

GENERAL INFORMATION

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

This document is an evaluation of the CRA performance of **Mercantile Bank of Western Iowa, Des Moines, Iowa** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **August 20, 1997**. The evaluation does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

The public evaluation includes an overall rating for the institution, and conclusions with supporting data for each MSA and the nonmetro State of Iowa areas where the bank has branches.

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**

The bank's lending is consistent with the identified needs and opportunities within the assessment areas. The bank has a high loan-to-deposit ratio and a high percentage of small business, small farm and HMDA-related loans within its assessment areas. The bank has a strong record of small business, small farm, and real estate lending. The geographical distribution of small business, small farm and HMDA-related loans demonstrates a reasonable penetration in low- and moderate-income geographies. HMDA-related loans were reasonably distributed among low- and moderate-income borrowers. In some assessment areas, however, lending in low- and moderate-income geographies and/or to low- and moderate-income borrowers is low in comparison to area demographics and the aggregate's lending performance. In the assessment areas where the highest percentage of low- and moderate-income residents are noted, the bank's record of lending to low- and moderate-income borrowers is strongest. HMDA-related lending in low- and moderate-income geographies and to low- and moderate-income individuals increased from 1996 to 1997.

In the Des Moines MSA, the bank's lending within low- and moderate-income geographies is strong and reasonably consistent with potential lending opportunities on a borrower income basis. In nonmetro State of Iowa assessment areas, overall performance was reasonably consistent with the demographic data and available opportunities. The bank may be able to improve overall loan volume in assessment area #2 (Pottawattamie County); the level of HMDA-related loans in moderate-income geographies in assessment area #3 (Lyon, Osceola, Dickinson, O'Brien and Clay Counties); the level of agriculture loans in moderate-income geographies in assessment area #8 (Ringgold and Taylor Counties); and the level of small business loans in moderate-income geographies in assessment area #9 (Monona and Harrison Counties). In assessment area #7 (Lucas, Wayne and Appanoose Counties) low-income housing loan programs continue to be in demand.

The bank made several community development loans within the assessment areas which benefited low- and moderate-income borrowers and geographies. The bank is generally proactive and responsive to the credit needs of low-income residents and areas, and makes use

of flexible lending practices and programs. Several community representatives commented favorably on the bank's performance in meeting area credit needs; there were no statements of a detrimental nature regarding the bank's performance. The bank provides loans and utilizes loan programs identified by community representatives and other sources consistent with opportunities within the assessment areas. Investments were low, yet consistent with the bank's policies, which emphasize lending versus investments, and targeted identified area credit and community development needs; however, additional opportunities for investments within the assessment areas were noted.

Bank products and services are offered and extended through an effective delivery system of retail branches. The bank's delivery system is accessible to all segments of the assessment areas, and products, services and facilities are consistent and similar at all branch locations. To the extent that changes have been made, the bank's opening of additional branches has had a neutral effect on the accessibility of its delivery systems. The availability of products and services at different branches does not vary in any manner which would inconvenience any segment of the assessment areas. The bank provides a high level of community development services which target identified needs within the assessment areas.

The following indicates the performance of **Mercantile Bank of Western Iowa, Des Moines, Iowa** with respect to the lending, investment and service tests. Based on the component test ratings for large banks, the assigned composite rating is **Satisfactory**.

LARGE INSTITUTION PERFORMANCE CRITERIA	MERCANTILE BANK OF WESTERN IOWA PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			*
High Satisfactory	*		
Low Satisfactory		*	
Needs to Improve			
Substantial Noncompliance			

*Note: The lending test is weighed more heavily than the investment and service tests when arriving at an overall rating.

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DESCRIPTION OF INSTITUTION

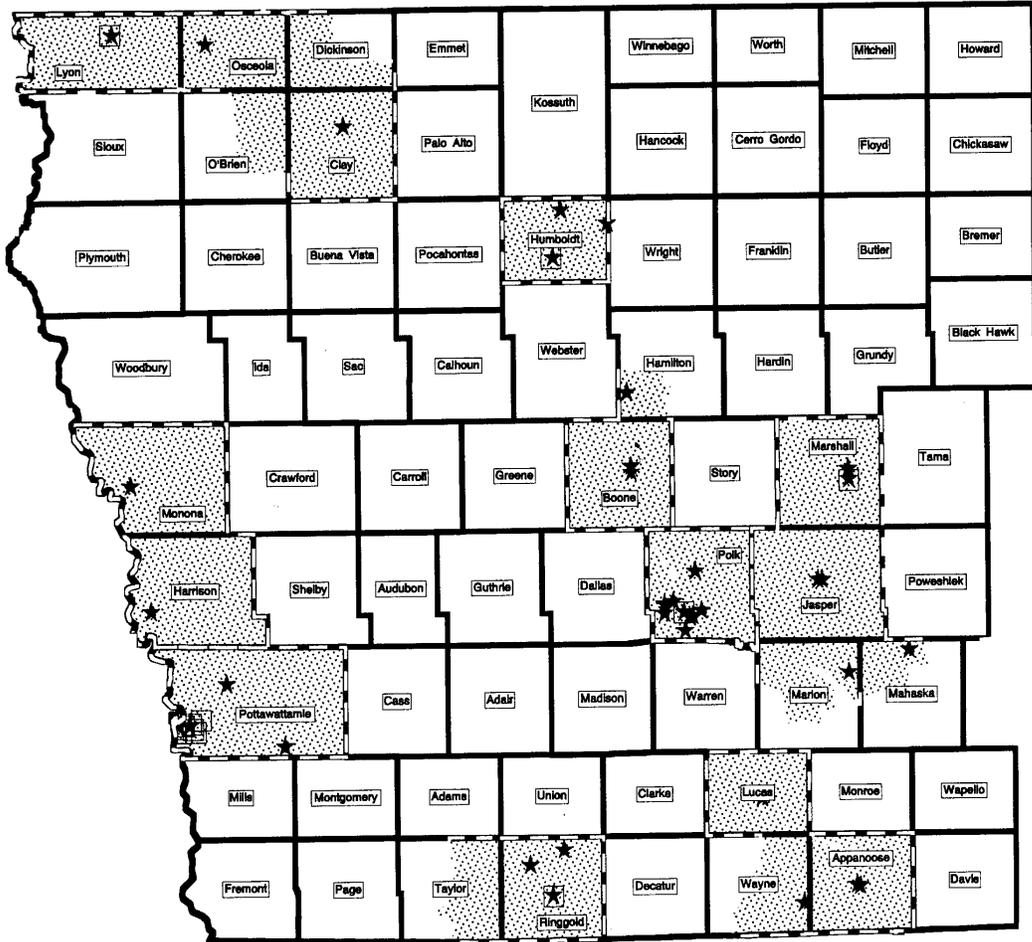
Mercantile Bank of Western Iowa, with total assets of \$1.2 billion as of June 30, 1997, is a subsidiary of Mercantile Bancorporation Inc., St. Louis, Missouri, a multi-bank holding company. The bank's primary business focus is real estate, commercial/industrial and agriculture-related lending. A complete line of loan products, including commercial, business and residential real estate, agriculture and consumer loans, is offered and delivered through a branch network system.

