100.0	109,912	100.0	10,951	10.0	109,912	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
	#	#	%	%	#	%	#	%
Low-income	24,981	7,998	7.2	32.0	14,309	57.3	2,674	10.7
Moderate-income	42,681	20,078	18.1	47.0	18,961	44.4	3,642	8.5
Middle-income	71,989	52,404	47.1	72.8	15,497	21.5	4,088	5.7
Upper-income	36,331	30,682	27.6	84.5	4,144	11.4	1,505	4.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	175,982	111,162	100.0	63.2	52,911	30.1	11,909	6.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	1,886	10.9	1,593	10.4	197	16.4	96	13.3
Moderate-income	3,924	22.7	3,420	22.3	313	26.0	191	26.5
Middle-income	7,116	41.2	6,477	42.2	390	32.4	249	34.5
Upper-income	4,342	25.1	3,853	25.1	304	25.2	185	25.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	17,268	100.0	15,343	100.0	1,204	100.0	721	100.0
	Percentage of Total Businesses:			88.9		7.0		4.2

Based on 2010 Census Data

**INTERMEDIATE SMALL INSTITUTION PERFORMANCE EVALUATION
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Merchants Bank of Bangor Assessment Area Demographics 2015								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	16	16.2	14,207	12.9	4,677	32.9	26,508	24.1
Moderate-income	24	24.2	23,637	21.5	4,060	17.2	21,140	19.2
Middle-income	40	40.4	45,257	41.2	1,725	3.8	23,649	21.5
Upper-income	19	19.2	26,811	24.4	489	1.8	38,615	35.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	99	100.0	109,912	100.0	10,951	10.0	109,912	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
	#	#	%	%	#	%	#	%
Low-income	24,981	7,998	7.2	32.0	14,309	57.3	2,674	10.7
Moderate-income	42,681	20,078	18.1	47.0	18,961	44.4	3,642	8.5
Middle-income	71,989	52,404	47.1	72.8	15,497	21.5	4,088	5.7
Upper-income	36,331	30,682	27.6	84.5	4,144	11.4	1,505	4.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	175,982	111,162	100.0	63.2	52,911	30.1	11,909	6.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
				Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported
	#	%	#	%	#	%	#	%
Low-income	2,033	10.9	1,787	10.4	234	16.9	12	9.2
Moderate-income	4,196	22.5	3,830	22.4	345	24.9	21	16.0
Middle-income	7,547	40.5	7,027	41.1	451	32.5	69	52.7
Upper-income	4,854	26.1	4,468	26.1	357	25.7	29	22.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	18,630	100.0	17,112	100.0	1,387	100.0	131	100.0
	Percentage of Total Businesses:			91.9		7.4		0.7

Based on 2010 Census Data

**INTERMEDIATE SMALL INSTITUTION PERFORMANCE EVALUATION
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Merchants Bank of Bangor Assessment Area Demographics 2016								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	16	16.2	14,207	12.9	4,677	32.9	26,508	24.1
Moderate-income	24	24.2	23,637	21.5	4,060	17.2	21,140	19.2
Middle-income	40	40.4	45,257	41.2	1,725	3.8	23,649	21.5
Upper-income	19	19.2	26,811	24.4	489	1.8	38,615	35.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	99	100.0	109,912	100.0	10,951	10.0	109,912	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
	#	#	%	%	#	%	#	%
Low-income	24,981	7,998	7.2	32.0	14,309	57.3	2,674	10.7
Moderate-income	42,681	20,078	18.1	47.0	18,961	44.4	3,642	8.5
Middle-income	71,989	52,404	47.1	72.8	15,497	21.5	4,088	5.7
Upper-income	36,331	30,682	27.6	84.5	4,144	11.4	1,505	4.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	175,982	111,162	100.0	63.2	52,911	30.1	11,909	6.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	1,890	11.0	1,630	10.4	244	16.9	16	8.7
Moderate-income	3,921	22.7	3,535	22.6	353	24.5	33	18.0
Middle-income	6,954	40.3	6,394	40.9	478	33.2	82	44.8
Upper-income	4,492	26.0	4,075	26.1	365	25.3	52	28.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	17,257	100.0	15,634	100.0	1,440	100.0	183	100.0
	Percentage of Total Businesses:			90.6		8.3		1.1

Based on 2010 Census Data

**INTERMEDIATE SMALL INSTITUTION PERFORMANCE EVALUATION
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Merchants Bank of Bangor Assessment Area Demographics 2017								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	15	15.2	12,417	11.3	4,458	35.9	27,616	25.2
Moderate-income	26	26.3	27,053	24.7	4,645	17.2	20,081	18.3
Middle-income	40	40.4	43,500	39.7	1,851	4.3	22,881	20.9
Upper-income	18	18.2	26,510	24.2	680	2.6	38,902	35.5
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	99	100.0	109,480	100.0	11,634	10.6	109,480	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
	#	#	%	%	#	%	#	%
Low-income	22,890	5,691	5.4	24.9	13,825	60.4	3,374	14.7
Moderate-income	47,406	21,554	20.6	45.5	21,847	46.1	4,005	8.4
Middle-income	68,970	47,312	45.2	68.6	17,377	25.2	4,281	6.2
Upper-income	36,704	30,029	28.7	81.8	5,000	13.6	1,675	4.6
Unknown income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	175,970	104,586	100.0	59.4	58,049	33.0	13,335	7.6
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	1,593	10.0	1,398	9.8	185	13.0	10	6.7
Moderate-income	3,811	24.0	3,360	23.5	423	29.8	28	18.7
Middle-income	6,494	41.0	5,955	41.7	474	33.4	65	43.3
Upper-income	3,955	24.9	3,570	25.0	338	23.8	47	31.3
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	15,853	100.0	14,283	100.0	1,420	100.0	150	100.0
	Percentage of Total Businesses:			90.1	9.0		0.9	

Based on 2015 ACS Data

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Overall, Merchants Bank's lending test is rated satisfactory. Performance under each component is discussed below.

Loan-to-Deposit Ratio

Merchants Bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

A financial institution's loan-to-deposit ratio compares the institution's aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution's lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the number of quarters.

The table on the following page shows that Merchants Bank's loan-to-deposit ratio averaged just under 65% over the 20 consecutive quarters since the last CRA evaluation. The bank's ratio was below the level of its national peer group³ (nearly 80%), but consistent with its own performance at the previous CRA evaluation. Management attributes the below average ratio to the bank's position as a small community bank operating in a highly competitive financial services market.

In absolute terms, the bank's net loan volume increased 32% over the evaluation period, from \$178 million as of September 30, 2013, to \$235 million as of June 30, 2018. During this same timeframe, deposits also increased, though at a lower rate (17%). As detailed in the table, deposits measured \$287 million as of September 30, 2013, and grew to \$336 million, as of June 30, 2018.

³Merchants Bank's peer group consists of all insured commercial banks having assets between \$300 million and \$1 billion.

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Merchants Bank of Bangor Historical Loan-to-Deposit Ratios				
As of Date	Net Loans (Thousands)	Total Deposits (Thousands)	Merchants LTD Ratios	Peer Ratios
09/30/2013	178,452	287,326	62.3%	75.1%
12/31/2013	180,722	306,434	59.2%	75.8%
03/31/2014	178,886	312,716	57.2%	74.8%
06/30/2014	182,887	308,575	59.4%	77.0%
09/30/2014	182,174	312,166	58.5%	77.6%
12/31/2014	187,772	298,539	63.0%	78.3%
03/31/2015	192,978	304,791	63.5%	77.4%
06/30/2015	195,655	303,756	64.5%	79.3%
09/30/2015	192,701	297,095	64.9%	79.8%
12/31/2015	191,671	284,341	67.6%	80.1%
03/31/2016	192,483	296,366	65.0%	80.0%
06/30/2016	200,709	304,084	66.0%	81.3%
09/30/2016	203,865	315,681	64.6%	81.2%
12/31/2016	212,004	312,686	67.8%	81.1%
03/31/2017	220,528	328,407	67.2%	80.4%
06/30/2017	223,540	333,491	67.2%	81.7%
09/30/2017	224,696	328,830	68.5%	82.1%
12/31/2017	226,000	331,293	68.3%	82.2%
03/31/2018	232,706	329,720	70.9%	81.8%
06/30/2018	234,973	336,082	70.1%	82.9%
Quarterly Loan-to-Deposit Ratio Average Since Previous CRA Evaluation			64.8%	79.5%

Source: The Uniform Bank Performance Report prepared by the FDIC for use by the federal regulators.

Assessment Area Concentration

The bank's home-mortgage and small business lending was analyzed to determine the volume of loans extended inside and outside the bank's assessment area as delineated for purposes of the CRA. The analysis revealed that a majority of Merchants Bank's loans and other lending activities are in the assessment area.

The table on the following page indicates that 88% of the total number of HMDA loans reported during the evaluation period and 84% of the aggregate dollar amount of HMDA loans reported were extended in the bank's assessment area.

With respect to small business loans, 68% of the total number of small business loans were extended within the bank's assessment area, and 79% of the aggregate dollar amount of loans were extended in its assessment area.⁴

⁴The analysis of small business lending is based on a statistical sample of 60 commercial loans originated by the bank in 2017.

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Merchants Bank of Bangor Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home-Purchase (Conventional)	290	87.3	\$36,505	82.7	42	12.7	\$7,662	17.3
Home Improvement	101	91.0	\$8,111	89.1	10	9.0	\$989	10.9
Multifamily Housing	36	90.0	\$15,580	89.2	4	10.0	\$1,885	10.8
Refinancing	213	85.9	\$29,560	80.9	35	14.1	\$6,966	19.1
Total HMDA LOANS	640	87.6	\$89,756	83.7	91	12.4	\$17,502	16.3
Small Business	41	68.3	\$15,773	79.3	19	31.7	\$4,123	20.7
Total Small Business	41	68.3	\$15,773	79.3	19	31.7	\$4,123	20.7
TOTAL LOANS	681	86.1	\$105,529	83.0	110	13.9	\$21,625	17.0

Borrower Distribution of Lending

An analysis of Merchants Bank’s home-mortgage and small business loans was conducted in conjunction with a review of the demographic and economic characteristics of the assessment area to determine the extent of lending to borrowers of different income levels and businesses of different sizes. As mentioned previously, Merchants Bank’s loan portfolio is primarily comprised of residential real estate lending. Accordingly, home-mortgage loans were weighted more heavily than small business loans in this analysis.

Given the assessment area’s demographic and economic characteristics, the distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income individuals, and businesses of different sizes, including small businesses.

Home-Mortgage Lending

Merchants Bank’s distribution of home-mortgage loans among borrowers of different income levels, including low- and moderate-income borrowers is reasonable. Over the evaluation period, Merchants Bank originated 640 HMDA loans in the assessment area in an aggregate amount of \$89.8 million.

For purposes of evaluating the distribution of loans to borrowers of different income levels, incomes are classified based upon annually-adjusted HUD median family income data. Further, the respective percentages of low-, moderate-, middle- and upper-income families in the assessment area are used as proxies to estimate demand for home-mortgage credit. As noted previously, according to 2010 Census data, 24% of assessment area families were low-income and 19% were moderate-income. The majority of families in the assessment area were middle- and upper-income (22% and 35%, respectively). No significant changes were noted when using 2015 ACS data.

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Generally, the higher the percentages of low- and moderate-income families is an assessment area, the greater the demand for credit among low- and moderate-income individuals and families within the assessment area. 2010 Census data reports 109,912 households that are families in the assessment area, with 24% of families (26,508) designated as low-income and 19% (21,140) designated as moderate-income. Though this indicates a need for affordable housing and home-mortgage credit among this segment of the population, community contacts raised concerns about the limited availability of quality housing stock in the assessment area.

During the evaluation period, new regulatory rules regarding mortgage lending were issued by federal regulators. In 2014, qualified mortgage and ability-to-repay rules were implemented, which significantly impacted the HMDA lending environment. As shown by data throughout this report, HMDA lending decreased significantly from end-of-year 2013 to end-of-year 2014 throughout the assessment area.

The following tables compare Merchants Bank’s 2013, 2014, 2015, 2016, and 2017 home-mortgage lending to aggregate home-mortgage lending levels, and use the percentages of low-, moderate-, middle-, and upper-income families as proxies to estimate loan demand. Tables are divided to compare lending from 2013 through 2016 to 2010 Census data, and 2017 lending data to 2015 ACS data.

Merchants Bank of Bangor Borrower Distribution of HMDA Loans									
Income Level	% Families by Family Income Level (2010 Census Data)	Aggregate Comparison							
		2013		2014		2015		2016	
		% Merchants Lending	% Aggregate Lending	% Merchants Lending	% Aggregate Lending	% Merchants Lending	% Aggregate Lending	% Merchants Lending	% Aggregate Lending
Low	24.1	8.2	9.0	2.5	8.5	7.0	8.1	1.8	7.8
Moderate	19.2	19.6	20.4	16.9	20.0	18.3	19.1	12.6	18.9
Middle	21.5	17.9	21.3	18.6	19.7	22.6	21.0	24.3	21.0
Upper	35.1	35.3	34.4	35.6	32.2	34.8	29.8	44.1	32.5
Unknown	0.0	19.0	14.8	26.3	19.6	17.4	21.9	17.1	19.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Merchants Bank of Bangor Borrower Distribution of HMDA Loans			
Income Level	% Families by Family Income Level (2015 ACS Data)	Aggregate Comparison	
		2017	
		% Merchants Lending	% Aggregate Lending
Low	25.2	6.3	9.9
Moderate	18.3	14.3	20.8
Middle	20.9	14.3	20.0
Upper	35.5	34.8	30.0
Unknown	0.0	30.4	19.3
Total	100.0	100.0	100.0

Lending to Low-Income Borrowers

For the period under review, Merchants Bank’s lending to low-income borrowers was reasonable.

2010 Census Data

According to 2010 Census data, 24% of families within Merchants Bank’s assessment area were categorized as low-income. In assessing the level of the bank’s lending among low-income borrowers, the evaluation takes into consideration the home-mortgage credit needs of such individuals and families can be a challenge to address through conventional loan products, presenting a significant obstacle to homeownership. A notable obstacle is the cost burden that renters in the assessment area face. As discussed previously, 50% of renters in the assessment area have rental costs exceeding 30% of their income, making it difficult for them, particularly low-income renters, to save the customary down payment and closing costs necessary to purchase a home.