As of August 20, 1997, the bank had 38 branches, 27 drive-up facilities, 37 full-service and one cash dispensing automated teller machines (ATMs) located throughout its assessment areas. Loans are available and approved at all branch locations. Personnel at eight branch offices refer loans to nearby branches; only two of these limited service branches are located in low- or moderate-income geographies. The bank has the ability to meet area credit needs based on its financial condition and size.

DESCRIPTION OF ASSESSMENT AREAS

The bank's community is defined as nine assessment areas located in the State of Iowa; two assessment areas are in MSAs and seven are located in nonmetro State of Iowa areas. The MSA assessment areas are: #1) Polk County or the Des Moines MSA #2120 and #2) Pottawattamie County or the portion of the Omaha, Nebraska MSA #5920 located in Iowa. The seven nonmetro State of Iowa assessment areas include all or part of the following counties: assessment area #3) Lyon, Osceola, Dickinson, O'Brien and Clay Counties; #4) Humboldt County; #5) Boone County; #6) Marshall, Jasper, Marion, and Mahaska Counties; #7) Lucas, Wayne and Appanoose Counties; #8) Ringgold and Taylor Counties; and #9) Monona and Harrison Counties. These assessment areas include the bank's main and branch offices, and deposit-taking ATMs.

The map on the following page depicts the boundaries of the bank's assessment areas. The map shows all counties in western and central Iowa. The shaded areas identify the bank's assessment areas. A star signifies the location of a Mercantile Bank of Western Iowa office.



Significance of Assessment Areas Lending Compared to Overall Lending

The Des Moines MSA and the nonmetro state assessment areas are the most significant contributors to the bank's overall performance, as the majority of lending and deposit activities occur in these areas. The Des Moines MSA accounts for approximately 46% of all HMDA-related loans, 24% of the small business loans and 1.5% of the small farm loans. The seven nonmetro state assessment areas account for approximately 50% of all HMDA-related loans, 72% of all small business loans and 96% of all small farm loans. The bank's assessment area in the Omaha MSA accounts for approximately 4% of all HMDA-related loans, 4.5% of small business loans and 2.8% of small farm loans.

The Des Moines MSA and assessment area #6 (Newton, Pella and Marshalltown) each contribute approximately 25% of the bank's total deposits. The remaining nonmetro state assessment areas combined account for approximately 36% of deposits. The Omaha MSA accounts for approximately 5% of deposits.

The bank collects information regarding the performance of 15 of its branches (referred to by bank management as community banks) to monitor local market conditions and performance in the assessment areas. The following list shows each community bank's (identified by assessment area) loans, deposits and loan-to-deposit ratios as of June 30, 1997:

<u>Assessment Area</u>	<u>Loans (\$000)</u>	<u>Deposits(\$000)</u>	<u>L/D - Ratio (%)</u>
#1 - Des Moines	306,528	249,585	122.81
#1 - Ankeny	33,528	38,610	86.84
#2 - Council Bluffs	48,233	88,311	54.62
#3 - Spencer	38,469	43,714	88.00
#3 - Rock Rapids	40,097	39,597	101.26
#3 - Sibley	34,135	26,392	129.34
#4 - Humboldt	42,141	57,795	72.91
#5 - Boone	77,379	96,486	80.20
#6 - Newton	111,455	127,568	87.37
#6 - Pella	53,237	94,958	56.06
#6 - Marshalltown	43,809	69,799	62.76
#7 - Centerville	37,091	55,841	66.42
#7 - Chariton	19,789	36,594	54.08
#8 - Mount Ayr	24,491	43,458	56.36
#9 - Onawa	21,385	38,364	55.74

Competition by Assessment Area

The bank's competitors' asset sizes and loan-to-deposit ratios are listed in the following table:

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FINANCIAL INSTITUTION (Assessment Area Number)	Total Assets (000's) As of 12/31/96	Loan-To-Deposit Ratio (%) As of 12/31/96
Mercantile Bank of Western Iowa	\$1,220,160	80.72
Brenton Bank, Des Moines (#1)	1,507,493	69.06
Bankers Trust Company, Des Moines (#1)	662,534	83.97
Community State Bank, Ankeny (#1)	147,700	87.13
Peoples National Bank, Council Bluffs (#2)	112,490	79.29
Farmers Trust & Savings Bank, Spencer (#3)	96,685	53.46
First Bank & Trust, Rock Rapids (#3)	52,503	80.71
Sibley State Bank, Sibley (#3)	44,390	81.56
Humboldt Trust & Savings Bank, Humboldt (#4)	83,746	49.95
Boone Bank & Trust Company, Boone (#5)	84,294	43.57
Security Bank Jasper-Poweshiek, Newton (#6)	106,014	80.12
Marion County State Bank, Pella (#6)	114,676	53.35
Security Bank, Marshalltown (#6)	334,167	71.80
Iowa Trust & Savings Bank, Centerville (#7)	103,385	66.08
Midwest Heritage Bank, Chariton (#7)	108,064	104.73
First National Bank, Creston (#8)	121,575	66.42
State Savings Bank, Onawa (#9)	12,942	48.85

The preceding data shows that the bank's loan-to-deposit ratio is considerably higher than Brenton Bank's, a competitor of similar asset size, but is substantially similar to most competitors, except in assessment areas #2, #6, and #7, where the bank's ratios are significantly below its competitor's.