Merchants Bank’s lending in 2013 to low-income borrowers was reasonable. In 2013, 8% of the bank’s HMDA loans (15 loans) were originated to low-income borrowers. This is comparable to the 9% low-income borrower lending performance by aggregate lenders, but significantly lags the percentage of low-income families by family income (24%). By loan type, 10% of the bank’s home-purchase loans, 6% of refinance loans, 10% of home-improvement loans and no multifamily loans were made to low-income borrowers. Aggregate lenders made 12% of home-purchase loans, 7% of refinance loans, 10% of home-improvement loans and no multifamily loans to low-income borrowers during 2013.

Merchants Bank’s lending in 2014 to low-income borrowers was poor. In 2014, less than 3% of the bank’s HMDA loans (3 loans) were originated to low-income borrowers. This fell below the 9% low-income borrower lending performance by aggregate lenders, and continued to lag the proxy (24%). By loan type, 5% of the bank’s home-purchase loans (3 loans) were made to low-income borrowers. The bank did not make any refinance, home-improvement or multifamily loans to low-income borrowers in 2014. By comparison, aggregate lenders made 8% of home-purchase loans, 8% of refinance loans, 11% of home-improvement loans and no multifamily loans to low-income borrowers in 2014.

Merchants Bank's lending in 2015 to low-income borrowers improved compared to 2014 performance and, in turn, was considered reasonable. In 2015, 7% of the bank's HMDA loans (8 loans) were originated to low-income borrowers. This is comparable to the 8% low-income borrower lending performance by aggregate lenders, and continued to lag the proxy (24%). By loan type, 10% of the bank's home-purchase loans, 3% of refinance loans, 8% of home-improvement loans and no multifamily loans were made to low-income borrowers. By comparison, aggregate lenders made 10% of home-purchase loans, 6% of refinance loans, 7% of home-improvement and no multifamily loans to low-income borrowers in 2015.

Merchants Bank's lending in 2016 to low-income borrowers once again decreased, and as a result was considered poor. In 2016, under 2% of the bank's HMDA loans (2 loans) were originated to low-income borrowers. This fell well below the 8% low-income borrower lending performance by aggregate lenders, and the proxy (24%). By loan type, 4% of the bank's home-purchase loans (2 loans) were made to low-income borrowers. No refinance, home-improvement or multifamily loans were made to low-income borrowers in 2016. By comparison, aggregate lenders made 10% of home-purchase loans, 5% of refinance loans, 8% of home-improvement loans, and no multifamily loans to low-income borrowers in 2016.

2015 ACS Data

According to 2015 ACS data, 25% of families within the bank's assessment area were categorized as low-income. Renters with rent costs greater than 30% of their income increased to 54%, indicating that rent affordability became even more of an issue for low-income borrowers.

Merchants Bank's lending in 2017 to low-income borrowers improved compared to other years in the evaluation period, and in the context of the rent affordability issues in the area, was considered reasonable. In 2017, 6% of the bank's HMDA loans (7 loans) were originated to low-income borrowers. This fell below both the 10% low-income borrower lending performance by aggregate lenders, and the proxy (25%). By loan type, 6% of the bank's home-purchase loans, 7% of refinance loans, 13% of home-improvement loans and no multifamily loans were made to low-income borrowers. By comparison, aggregate lenders made 11% of home-purchase loans, 8% of refinance loans, 7% of home-improvement loans and no multifamily loans to low-income borrowers.

Lending to Moderate-Income Borrowers

Although challenges and obstacles to homeownership also exist for moderate-income families and individuals, Merchants Bank's overall lending to moderate-income borrowers within the assessment area was significantly higher than its lending levels to low-income borrowers, and was reasonable overall.

2010 Census Data

According to the 2010 Census, 19% of families in the assessment area were categorized as moderate-income families.

Merchants Bank's lending in 2013 to moderate-income borrowers was reasonable. In 2013, 20% of the bank's HMDA loans (36 loans) were originated to moderate-income borrowers. This matches the performance of aggregate lenders (also 20%) and exceeds the proxy of moderate-income families by family income (19%). By loan type, 12% of home-purchase loans, 23% of refinance loans, 31% of home-improvement loans and no multifamily loans were made to moderate-income borrowers. By comparison, aggregate lenders made 25% of home-purchase loans, 17% of refinance loans, 25% of home-improvement loans and no multifamily loans to moderate-income borrowers during 2013.

Merchants Bank's lending in 2014 to moderate-income borrowers dropped slightly but continued to be reasonable. In 2014, 17% of the bank's HMDA loans (20 loans) were originated to moderate-income borrowers. This falls slightly below the performance of aggregate lenders (20%) and slightly below the proxy (19%). By loan type, 15% of home-purchase loans, 22% of refinance loans, 20% of home-improvement loans and no multifamily loans were made to moderate-income borrowers. By comparison, aggregate lenders made 23% of home-purchase loans, 16% of refinance loans, 22% of home-improvement loans and no multifamily loans to moderate-income borrowers during 2014.

Merchants Bank's lending in 2015 to moderate-income borrowers remained reasonable. In 2015, 18% of the bank's HMDA loans (21 loans) were originated to moderate-income borrowers. This is a slight increase from the previous year's performance, but still falls just below the lending performance of aggregate lenders (19%) and the proxy (19%). By loan type, 14% of home-purchase loans, 32% of refinance loans, 8% of home-improvement loans and no multifamily loans were made to moderate-income borrowers. By comparison, aggregate lenders made 23% of home-purchase loans, 14% of refinance loans, 19% of home-improvement loans and no multifamily loans to moderate-income borrowers during 2015.

Merchants Bank's lending in 2016 to moderate-income borrowers dropped compared to previous years in the evaluation period and was considered poor. In 2016, 13% of the bank's HMDA loans (14 loans) were originated to moderate-income borrowers. This falls below both the performance of aggregate lenders (19%) and the proxy (19%). By loan type, 16% of home-purchase loans and 14% of refinance loans were made to moderate-income borrowers. No home-improvement or multifamily loans were extended to moderate-income borrowers in 2016. By comparison, aggregate lenders made 23% of home-purchase loans, 14% of refinance loans, 15% of home-improvement loans and no multifamily loans to moderate-income borrowers during 2016.

2015 ACS Data

Merchants Bank's lending in 2017 to moderate-income borrowers increased slightly from the previous year, but was considered poor. In 2017, 14% of the bank's HMDA loans (16 loans) were originated to moderate-income borrowers. Once again, this falls below performance of aggregate lenders (21%) as well as the proxy (18%). By loan type, 15% of home-purchase loans, 16% of refinance loans, 20% of home-improvement loans and no multifamily loans were made to moderate-income borrowers. By comparison, aggregate lenders made 23% of home-purchase loans, 18% of refinance loans, 19% of home-improvement loans and no multifamily loans to moderate-income borrowers in 2017.

Small Business Lending

An analysis of Merchants Bank's distribution of loans to businesses reflects reasonable penetration among business customers of different sizes, including small businesses in the assessment area. For purposes of the evaluation, a small business loan is defined as a commercial loan with an origination amount of \$1 million or less. Small business loans are further quantified to identify those loans to businesses with gross annual revenues of \$1 million or less, namely small businesses.

As mentioned previously, because Merchants Bank is not a CRA small business reporter, a statistical sample of 60 of the bank's small business loans from 2017 was used to evaluate performance.

The number of businesses operating in the bank's assessment area is used as a proxy to estimate demand for business credit in the assessment area. As mentioned previously, the number of businesses in the bank's assessment area has fluctuated throughout the course of the evaluation period. 2015 ACS data indicate that the number of businesses operating in the assessment area totaled 15,853. Of these businesses, 90% were small businesses with gross annual revenues of \$1 million or less.

In 2017, the sample of 60 small business loans contained 41 loans that were made inside the bank's assessment area. Of those 41 loans, 73% of small business loans (30 loans) were originated to small businesses with gross annual revenues of \$1 million or less. This far exceeds the performance of aggregate lenders, who originated 51% of loans to small businesses, but lagged the percentage of small businesses in the assessment area (90%).

Small business loans were further analyzed to determine the extent to which loans were in an amount of \$100 thousand or less. Smaller size loans are generally commensurate with the borrowing needs of smaller businesses and thus added weight is given to such loans in determining whether an institution is meeting credit needs for smaller businesses. Of the bank's small business loans, 32% were extended in an amount of \$100 thousand or less, compared to 93% of loans made by aggregate lenders. It is noted, however, that the large percentage of small dollar loans in the aggregate group is driven by credit cards for small businesses. Credit card loans are included as small business loans for CRA reporting purposes, and are generally originated in lower dollar volumes which skews aggregate small business loan data. Merchants Bank does not offer credit card products, and the top three CRA small business lenders in the assessment area in 2017 (American Express Bank, FSB; PNC Bank, N.A.; and Wells Fargo Bank, N.A.) are large national and regional credit card issuers.

Geographic Distribution of Lending

The geographic distribution of home-mortgage and small business loans was analyzed to determine the dispersion of loans among different census tracts within the assessment area. The overall analysis reflects reasonable dispersion throughout the assessment area, including low- and moderate-income tracts.

Home-Mortgage Lending

Merchants Bank’s geographic distribution of home-mortgage loans reflects reasonable dispersion throughout the assessment area, taking into consideration the bank’s business strategy and the assessment area’s demographics and economic characteristics.

As noted earlier, the percentage of owner-occupied housing units contained within designated census tracts is used as a proxy to estimate demand for residential mortgage credit within such tracts. Generally, the greater the number of owner-occupied residential dwellings in a census tract, the greater the demand for home-mortgage credit is in the tract. According to 2010 Census data, which was used as a proxy for lending from 2013 through 2016, 7% of owner-occupied units were located in low-income census tracts, while 18% of owner-occupied units were located in moderate-income census tracts. A majority of owner-occupied units were located within middle-income (47%) and upper-income census tracts (28%).

According to 2015 ACS data, 5% of owner-occupied units were located in the area’s low-income census tracts and 21% of owner-occupied units were located in the area’s moderate-income census tracts. A majority of owner-occupied housing remained in middle-income (45%) and upper-income census tracts (29%).

The following tables present Merchants Bank’s geographic distribution of HMDA lending, in comparison to the applicable owner-occupied housing proxies and the aggregate lending levels in the assessment area for the evaluation period. Tables are divided to compare lending from 2013 through 2016 to 2010 Census data, and 2017 lending to 2015 ACS data.

Merchants Bank of Bangor Geographic Distribution of HMDA Loans									
Income Level	% Owner-Occupied Housing Units (2010 Census Data)	Aggregate Comparison							
		2013		2014		2015		2016	
		% Merchants Lending	% Aggregate Lending	% Merchants Lending	% Aggregate Lending	% Merchants Lending	% Aggregate Lending	% Merchants Lending	% Aggregate Lending
Low	7.2	9.2	6.2	5.9	7.0	3.5	5.7	8.1	5.9
Moderate	18.1	21.7	17.3	16.1	19.0	16.5	18.2	16.2	18.1
Middle	47.1	51.6	44.7	54.2	44.5	61.7	45.4	52.3	44.9
Upper	27.6	17.4	31.8	23.7	29.4	18.3	30.7	23.4	31.0
Unknown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Merchants Bank of Bangor Geographic Distribution of HMDA Loans			
Income Level	% Owner-Occupied Housing Units (2015 ACS Data)	Aggregate Comparison	
		2017	
		% Merchants Lending	% Aggregate Lending
Low	5.4	11.6	6.4
Moderate	20.6	19.6	22.1
Middle	45.2	49.1	43.7
Upper	28.7	19.6	27.8
Unknown	0.0	0.0	0.0
Total	100.0	100.0	100.0

Lending in Low-Income Census Tracts

Overall, Merchants Bank’s HMDA lending in low-income tracts was considered excellent. Based on owner-occupied demographics, lending opportunities in low-income census tracts were limited. However, during the evaluation period, Merchants Bank’s HMDA lending in low-income census tracts typically exceeded both the aggregate lender performance as well the designated proxy.

2010 Census Data

Merchants Bank’s lending in low-income census tracts in 2013 was excellent. In 2013, 9% of the bank’s home-mortgage loans (17 loans) were located in low-income census tracts. This performance exceeded both the performance of aggregate lenders (6%) and the proxy (7%). By loan type, 20% of home-purchase loans 1% of refinance loans, and 29% of multifamily loans were originated in low-income census tracts. There were no home-improvement loans originated by the bank in low-income census tracts. By comparison, aggregate lenders originated 7% of home-purchase loans, 5% of refinance loans, 6% of home-improvement loans, and 23% of multifamily loans in low-income census tracts.

Merchants Bank’s lending in low-income census tracts in 2014 was reasonable. In 2014, 6% of the bank’s HMDA loans (7 loans) were originated in low-income census tracts. Performance fell slightly below the performance of aggregate lenders (7%) and proxy (7%). By loan type, 9% of home-purchase loans, 3% of refinance loans, and 14% of multifamily loans were originated by the bank in low-income census tracts. Merchants Bank did not originate any home-improvement loans in low-income census tracts in 2014. By comparison, aggregate lenders originated 7% of home-purchase loans, 7% of refinance loans, 6% of home-improvement loans, and 21% of multifamily loans within the assessment area’s low-income census tracts.

As the result of a notable drop in performance, Merchants Bank's lending in low-income census tracts in 2015 was poor. In 2015, 4% of the bank's home-mortgage loans (4 loans) were located in low-income census tracts. This performance falls below that of aggregate lenders (6%) as well as proxy (7%). By loan type, 7% of the bank's home-purchase loans (4 loans) were originated in low-income census tracts, while no refinance, home-improvement, or multifamily loans were originated in low-income census tracts by the bank in 2015. By comparison, aggregate lenders originated 6% of home-purchase loans, 5% of refinance loans, 6% of home-improvement loans, and 28% of multifamily loans in low-income census tracts.

Merchants Bank's lending in low-income census tracts in 2016 was excellent. In 2016, 8% of the bank's home-mortgage loans (9 loans) were located in low-income census tracts. This performance exceeds both the performance of aggregate lenders (6%) and proxy (7%). By loan type, 12% of the bank's home-purchase loans, 2% of refinance loans, 7% of home-improvement loans, and 20% of multifamily loans were originated in low-income census tracts. By comparison, aggregate lenders originated 7% of home-purchase loans, 5% of refinance loans, 5% of home-improvement loans, and 28% of multifamily loans were originated in low-income census tracts.