Demographic Data

According to 1990 census data, the nine assessment areas have a total population of 658,115. The assessment areas are comprised of 178 geographies, of which five or 2.81% are low-income, 27 or 15.17% are moderate-income, 119 or 66.85% are middle-income, and 27 or 15.17% are upper-income. Low- and moderate-income geographies within the MSAs were distributed as follows: Des Moines MSA - four low-income and 12 moderate-income; Omaha MSA - one low-income and nine moderate-income. Low- and moderate-income geographies within the bank's nonmetro state assessment areas were distributed as follows: assessment area #3) one moderate-income; #7) three moderate-income; #8) one moderate-income; and #9) one moderate-income. Assessment areas #4), #5), and #6) have no low- and moderate income

geographies. Institutionalized or persons in group quarters numbered 17,767 or 2.70% of the assessment areas=population. The majority of institutionalized persons are in nursing homes or college dormitories.

The median family income is \$33,359 for the nine assessment areas, \$31,659 for the State, and \$29,303 for the nonmetro state areas. In comparison, the MSA median family incomes are: Des Moines MSA - \$37,304, Omaha MSA - \$36,011. Approximately 10.3% of total households in the assessment areas are below the poverty level.

The housing market data showed that 64.6% of the 274,576 housing units in the assessment areas are owner-occupied, 29.2% are rental units, and 6.2% are vacant. There 39,755 or 14.5% multi-family units in the assessment areas.

The average housing affordability ratio for the nine assessment areas is 0.560 (calculated by dividing the median household income of \$28,073 by the median household value of \$50,115). In comparison, the Des Moines MSA affordability ratio is 0.531, Omaha MSA is 0.517, the State is 0.576 and nonmetro state areas is 0.630. A higher ratio may indicate that housing is more affordable in an area in comparison to an area with a lower ratio. The median monthly rental cost for the assessment areas is \$387. In comparison, the median monthly rent for the Des Moines MSA is \$427, the Omaha MSA is \$400, the State of Iowa is \$336 and the nonmetro state areas is \$292.

Six community representatives contacted during the examination indicated that opportunities for lending in the MSAs and nonmetro state areas are varied and ample. In almost all geographies of the Omaha MSA opportunities for banks to increase lending are present. In the Des Moines MSA, although there are many competing financial institutions, opportunities for additional small-business and residential lending in low- and moderate-income geographies exist. In nonmetro State of Iowa, several areas in southern Iowa, including low- and moderate-income geographies, appear to present unmet opportunities for lending. Other nonmetro state areas have a high volume of middle- and upper-income residential lending opportunities.

The assessment area has shown strong and steady economic growth in recent years. The Des Moines MSA 1994 employment figures showed a 7.6% increase in the number of jobs from 1990, primarily due to increased construction and government jobs. Private service-oriented employment showed a 9.9% increase, primarily supported by increases in retail trade, finance, insurance, and real estate services. In the Omaha MSA, an overall increase of 5.8% was supported by increases in construction, retail trade and manufacturing.

Unemployment rates have been declining. According to the Iowa Department of Employment Services, the August 1997 and 1996, unemployment figures for counties within the assessment areas are as follows:

Unemployment Rates by County		
County	August 1997 (%)	August 1996 (%)

Polk (Des Moines MSA)	2.1	3.1
Pottawattomie (Omaha MSA)	3.2	3.2
Lyon	1.5	2.9
Osceola	1.9	2.6
Dickinson	2.5	2.7
O'Brien	1.9	2.4
Clay	2.5	3.0
Humboldt	1.6	1.9
Boone	2.2	2.6
Hamilton	2.3	2.6
Marshall	2.8	3.0
Jasper	3.4	2.9
Marion	2.4	3.0
Mahaska	2.2	3.4
Lucas	3.0	3.8
Wayne	3.0	4.9
Appanoose	3.2	4.9
Ringgold	1.9	2.6
Taylor	4.1	7.6
Harrison	2.5	3.4
Monona	2.5	3.6
State of Iowa (Seasonally Adjusted)	2.7	3.8

The preceding chart generally reflects lower unemployment rates from 1996, is a reflection of a strong economy and is consistent with information received from community representatives, who indicated that the assessment areas have strong and growing economies.

Large employers located in or near the bank's assessment areas are as follows:

<u>Employer</u>	<u>County</u>	<u>Type of Business</u>
Deere and Company	Polk	Farm Equipment Mfgr.
Union Pacific Railroad	Boone	Transportation
Viskase Inc.	Appanoose	Plastic Mfgr.

Hy-vee Food Stores Inc.	Lucas	Retail Foods
Chantland Company	Humboldt	Industrial Equipment Mfgr.
Fisher Controls International	Marshall	Valves and Gauges Mfgr.
Mount Ayer Products	Ringgold	Automotive wiring Harnesses
Maytag Corporation	Jasper	Appliance Mfgr.
Westendorf Manufacturing	Monona	Farm Equipment Mfgr.
Vermeer Company	Marion	Farm Equipment Mfgr.
Heartland Press	Clay	Printing
Union Camp	Osceola	Bag Mfgr.
K-Products Manufacturing	Lyon	Cap Mfgr.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (ECOA) and Fair Housing Act (FHA). The bank's public file is also in compliance with the technical requirements of the CRA. The public file and CRA notices reviewed during the examination are in compliance.

The facts, data and conclusions in this public evaluation are presented in a format that begins with an evaluation of the bank's overall performance followed by separate discussions of the bank's performance in the Des Moines MSA #2120, the nonmetro state of Iowa areas, and the Omaha MSA #5920. The bank's performance in the MSA and nonmetro state of Iowa assessment areas was examined using full-scope review procedures under the lending, investment and service tests. The bank's lending and lending-related services within each assessment area are compared to the bank's overall activities and is discussed in each section.

The analyses in each discussion make use of the assessment area economic and demographic characteristics; lending, service and investment opportunities in the assessment areas; the bank's product offerings, portfolio distribution, and business strategies; and the bank's capacities and constraints. Demographic data was used to gauge lending opportunities. Competitors' financial data and lending activities, the CRA public file, comments made by community representatives, and other relevant information were also utilized in assessing the bank's performance.

OVERALL PERFORMANCE EVALUATION IN ALL ASSESSMENT AREAS

LENDING TEST

The bank's loan portfolio, 1996 lending to small businesses and small farms, 1996 HMDA data and 1997 year-to-date (YTD) (1-2-97 through 6-30-97) preliminary HMDA data were reviewed. The bank's brokered HMDA-related loan activity for 1997 YTD (1-2-97 through 8-20-97) was also reviewed. These loans were analyzed to determine the percentage of lending within the assessment areas and the distribution of lending by geographical and borrower income levels, particularly within low- and moderate-income geographies and to low- and moderate-income borrowers.

Consolidated Report of Condition

A review of the bank's June 30, 1997 Consolidated Report of Condition and Income revealed a net loan-to-deposit ratio of 83.07%. The bank's loan-to-deposit ratio (LTD) for the three quarters (post merger) ending June 30, 1997 averaged 80.76%. The dollar amount of outstanding loans and deposits have shown an increasing trend during this time period. The bank's primary loan products consist of residential real estate, commercial, industrial and agriculture loans. The following table shows the distribution of the loan portfolio, by loan type:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction	\$ 15,141	1.63
Secured by Farmland	74,034	7.94
Revolving open-end (1-4)	11,048	1.19
Residential First liens (1-4)	262,493	28.15
Junior liens	40,149	4.31
Multi-family	22,552	2.42
Commercial	94,200	10.10
LOANS TO DEPOSITORY INSTITUTIONS	456	0.05
AGRICULTURE	137,261	14.72
COMMERCIAL AND INDUSTRIAL	143,999	15.44
CONSUMER		
Open-end Credit	10,481	1.12
All Other	54,678	5.86
STATE AND POLITICAL OBLIGATIONS	35,860	3.85
LEASE FINANCING	19,258	2.06
OTHER	10,838	1.16

The preceding chart evidences that the bank's primary loan emphasis is in real estate,

agriculture and commercial/industrial lending.

Uniform Bank Performance Report

According to the March 31, 1997, Uniform Bank Performance Report (UBPR), the bank's loan portfolio distribution and loan-to-deposit ratio compared to peer are as follows:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	1.71	3.05
1 - 4 Family Residential	33.58	24.92
Home Equity Loans	1.09	2.94
Other Real Estate	20.69	18.88
Farmland	8.17	0.23
Multi-family	1.76	1.28
Commercial	10.76	16.10
TOTAL REAL ESTATE LOANS	55.98	52.57
FINANCIAL INSTITUTION LOANS	0.04	0.03
AGRICULTURAL LOANS	13.91	0.15
COMMERCIAL & INDUSTRIAL	16.06	18.33
CREDIT CARD & OTHER OPEN END	1.23	1.15
LOANS TO INDIVIDUALS	7.26	17.10
LEASE FINANCING RECEIVABLES	2.15	0.30

BANK NET LOAN/LEASE TO DEPOSIT RATIO	PEER NET LOAN/LEASE TO DEPOSIT RATIO
80.08%	82.01%

As the preceding table illustrates, the bank's net LTD ratio is slightly below the peer group's. By loan product, the bank has a higher concentration of residential 1-4 family real estate loans, loans secured by farmland, total real estate loans and agriculture loans. The bank is slightly lower than peer in the home equity, commercial and industrial, commercial real estate and loans to individuals categories. This is consistent with the bank's business focus and primary loan products. Because consumer lending does not represent a majority of the bank's loan business, a review of consumer loans was not conducted as part of this CRA evaluation.

Bank's Small Business/Small Farm Loan Portfolio

The bank is an active small business and small farm lender within its assessment areas. According to the June 30, 1997 Consolidated Report of Condition and Income, the bank's loan portfolio contained the following outstanding loans to small businesses and small farms:

Mercantile Bank of Western Iowa Nonfarm-Nonresidential Real Estate Secured Loans		
LOAN AMOUNT	NUMBER OF LOANS	AMOUNT OF LOANS (000's)
Less than or equal to \$100,000	343	\$ 11,082
Greater than \$100,000 through \$250,000	126	15,218
Greater than \$250,000 through \$1 Million	112	37,155
Total	581	63,455
Commercial and Industrial Loans		
Less than or equal to \$100,000	1,971	37,186
Greater than \$100,000 through \$250,000	235	24,198
Greater than \$250,000 through \$1 Million	151	42,570
Total	2,357	103,954

Mercantile Bank of Western Iowa Agricultural Loans Secured by Farmland		
LOAN AMOUNT	NUMBER OF LOANS	AMOUNT OF LOANS (000's)
Less than or equal to \$100,000	725	\$ 26,438
Greater than \$100,000 through \$250,000	251	29,123
Greater than \$250,000 through \$1 Million	57	16,194
Total	1,033	71,755
Agricultural Operating/Production Loans		
Less than or equal to \$100,000	3,964	63,565
Greater than \$100,000 through \$250,000	334	35,694
Greater than \$250,000 through \$1 Million	108	29,882
Total	4,406	129,141

The preceding charts shows that the greatest concentration of loans, by number, is in the less

than \$100,000 category. This lending performance demonstrates the bank's strong support of small business and small farms by making loans in small dollar amounts. The distribution within the assessment areas is detailed under each section of this public evaluation.