2015 ACS Data

Merchants Bank's lending in low-income census tracts in 2017 was excellent. In 2017, 12% of the bank's home-mortgage loans (13 loans) were originated in low-income census tracts. This greatly exceeds both the performance of aggregate lenders (6%) and proxy (5%). By loan type, 15% of the bank's home-purchase loans, 7% of the bank's refinance loans, and 27% of the bank's multifamily loans were originated in low-income census tracts. The bank did not originate any home-improvement loans in low-income census tracts in 2017. By comparison, aggregate lenders originated 7% of home-purchase loans, 5% of refinance loans, 6% of home-improvement loans, and 31% of multifamily loans in low-income census tracts.

Lending in Moderate-Income Census Tracts

Merchants Bank's overall HMDA lending in moderate-income tracts was considered reasonable. Compared to lending opportunities in the assessment area's low-income census tracts, moderate-income tracts offered more opportunities for home-mortgage lending. However, opportunities for lending were still limited when compared to opportunities in middle- and upper-income areas.

2010 Census Data

Merchants Bank's lending in moderate-income census tracts in 2013 was excellent. In 2013, 22% of the bank's home-mortgage lending (40 loans) took place in the assessment area's moderate-income census tracts. This performance exceeds both the performance of aggregate lenders (17%) as well as proxy (18%). By loan type, 35% of the bank's home-purchase loans, 15% of refinance loans, 8% of home-improvement loans, and 43% of multifamily loans were originated in moderate-income census tracts. By comparison, aggregate lenders originated 19% of home-purchase loans, 16% of refinance loans, 19% of home-improvement loans, and 42% of multifamily loans in moderate-income census tracts.

Merchants Bank's lending in moderate-income census tracts in 2014 was reasonable. In 2014, 16% of the bank's home-mortgage lending (19 loans) took place in the assessment area's moderate-income census tracts. This performance falls below both the performance of aggregate lenders (19%) as well as proxy (18%). By loan type, 19% of the bank's home-purchase loans, 16% of refinance loans, 5% of home-improvement loans, and 29% of multifamily loans were originated in moderate-income census tracts. By comparison, aggregate lenders originated 19% of home-purchase loans, 18% of refinance loans, 17% of home-improvement loans, and 52% of multifamily loans in moderate-income census tracts.

Merchants Bank's lending in moderate-income census tracts in 2015 was comparable to 2014 lending, and was reasonable. In 2015, 17% of the bank's home-mortgage lending (19 loans) was in moderate-income census tracts. This performance closely trailed performance by aggregate lenders and proxy (both 18%). By loan type, 17% of home-purchase loans, 11% of refinance loans, 15% of home-improvement loans, and 50% of multifamily loans were originated in moderate income census tracts. By comparison, aggregate lenders originated 19% of home-purchase loans, 16% of refinance loans, 18% of home-improvement loans, and 34% of multifamily loans in moderate-income census tracts.

Finally, Merchants Bank's lending in moderate-income census tracts in 2016 dropped slightly compared to previous years in the evaluation, but was still reasonable. In 2016, 16% of the bank's home-mortgage loans (18 loans) were originated in moderate-income census tracts. This performance falls slightly below both the performance of aggregate lenders and proxy (18%). By loan type, 18% of home-purchase loans, 9% of refinance loans, 7% of home-improvement loans, and 80% of multifamily loans were originated in moderate-income census tracts. By comparison, aggregate lenders originated 20% of home-purchase loans, 15% of refinance loans, 16% of home-improvement loans, and 41% of multifamily loans in moderate-income census tracts in 2016.

2015 ACS Data

Merchants Bank's lending in moderate-income census tracts in 2017 was reasonable. In 2017, 20% of the bank's home-mortgage loans (22 loans) were originated in moderate-income census tracts. This performance falls slightly below the performance of aggregate lenders (22%) and proxy (21%). By loan type, 15% of the bank's home-purchase loans, 29% of refinance loans, 13% of home-improvement loans, and 27% of multifamily loans were originated in moderate-income census tracts. By comparison, aggregate lenders originated 24% of home-purchase loans, 19% of refinance loans, 14% of home-improvement loans, and 36% of multifamily loans in moderate-income census tracts.

Small Business Lending

The geographic distribution of Merchants Bank's small business loans overall reflects reasonable dispersion throughout the assessment area, in the context of the assessment area's demographic and economic characteristics, during the evaluation period. As mentioned previously, because the bank is not a small business reporter, this conclusion is based on a sample of small business loans made during 2017. Of the 60 loans sampled, 41 loans were made within the bank's designated assessment area, and were considered for purposes of geographic distribution in the assessment area.

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The geographic distribution of businesses in the assessment area by census tract type is used as a proxy for small business loan demand. Generally, the greater the number of businesses located in a tract, the greater the demand for small business loans within the tract. Based on Dun & Bradstreet small business data, in 2017, 10% of the assessment area’s 15,853 businesses were located in low-income tracts, and 24% were located in moderate-income tracts. The majority of businesses were located in the middle-income and upper-income tracts (41% and 25%, respectively).

The table on the following page presents Merchants Bank’s small business geographic loan distribution. The sample of the bank’s loans is compared to the proxy of businesses by census tract income level and aggregate lending performance.

Merchants Bank of Bangor Geographic Distribution of Small Business Loans			
Income Level	% Businesses By Tract Income Level (2015 ACS Data)	Aggregate Comparison	
		2017	
		% Merchants Lending	% Aggregate Lending
Low	10.0	0.0	8.9
Moderate	24.0	29.3	24.1
Middle	41.0	41.5	39.2
Upper	24.9	29.3	26.9
Unknown	0.0	0.0	0.0
Total	100.0	100.0	100.0

Lending in Low-Income Census Tracts

Overall, Merchants Bank’s small business lending in low-income census tracts is poor. Merchants Bank did not originate any small business loans in the assessment area’s low-income tracts in 2017. A review of the aggregate lending shows that 9% of all small business loans originated in the assessment area were made in low-income tracts in 2017. The aggregate lending performance is in line with the proxy of 10% of businesses located in low-income tracts.

Of the 15 low-income census tracts within the bank’s assessment area, 11 are located within the city of Allentown. As mentioned previously, Allentown has a highly competitive banking market. In 2017, the top five small business lenders in the assessment area (American Express Bank, FSB; PNC Bank, N.A.; Wells Fargo Bank, N.A.; Capital One Bank USA, N.A.; and Citibank, N.A.) originated or purchased 53% of all small business loans reported. Given the intense competition from larger national banks in the assessment area, and the proximity of Merchants Bank’s branches to most of the low-income census tracts, it is recognized that it is difficult for the bank to serve low-income geographies.

Lending in Moderate-Income Census Tracts

Merchants Bank’s small business lending in moderate-income Census tracts is excellent. In 2017 Merchants Bank originated 29% of its small business loans (12 loans) in the assessment area’s moderate-income census tracts. The bank’s lending level in moderate-income tracts exceeded both the performance of aggregate lenders and the proxy (both 24%).