Small Business/Small Farm Loans

Small business loans are those loans with an original loan balance of less than \$1 million made to businesses with less than \$1 million in gross annual revenues. Small farm loans are those loans with an original loan balance of less than \$500,000 made to farms with less than \$1 million in gross annual revenues.

In 1996, the bank made 1,150 small business loans (totaling \$66,213,000), of which 1,049 loans or 91.22% (totaling \$58,287,000) were made within the assessment areas. The bank also made 2,711 small farm loans (totaling \$101,292,000), of which 2,290 or 84.47% loans (totaling \$84,206,000) were made within the assessment areas. The following chart shows loan originations within the assessment areas, by number and dollar amount, categorized by original loan balance:

Mercantile Bank of Western Iowa 1996 Small Business-Small Farm Loans Within the Assessment Areas				
Loan Product	# and \$ (000's) \$100,000 or less	# and \$ (000's) Greater than \$100,000 to \$250,000	# and \$ (000's) Greater than \$250,000	Total # and \$ (000's)
Small Business	907 - \$24,043	99 - \$15,760	43 - \$18,484	1,049 - \$58,287
Small Farm	2,099 - \$46,742	153 - \$24,298	38 - \$13,166	2,290 - \$84,206

The preceding chart shows that loans in amounts of \$100,000 or less constitute the majority of small business/small farm loans. This concentration of smaller dollar value loans demonstrates the bank's very strong effort in lending to small businesses and small farms within the assessment areas.

Distribution of Small Business-Small Farm Loans within Low- and Moderate-Income Geographies

The following chart shows the distribution of small business and small farm loans within low- and

moderate-income geographies:

Mercantile Bank of Western Iowa 1996 Small Business-Small Farm Loans in Low- and Moderate-Income Geographies Within the Assessment Areas				
Loan Product	# of Loans	% of Total Small Business (1,049) and Small Farm (2,290) Loans	\$ Amount of Loans (000's)	% of Total \$ Amount of Small Business and Small Farm Loans
Small Business	145	13.82	5,947	10.20
Small Farm	205	8.95	8,926	10.60

A review of area demographics indicates that approximately 25% of the geographies in the MSAs and 8% in nonmetro state areas are low- and moderate-income.

Innovative and Flexible Loan Programs

The bank offers a number of loan programs designed to be flexible in expanding the pool of loan applicants, particularly low- and moderate-income candidates. The programs in which the bank participates include: Small Business Administration (SBA), Farmers Home Administration (FmHA), Linked Investments for Tomorrow (LIFT), Iowa Agriculture Development Authority (IADA) and Insured Credit Services (ICS), a flexible program for small dollar amount home improvement and home equity loans are made without formal appraisals, title opinions or title insurance. The bank's lending volume under these programs is detailed in the following charts (these loans are included in the small business lending volume):

MERCANTILE BANK OF WESTERN IOWA FLEXIBLE LOAN PROGRAMS									
Assessment Area	SBA Loans # and \$ (000's)		FmHA # and \$ (000's)		LIFT \$ (000's)	IADA # and \$ (000's)		ICS # and \$ (000's)	
	#1	68	7,552	n/a	n/a	n/a	n/a	n/a	99
#2	7	1,087	7	240	104	n/a	n/a	11	52
MSAs Total	75	8,640	7	240	104	n/a	n/a	110	1,446
#3	11	1,987	62	5,521	169	7	300	n/a	n/a
#4	13	1,349	30	1,903	67	8	986	19	160
#5	24	1,921	10	434	483	n/a	n/a	n/a	n/a
#6	39	5,650	83	6,872	1,289	4	242	104	938
#7	7	1,253	73	6,505	n/a	3	208	47	365
#8	5	678	51	2,332	n/a	n/a	n/a	29	74
#9	7	870	18	1,843	n/a	2	154	23	24
nonmetro State Total	106	13,808	327	25,409	2,008	24	1,890	222	1,560

Grand Total	181	22,448	334	25,650	2,112	24	1,890	332	3,006
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The preceding chart shows the bank's extensive use of flexible lending programs throughout all the assessment areas.

Conclusions Regarding Small Business and Small Farm Lending in Low- and Moderate-Income Areas

The bank's lending to small businesses and small farms within low- and moderate-income geographies is satisfactory. The percentage of small business loans in low- and moderate-income geographies is less than area demographics, indicating that additional opportunities may exist to make loans. The percentage of small farm loans in low- and moderate-income geographies exceeds area demographics. Additionally, the bank uses flexible loan programs which expanded the pool of loan applicants reasonably consistent with its resources.

Geographic Distribution of HMDA-related Lending (By Geography Income Level)

The geographic distribution of the bank's 1996 and 1997 YTD preliminary HMDA lending within the assessment areas was reviewed and compared to the demographics of the assessment areas and to aggregate lending, when available.

In 1996, the bank was not required to report HMDA data for the nonmetro areas. In 1996, the bank had HMDA-related loan activity in 96.15% of the census tracts within the assessment areas. Loan activity was noted in all 26 of the low- and moderate-income census tracts. In 1996, the bank reported 971 HMDA-related loan applications and 822 loan originations. Of the 822 loans, 642 loans or 78.10% were made within the MSAs. The 642 loans included 372 conventional mortgages, 97 refinancings and 173 home improvement loans. Due to data availability limitations, the 1997 YTD preliminary HMDA data was only reviewed for geographical and borrower income distribution.

1996 HMDA-related Lending Opportunities (MSAs)

The following chart shows the bank's 1996 HMDA-related lending within the two MSAs by comparing the bank's loan originations in low-, moderate-, middle- and upper-income geographies to the number of owner-occupied units in those geographies per 1,000 units:

Geography	# of Owner-Occupied Units in		1996 HMDA-related Loan Originations		Percentage of Originations per 1,000 Owner- Occupied Units	
	Non-L/M Areas	L/M Areas	Non-L/M Areas	L/M Areas	Non-L/M Areas	L/M Areas
Assessment Area	88,756	17,777	549	93	6.19	5.23

The preceding chart shows that the bank's loan originations per 1,000 owner-occupied units in the assessment areas is somewhat lower in low- and moderate-income areas than in middle- and upper-income areas.

In 1996, there were 642 loans within the two MSAs. The following chart shows the distribution of these loans by geography income level. For comparison purposes, the market aggregate's lending activity is also shown.

Mercantile Bank of Western Iowa 1996 HMDA-related Loan Originations in MSAs by Census Tract Income and as a Percentage of Total Originations in Comparison to Area Demographics and 1996 Aggregate Data						
Census Tract Income Classification	# of Census Tracts	% of Total Census Tracts	Mercantile Bank within Assessment Area MSAs		Aggregate within Assessment Area MSAs	
			# of Orig-s	% of Total Orig-s	# of Orig-s	% of Total Orig-s
Low - 0 to 49%	5	4.81	12	1.87	205	1.21
Moderate - 50 to 79%	21	20.19	81	12.62	1,819	10.73
Middle - 80 to 119%	60	57.69	371	57.79	9,955	58.75
Upper - > 120%	18	17.31	178	27.72	4,966	29.31
Total	104	100.00	642	100.00	16,945	100.00

The preceding chart shows that 14.49% of the loans were made in low- and moderate-income geographies. The bank's concentration of loans in low- and moderate-income tracts exceeds the aggregate and was below area demographics. Lending in other geographies was reasonably consistent with the market aggregate and demographics. Although not shown in the preceding chart, the 1996 total loan originations in low- and moderate-income geographies within the assessment area was \$2,963,000 or 8.61% of \$34,432,000, the total loans made in these geographies.

The 93 loan originations in the low- and moderate-income tracts consisted of 50 or 13.44% of 372 conventional mortgages, 10 or 10.31% of 97 refinancings, and 33 or 19.08% of 173 home improvement loans. The bank made no government sponsored or subsidized loans as these applications are processed as secondary market activity.

1997 HMDA-related Lending Opportunities (All Nine Assessment Areas Combined)

The following chart shows the bank's 1997 YTD preliminary HMDA-related lending within the nine assessment areas by comparing the bank's loan originations in low-, moderate-, middle - and upper-income geographies to the number of owner-occupied units in those geographies per 1,000 units:

	# of Owner-Occupied Units in	# of 1997 HMDA-related Loan Originations	Percentage of Originations per 1,000 Owner- Occupied Units

Geography	Non-L/M Areas	L/M Areas	Non-L/M Areas	L/M Areas	Non-L/M Areas	L/M Areas
Assessment Area	154,601	22,718	774	140	5.01	6.16

The preceding chart shows that the bank's loan originations per 1,000 owner-occupied units in the nine assessment areas is stronger within low- and moderate-income areas in comparison to loans in middle- and upper-income areas.

In 1997, there were 914 loan originations (totaling \$40,974,000) within the nine assessment areas. The following chart shows the distribution of these loans by geography:

Mercantile Bank of Western Iowa 1997-YTD HMDA-related Loan Originations by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Geography Income Classification	# of Geog-s	% of Total Geog-s	Mercantile Bank of Western Iowa within all Nine Assessment Areas			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ (000's)
Low - 0 to 49%	5	2.81	19	2.08	183	0.45
Moderate - 50 to 79%	27	15.17	121	13.24	3,399	8.30
Middle - 80 to 119%	119	66.85	618	67.61	26,562	64.83
Upper - > 120%	27	15.17	156	17.07	10,830	26.42
Total	178	100.0	914	100.0	\$40,974	100.0

The preceding chart shows that 15.32% of loans were in low- and moderate-income geographies. The bank's concentration of loans in low- and moderate-income geographies was below area demographics and the market aggregate. Lending was reasonably consistent in geographies of other income ranges.

Brokered HMDA-related Activity

The bank brokers a significant amount of residential loans which are sold in the secondary market. The bank takes the borrower's application, performs other settlement activities and temporarily funds the loan. Because the bank does not make the credit decision, these loans are not reported for HMDA purposes, but contribute to the bank's CRA performance and are included in this analysis.

The bank provided information relative to real estate loans sold in 1996 and 1997 that, if not brokered, would have been HMDA-reportable. In connection with its brokered loan activity, the bank made 496 loans in 1996; 425 were located within the Des Moines MSA and 71 were in the bank's Iowa portion of the Omaha, Nebraska MSA. In 1997 YTD, a total of 482 loans were made; 448 were located within the Des Moines MSA and 34 were in the bank's Iowa portion of the Omaha MSA.

The bank's brokered loan activity was reviewed for geographic distribution. In 1996, 47 or 9.48% of the bank's total brokered loans (496) were made in low- and moderate-

income geographies. Per 1,000 owner-occupied housing units, 2.64% of the brokered loans in 1996 were made in low- and moderate-income geographies and 5.06% were made in middle- and upper-income geographies. In 1997 YTD, 46 or 9.54% of the bank's total brokered loans (482) were in low- and moderate-income geographies. Per 1,000 owner-occupied housing units, 2.59% of the brokered loans in 1997 were made in low- and moderate-income geographies and 4.91% were made in middle- and upper-income geographies. This performance was reasonably consistent with the bank's reported HMDA lending activity.