Response to CRA-Related Complaints

No CRA complaints were filed with the bank or the Federal Reserve Bank of Philadelphia during the evaluation period, and therefore this component of the lending test was not evaluated.

Community Development Test

Merchants Bank's performance under the community development test is rated outstanding. The bank's mix of community development loans, qualified investments, and community development services demonstrates excellent responsiveness to the community development needs of the bank's assessment area, considering the bank's capacity and the need and availability of community development opportunities in the assessment area.

Community Development Loans

During the evaluation period, Merchants Bank originated 39 qualified community development loans, totaling \$21.7 million. Of these loans, 33 loans aggregating over \$14.2 million promoted affordable housing for low- and moderate-income residents of the bank's assessment area. A majority of the affordable housing loans were for affordable rental housing units, which were highlighted as a need by community representatives that were contacted in conjunction with this evaluation.

In addition, three loans aggregating nearly \$3.8 million supported economic development efforts in the area by funding small businesses. One community development loan totaling \$3.1 million supported substantial infrastructure improvements in the city of Easton, and received consideration under the revitalization/stabilization prong of the community development definition.

Finally, two loans totaling \$575 thousand were originated to organizations providing community development services to the low- and moderate-income population across the assessment area.

It is noteworthy that the bank's community development loan performance has increased from the previous CRA evaluation, when 25 loans were made, totaling \$14.3 million.

Qualified Investments

Qualified investments, and grants and donations made by Merchants Bank during the evaluation period totaled \$1.6 million. As with community development loans, the level of qualified investments at this evaluation was notably higher than at the previous evaluation (\$566 thousand).

A majority of the bank's qualified investment dollars (almost \$1.3 million) were invested in the Lehigh Valley Economic Development Corporation Loan Pool. Lehigh Valley Economic Development Corporation is a non-profit organization marketing the economic assets of the Lehigh Valley and creating partnerships to lead the recruitment, growth, and retention of employers in the area. The loan pool offers low-interest financing to local non-profit organizations embarking on large capital projects.

Merchants Bank also made grants and donations to organizations in its assessment area totaling just over \$358 thousand. A majority of these donations (\$219 thousand) went to organizations providing community development services for low- and moderate-income individuals and families within the bank's assessment area.

Community Development Services

Merchants Bank is a leader in providing community development services in its assessment area. Throughout the evaluation period, many bank officers and employees served in various capacities on the board of directors' and committees of 24 different community organizations. Noteworthy examples of the bank's participation with these organizations include the following community development service activities:

- Two Merchants Bank employees teach financial literacy programs at local agencies serving low- and moderate-income individuals in the city of Easton. The programs cover topics such as budgeting, saving, and debit/credit card safety, and such training is responsive to a need enumerated by a community representative during this evaluation.
- Bank employees serve as board and committee members of the Bangor Community Partnership (renamed to Slate Belt Rising), a downtown revitalization organization founded by Merchants Bank's former chief executive officer.
- Bank employees serve as board and committee members of the Lehigh Valley Economic Development Corporation, an organization that finances programs and loans to support small business development in the Lehigh Valley.
- Employees serve on the boards of directors and as committee members of local chambers of commerce, including the Greater Lehigh Valley Chamber of Commerce and Slate Belt Chamber of Commerce. These chambers provide financial and organizational support for economic development projects and small businesses throughout the Lehigh Valley.
- An employee serves on the board of directors of the Lehigh Valley Partnership, an economic development group dedicated to meeting economic development challenges in the Lehigh Valley and promoting regional improvements to enhance quality of life in the area.
- Bank employees serve on the board of directors of the Easton Area Industrial Land Development Company, a non-profit organization created to improve the employment base and attract industry to the community.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES

Merchants Bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No evidence of discriminatory or other illegal credit practices, inconsistent with helping to meet community credit needs, was identified.

CRA APPENDICES

CRA APPENDIX A: GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area or assessment area.

Census tract: A small subdivision 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. Census tracts usually have between 2,500 and 8,000 persons, and its 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.

Community development: All Agencies have adopted the following language.

- (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals;
- (2) Community services targeted to low- or 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;
- (4) Activities that revitalize or stabilize-
 - (i) Low-or moderate-income geographies;
 - (ii) Designated disaster areas; or
 - (iii) 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, and population loss; or
 - B. Population size, density, and dispersion. Activities revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals; or
- (5) Loans, investments, and services that-
 - (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
 - (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; and
 - (iii) Benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or areas outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Consumer loan(s): 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: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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).

Full-scope review: Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

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

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

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

Limited-scope review: Performance under the lending, investment, and service tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

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

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

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in loans to small businesses as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in loans to small farms as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

CRA APPENDIX B: HMDA LOAN DISTRIBUTION TABLES

**INTERMEDIATE SMALL INSTITUTION PERFORMANCE EVALUATION
NOVEMBER 2018**

2013 HMDA LOAN DISTRIBUTION TABLE

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Purchase							
Low	14	20.3%	1,285	17.9%	7	10.1%	440	6.1%
Moderate	24	34.8%	2,128	29.6%	8	11.6%	766	10.6%
Middle	22	31.9%	2,460	34.2%	13	18.8%	1,712	23.8%
Upper	9	13.0%	1,320	18.4%	16	23.2%	2,008	27.9%
Unknown	0	0.0%	0	0.0%	25	36.2%	2,267	31.5%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	69	100.0%	7,193	100.0%	69	100.0%	7,193	100.0%
	Refinance							
Low	1	1.4%	72	0.7%	4	5.8%	142	1.4%
Moderate	10	14.5%	1,506	14.9%	16	23.2%	1,674	16.6%
Middle	41	59.4%	5,905	58.6%	11	15.9%	1,342	13.3%
Upper	17	24.6%	2,601	25.8%	35	50.7%	6,336	62.8%
Unknown	0	0.0%	0	0.0%	3	4.3%	590	5.9%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	69	100.0%	10,084	100.0%	69	100.0%	10,084	100.0%
	Home Improvement							
Low	0	0.0%	0	0.0%	4	10.3%	336	9.4%
Moderate	3	7.7%	1,268	35.5%	12	30.8%	693	19.4%
Middle	31	79.5%	1,800	50.4%	9	23.1%	671	18.8%
Upper	5	12.8%	505	14.1%	14	35.9%	1,873	52.4%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	39	100.0%	3,573	100.0%	39	100.0%	3,573	100.0%
	Multi-Family							
Low	2	28.6%	595	19.9%	0	0.0%	0	0.0%
Moderate	3	42.9%	1,863	62.2%	0	0.0%	0	0.0%
Middle	1	14.3%	60	2.0%	0	0.0%	0	0.0%
Upper	1	14.3%	475	15.9%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	7	100.0%	2,993	100.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	7	100.0%	2,993	100.0%	7	100.0%	2,993	100.0%
	HMDA Totals							
Low	17	9.2%	1,952	8.2%	15	8.2%	918	3.9%
Moderate	40	21.7%	6,765	28.4%	36	19.6%	3,133	13.1%
Middle	95	51.6%	10,225	42.9%	33	17.9%	3,725	15.6%
Upper	32	17.4%	4,901	20.6%	65	35.3%	10,217	42.9%
Unknown	0	0.0%	0	0.0%	35	19.0%	5,850	24.5%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	184	100.0%	23,843	100.0%	184	100.0%	23,843	100.0%