Conclusions Regarding the Geographic Income Distribution of HMDA-related Loans

The bank's geographic distribution of loans is satisfactory. Overall, the data shows that the bank lends in all geographic income ranges, reasonably consistent with opportunities to make loans. In 1996, the bank's record of HMDA-related lending within low- and moderate-income geographies exceeded the aggregate's lending in these geographies. However, the bank's percentage of loans per 1,000 owner-occupied units was higher in middle- and upper-income geographies than in low- and moderate-income geographies.

Preliminary 1997 YTD HMDA data showed the bank's record of lending in low- and moderate-income geographies was slightly below area demographics. The percentage of loans per 1,000 owner-occupied units was higher in low- and moderate-income geographies than in middle- and upper-income geographies. The percentage of 1996 and 1997 brokered loan activity in low- and moderate-income geographies within the assessment area was well below the percentage in low- and moderate-income geographies. As a percentage of loans per 1,000 owner-occupied housing units, the brokered loan activity in low- and moderate-income geographies was less than the activity in middle- and upper-income geographies.

Distribution of HMDA-related Loans (By Borrower Income Level)

The distribution of the 1996 HMDA loans, by borrower income level, is as follows :

Mercantile Bank of Western Iowa 1996 HMDA-related Loan Originations in MSAs by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics and 1996 Market Aggregate Data						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank Within Assessment Area MSAs		Aggregate Within Assessment Area MSAs	
			# of Orig-s	% of Total Orig-s	# of Orig-s	% of Total Orig-s
Low - 0 to 49%	19,604	17.91	88	13.71	1,847	11.16
Moderate - 50 to 79%	21,169	19.35	126	19.63	4,006	24.20
Middle - 80 to 119%	29,568	27.02	199	31.00	5,088	30.73
Upper - > 120%	39,091	35.72	229	35.66	5,614	33.91
Total	109,432	100.00	642	100.00	16,555	100.00

The number of originations by borrower income does not include loans for which income was not identified; the percentages of total loans also do not include these numbers.

A review of area demographics indicated that 37.26% of families (using 1996 data) within the assessment area are low- and moderate-income. Of the bank's total HMDA-related lending, 33.34% of loans were to low- and moderate-income borrowers. In comparison, market aggregate lending to low- and moderate-income borrowers was 35.36%. Of the 1996 total loan origination dollars (\$34,432,000), \$7,335,000 or 21.30% were to low- and moderate-income borrowers.

The distribution of 1997 YTD preliminary HMDA lending, by borrower income level, is as follows:

Mercantile Bank of Western Iowa 1997 YTD HMDA-related Loan Originations by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank of Western Iowa within All Assessment Areas			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s	% of Total \$ Orig-s
Low - 0 to 49%	31,275	17.48	157	17.29	3,220	7.94
Moderate - 50 to 79%	34,022	19.01	208	22.91	7,813	19.27
Middle - 80 to 119%	47,501	26.54	272	29.96	12,200	30.09
Upper - > 120%	66,162	36.97	271	29.84	17,314	42.70
Total	178,960	100.0	908	100.0	40,547	100.0

The number of originations by borrower income does not include loans for which income was not identified; the percentages of total loans also do not include these numbers.

A review of area demographics indicated that 36.49% of assessment area families (using 1997 data) are low- and moderate-income. The bank's records show that 40.20% of total 1997 YTD HMDA-related loans were to low- and moderate-income borrowers.

Brokered HMDA-related Activity

The bank's brokered HMDA-related loan activity was also reviewed for distribution by borrower income ranges. In 1996, the bank made 110 of 496 or 22.18% of its brokered loans to low- and moderate-income borrowers. In 1997 YTD, the bank made 66 of 482 or 13.69% of its brokered loans to low- and moderate-income borrowers.

Conclusions Regarding Borrower Income Distribution of Loans

In 1996, although the bank's record of lending to low- and moderate-income borrowers (in the two MSAs) was somewhat below the percentage of low- and moderate-income families in the assessment areas and below aggregate lending in low- and moderate-income areas, the bank's performance is satisfactory. In 1997, the bank's lending to low- and moderate-income borrowers exceeded the percentage of low- and moderate-income families in the nine assessment areas. The bank's record of originating HMDA-related brokered loans to low- and moderate-income borrowers was not consistent with the demographics in the MSAs.

Community Development Lending

Only loans that are not otherwise reported or considered as residential real estate, small business, or small farm loans in the bank's lending performance evaluation, and that meet the definition of community development are included in this section. The CRA defines community

development loans as those loans that: provide affordable housing for low- and moderate-income individuals; increase community services for low- and moderate-income individuals; revitalize or stabilize low- and moderate-income geographies; and promote economic development by providing financing to small businesses or small farms. Economic development may include permanent job creation or retention for low- and moderate-income individuals or geographies.

The bank's involvement in community development loans occurred principally in the Des Moines MSA. For a description of the community development loans, refer to the discussions of the bank's performance in the MSA and nonmetro state assessment areas.

Conclusions Regarding Community Development Lending

The bank has made community development loans in response to identified needs and opportunities.

INVESTMENT TEST

The bank has made a number of small community development related investments (totaling \$105,000) in all assessment areas.

Conclusions Regarding Investment Test

Although investments were targeted to identified needs and utilized community groups and organizations that provide services which benefit low- and moderate-income individuals, the examination revealed a low volume of community development related investments in the assessment areas in comparison to the bank's size, abilities and identified community development investment opportunities within the assessment areas. According to community representatives, several opportunities are available, such as low-income affordable housing in the City of Des Moines.