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2014 HMDA LOAN DISTRIBUTION TABLE

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Purchase							
Low	5	8.5%	212	2.5%	3	5.1%	172	2.0%
Moderate	11	18.6%	1,240	14.5%	9	15.3%	1,166	13.7%
Middle	25	42.4%	3,313	38.8%	10	16.9%	1,427	16.7%
Upper	18	30.5%	3,769	44.2%	20	33.9%	3,843	45.0%
Unknown	0	0.0%	0	0.0%	17	28.8%	1,926	22.6%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	59	100.0%	8,534	100.0%	59	100.0%	8,534	100.0%
	Refinance							
Low	1	3.1%	171	4.8%	0	0.0%	0	0.0%
Moderate	5	15.6%	437	12.3%	7	21.9%	541	15.3%
Middle	19	59.4%	2,136	60.3%	9	28.1%	601	17.0%
Upper	7	21.9%	796	22.5%	12	37.5%	2,060	58.2%
Unknown	0	0.0%	0	0.0%	4	12.5%	338	9.5%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	32	100.0%	3,540	100.0%	32	100.0%	3,540	100.0%
	Home Improvement							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	1	5.0%	86	7.7%	4	20.0%	152	13.6%
Middle	16	80.0%	791	71.0%	3	15.0%	146	13.1%
Upper	3	15.0%	237	21.3%	10	50.0%	653	58.6%
Unknown	0	0.0%	0	0.0%	3	15.0%	163	14.6%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	20	100.0%	1,114	100.0%	20	100.0%	1,114	100.0%
	Multi-Family							
Low	1	14.3%	239	15.8%	0	0.0%	0	0.0%
Moderate	2	28.6%	307	20.4%	0	0.0%	0	0.0%
Middle	4	57.1%	962	63.8%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	7	100.0%	1,508	100.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	7	100.0%	1,508	100.0%	7	100.0%	1,508	100.0%
	HMDA Totals							
Low	7	5.9%	622	4.2%	3	2.5%	172	1.2%
Moderate	19	16.1%	2,070	14.1%	20	16.9%	1,859	12.6%
Middle	64	54.2%	7,202	49.0%	22	18.6%	2,174	14.8%
Upper	28	23.7%	4,802	32.7%	42	35.6%	6,556	44.6%
Unknown	0	0.0%	0	0.0%	31	26.3%	3,935	26.8%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	118	100.0%	14,696	100.0%	118	100.0%	14,696	100.0%

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2015 HMDA LOAN DISTRIBUTION TABLE

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Purchase							
Low	4	6.9%	438	5.9%	6	10.3%	298	4.0%
Moderate	10	17.2%	977	13.2%	8	13.8%	660	8.9%
Middle	29	50.0%	3,339	45.0%	13	22.4%	1,974	26.6%
Upper	15	25.9%	2,661	35.9%	24	41.4%	3,605	48.6%
Unknown	0	0.0%	0	0.0%	7	12.1%	878	11.8%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	58	100.0%	7,415	100.0%	58	100.0%	7,415	100.0%
	Refinance							
Low	0	0.0%	0	0.0%	1	2.6%	108	2.4%
Moderate	4	10.5%	585	13.3%	12	31.6%	810	18.4%
Middle	30	78.9%	3,119	70.7%	9	23.7%	1,178	26.7%
Upper	4	10.5%	705	16.0%	11	28.9%	1,878	42.6%
Unknown	0	0.0%	0	0.0%	5	13.2%	435	9.9%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	38	100.0%	4,409	100.0%	38	100.0%	4,409	100.0%
	Home Improvement							
Low	0	0.0%	0	0.0%	1	7.7%	15	2.0%
Moderate	2	15.4%	63	8.5%	1	7.7%	19	2.6%
Middle	10	76.9%	471	63.5%	4	30.8%	126	17.0%
Upper	1	7.7%	208	28.0%	5	38.5%	467	62.9%
Unknown	0	0.0%	0	0.0%	2	15.4%	115	15.5%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	13	100.0%	742	100.0%	13	100.0%	742	100.0%
	Multi-Family							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	3	50.0%	862	45.0%	0	0.0%	0	0.0%
Middle	2	33.3%	130	6.8%	0	0.0%	0	0.0%
Upper	1	16.7%	925	48.3%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	6	100.0%	1,917	100.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	6	100.0%	1,917	100.0%	6	100.0%	1,917	100.0%
	HMDA Totals							
Low	4	3.5%	438	3.0%	8	7.0%	421	2.9%
Moderate	19	16.5%	2,487	17.2%	21	18.3%	1,489	10.3%
Middle	71	61.7%	7,059	48.7%	26	22.6%	3,278	22.6%
Upper	21	18.3%	4,499	31.1%	40	34.8%	5,950	41.1%
Unknown	0	0.0%	0	0.0%	20	17.4%	3,345	23.1%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	115	100.0%	14,483	100.0%	115	100.0%	14,483	100.0%

**INTERMEDIATE SMALL INSTITUTION PERFORMANCE EVALUATION
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2016 HMDA LOAN DISTRIBUTION TABLE

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Purchase							
Low	6	12.2%	395	6.9%	2	4.1%	150	2.6%
Moderate	9	18.4%	863	15.0%	8	16.3%	879	15.3%
Middle	20	40.8%	2,587	45.1%	10	20.4%	1,092	19.0%
Upper	14	28.6%	1,893	33.0%	19	38.8%	2,390	41.7%
Unknown	0	0.0%	0	0.0%	10	20.4%	1,227	21.4%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	49	100.0%	5,738	100.0%	49	100.0%	5,738	100.0%
	Refinance							
Low	1	2.3%	86	1.5%	0	0.0%	0	0.0%
Moderate	4	9.3%	572	10.2%	6	14.0%	416	7.4%
Middle	28	65.1%	3,496	62.6%	15	34.9%	1,834	32.8%
Upper	10	23.3%	1,431	25.6%	18	41.9%	2,974	53.2%
Unknown	0	0.0%	0	0.0%	4	9.3%	361	6.5%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	43	100.0%	5,585	100.0%	43	100.0%	5,585	100.0%
	Home Improvement							
Low	1	7.1%	123	8.6%	0	0.0%	0	0.0%
Moderate	1	7.1%	25	1.7%	0	0.0%	0	0.0%
Middle	10	71.4%	1,167	81.5%	2	14.3%	37	2.6%
Upper	2	14.3%	117	8.2%	12	85.7%	1,395	97.4%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	14	100.0%	1,432	100.0%	14	100.0%	1,432	100.0%
	Multi-Family							
Low	1	20.0%	365	21.0%	0	0.0%	0	0.0%
Moderate	4	80.0%	1,373	79.0%	0	0.0%	0	0.0%
Middle	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	5	100.0%	1,738	100.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	5	100.0%	1,738	100.0%	5	100.0%	1,738	100.0%
	HMDA Totals							
Low	9	8.1%	969	6.7%	2	1.8%	150	1.0%
Moderate	18	16.2%	2,833	19.5%	14	12.6%	1,295	8.9%
Middle	58	52.3%	7,250	50.0%	27	24.3%	2,963	20.4%
Upper	26	23.4%	3,441	23.7%	49	44.1%	6,759	46.6%
Unknown	0	0.0%	0	0.0%	19	17.1%	3,326	22.9%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	111	100.0%	14,493	100.0%	111	100.0%	14,493	100.0%

**INTERMEDIATE SMALL INSTITUTION PERFORMANCE EVALUATION
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2017 HMDA LOAN DISTRIBUTION TABLE

Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Home Purchase							
Low	8	14.5%	1,154	15.1%	3	5.5%	124	1.6%
Moderate	8	14.5%	706	9.3%	8	14.5%	687	9.0%
Middle	27	49.1%	3,842	50.4%	8	14.5%	892	11.7%
Upper	12	21.8%	1,923	25.2%	21	38.2%	3,732	48.9%
Unknown	0	0.0%	0	0.0%	15	27.3%	2,190	28.7%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	55	100.0%	7,625	100.0%	55	100.0%	7,625	100.0%
	Refinance							
Low	2	6.5%	284	4.8%	2	6.5%	104	1.8%
Moderate	9	29.0%	1,109	18.7%	5	16.1%	591	9.9%
Middle	16	51.6%	3,827	64.4%	5	16.1%	443	7.5%
Upper	4	12.9%	722	12.2%	12	38.7%	2,872	48.3%
Unknown	0	0.0%	0	0.0%	7	22.6%	1,932	32.5%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	31	100.0%	5,942	100.0%	31	100.0%	5,942	100.0%
	Home Improvement							
Low	0	0.0%	0	0.0%	2	13.3%	95	7.6%
Moderate	2	13.3%	99	7.9%	3	20.0%	127	10.2%
Middle	8	53.3%	776	62.1%	3	20.0%	325	26.0%
Upper	5	33.3%	375	30.0%	6	40.0%	553	44.2%
Unknown	0	0.0%	0	0.0%	1	6.7%	150	12.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	15	100.0%	1,250	100.0%	15	100.0%	1,250	100.0%
	Multi-Family							
Low	3	27.3%	909	12.2%	0	0.0%	0	0.0%
Moderate	3	27.3%	4,400	59.3%	0	0.0%	0	0.0%
Middle	4	36.4%	1,615	21.8%	0	0.0%	0	0.0%
Upper	1	9.1%	500	6.7%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	11	100.0%	7,424	100.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	11	100.0%	7,424	100.0%	11	100.0%	7,424	100.0%
	HMDA Totals							
Low	13	11.6%	2,347	10.6%	7	6.3%	323	1.5%
Moderate	22	19.6%	6,314	28.4%	16	14.3%	1,405	6.3%
Middle	55	49.1%	10,060	45.2%	16	14.3%	1,660	7.5%
Upper	22	19.6%	3,520	15.8%	39	34.8%	7,157	32.2%
Unknown	0	0.0%	0	0.0%	34	30.4%	11,696	52.6%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	112	100.0%	22,241	100.0%	112	100.0%	22,241	100.0%

CRA APPENDIX C: SMALL BUSINESS LOAN DISTRIBUTION TABLES

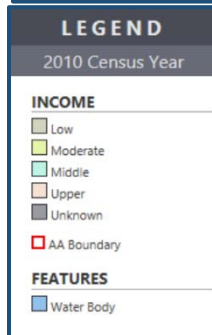
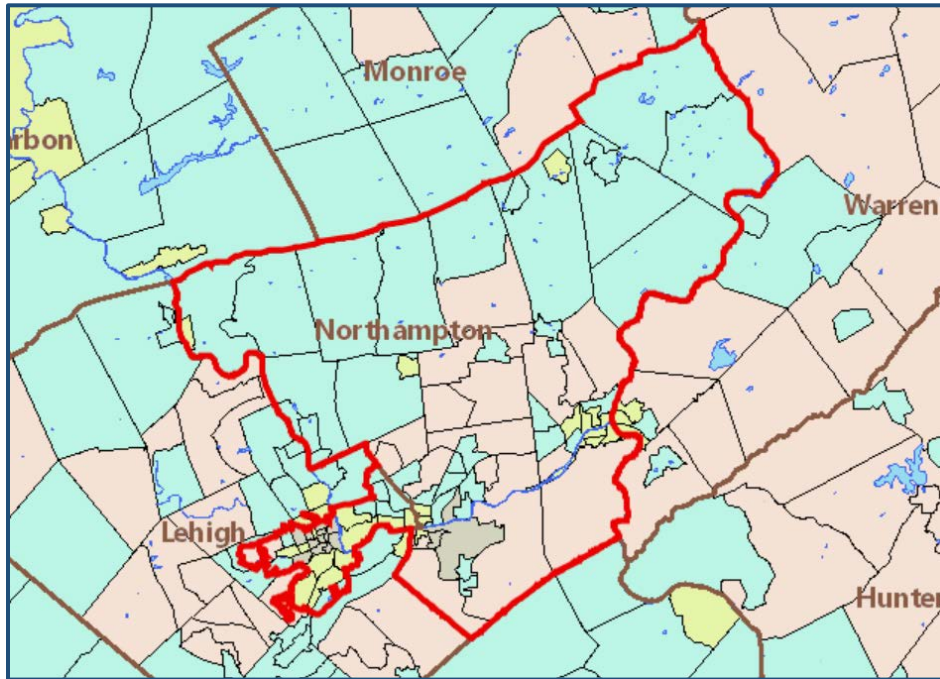
**INTERMEDIATE SMALL INSTITUTION PERFORMANCE EVALUATION
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2017 SMALL BUSINESS LOAN DISTRIBUTION TABLE

Income Categories	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	By Tract Income							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	12	29.3%	3,799	24.1%	0	0.0%	0	0.0%
Middle	17	41.5%	7,710	48.9%	0	0.0%	0	0.0%
Upper	12	29.3%	4,264	27.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	41	100.0%	15,773	100.0%	0	0.0%	0	0.0%
	By Revenue							
Total \$1 Million or Less	30	73.2%	8,878	56.3%	0	0.0%	0	0.0%
Over \$1 Million	11	26.8%	6,894	43.7%	0	0.0%	0	0.0%
Not Known	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	41	100.0%	15,773	100.0%	0	0.0%	0	0.0%
	By Loan Size							
\$100,000 or less	13	31.7%	745	4.7%	0	0.0%	0	0.0%
\$100,001 - \$250,000	15	36.6%	2,512	15.9%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)- \$500k (Farm)	10	24.4%	4,966	31.5%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	3	7.3%	7,550	47.9%	0	0.0%	0	0.0%
Total	41	100.0%	15,773	100.0%	0	0.0%	0	0.0%
	By Loan Size and Revenue \$1 Million or Less							
\$100,000 or less	10	33.3%	467	5.3%	0	0.0%	0	0.0%
\$100,001 - \$250,000	14	46.7%	2,362	26.6%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)- \$500k (Farm)	5	16.7%	2,300	25.9%	0	0.0%	0	0.0%
Over \$1 Million (Bus) -\$500k (Farm)	1	3.3%	3,750	42.2%	0	0.0%	0	0.0%
Total	30	100.0%	8,878	100.0%	0	0.0%	0	0.0%

CRA APPENDIX D: ASSESSMENT AREA MAPS

ASSESSMENT AREA (2010 Census Data)



ASSESSMENT AREA (2015 ACS Data)