SERVICE TEST

Retail Services - Distribution of Branches Among Geographies

The branch network is the bank's primary system for delivering retail banking and community development services within the assessment areas. As of August 20, 1997, the bank had a total of 38 branches located throughout the nine assessment areas; eight branches (21.05%) are located in low- and moderate-income geographies. Additionally, the bank had 37 full-service ATMs, one cash dispensing ATM and 27 drive-up facilities located in the assessment areas. The ATMs are conveniently located and are accessible 24 hours a day. Eight or 22.22% of the full-service ATMs are located in low- and moderate-income geographies. These serve as effective banking alternatives for low- and moderate-income individuals and college students. Customers may obtain cash, balance inquiries, and make transfers between accounts at ATMs participating in the SHAZAM and Cirrus networks, which service all of Iowa and provide connecting services to many additional networks.

Visits during the examination of approximately 50% of branch offices throughout the assessment

areas revealed that lobby hours are generally from 9:00 A.M. to 5:00 P.M.; most facilities have Saturday lobby and drive-up hours. Several branches offer tailored banking hours (7:30 A.M. to 5:30 P.M.). Tailored hours are offered in low- and moderate-income geographies, as well as middle- and upper-income geographies.

The bank distributes a Community Development Banking Programs Brochure from branch offices throughout the assessment areas which has been translated into Spanish, Laotian and Vietnamese languages. The bank also contracts with Drake University in Des Moines to provide translation services as required by any of the banks.

Record of Opening and Closing Offices

The bank's record of opening and closing of facilities was reviewed. The bank has a written plan for opening and closing its facilities which was most recently approved by the board of directors on January 29, 1997. The bank has not opened or closed any branches during the scope of this examination.

Alternative Systems for Delivering Retail Banking Services

The bank offers telebanking services for customers throughout the assessment areas. This service provides an effective alternative for low- and moderate-income individuals in accessing banking products.

Community Development Services

In 1996 and 1997, the bank sponsored three home buyers seminars, one financial counseling seminar, four small business workshops, and one farm and farm management (small farm financial skills) presentation within the assessment areas. These presentations were relative to banking products and services as bank personnel conducted these seminars on donated bank time. Additional details are included under the MSA and nonmetro state areas or pages of this evaluation.

Bank officers have donated a significant amount of time in organizational leadership positions by providing financial expertise to assist area service organizations. These include participation in the following organizations:

Assessment Area #1 - Ankeny Industrial Development Corporation, Des Moines Chamber of Commerce Revolving Loan Fund Committee, Eastside Downtown Development Group, Iowa Business Development Credit Corporation, Neighborhood Finance Corporation, Community Housing Development Corporation, and the Christmas in April home renovation program for low-income and elderly residents.

Assessment Area #2 - Children's Square USA - fund raising committee, and the Industrial Foundation Board which actively promotes new business and area jobs.

Assessment Area #3 - Rock Rapids Community Development Board, Sibley Economic Development Committee, and Spencer Housing Rehabilitation Committee.

Assessment Area #4 - Humboldt County Development Association and the executive board for Mid Iowa Development Association (MIDAS) Council of Governments, a six county regional non-profit organization that administers most grant applications for economic development, job

creation and growth for low- and moderate-income individuals and housing development for low- and moderate-income residents.

Assessment Area #5 - Stratford Development Corporation, Boone Future Housing Committee, and the Central Regional Housing Authority which develops and manages dwellings for low- and moderate-income families in six central Iowa counties, including three in the bank's assessment areas.

Assessment Area #6 - Newton Housing Development Corporation, Marshalltown Housing Improvement Program Committee, Marshalltown Economic Development Impact Committee, Pella Area Development Corporation and the Community Day Care Centers of Pella, and New Sharon which are subsidized for low-income children.

Assessment Area #7 - Appanoose Industrial Development Corporation, Appanoose Economic Development Corporation and Centerville housing, Inc.

Assessment Area #8 - Ringgold County Development Corporation.

Assessment Area #9 - Onawa Chamber of Commerce on a feasibility committee for improving retail services in Onawa.

The bank offers free government check cashing services in all assessment areas.

Conclusions Regarding Service Test

The bank's delivery system for retail credit products provides an outstanding level of services in the assessment areas. Branch offices are accessible to all assessment areas, and generally offer consistent products and services. The availability of products and services was excellent and the range and tailoring of services among the branches provides banking opportunities beyond normal banking hours. Bank staff is very knowledgeable of bank products and services, and provides a high level of assistance to consumers in all assessment areas. The results of this examination and branch visits showed no conspicuous gaps in retail services to the assessment areas. The bank is actively involved in community development services that are related to sustaining the economic viability of the assessment areas and to providing information that benefits low- and moderate-income individuals. The bank has not opened or closed any branches and is currently restricted by state law from opening additional branches in some assessment areas.

DES MOINES, IOWA MSA

DESCRIPTION OF INSTITUTION-S OPERATIONS IN THE DES MOINES, IOWA MSA:

The Des Moines MSA accounts for approximately 25% of the bank-s total deposits, 46% of HMDA-related loans, 24% of small business loans and 1.5% of small farm loans. The Des Moines MSA was examined using the full exam procedures. The bank-s headquarters is located in Newton, Iowa, which is part of Jasper County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE DES MOINES, IOWA MSA:Demographic Data

This assessment area is defined by the Des Moines MSA (Polk County). The MSA has an estimated population of 327,140 and is comprised of 78 geographies, of which four or 5.13% are low-income; 12 or 15.38% are moderate-income; 45 or 57.69% are middle-income; and 17 or 21.80% are upper-income. The assessment area encompasses approximately 48.28% of the families in the nine assessment areas: 46.43% of the low-income, 46.79% of the moderate-income, 48.29% of the middle-income and 49.90% of the upper-income families. Institutionalized persons in the assessment area numbered 8,245, or 2.52% of the population. The majority of institutionalized persons are in nursing homes and at colleges.

The median family income for the assessment area is \$37,669. In comparison, the MSA and State median family incomes are \$37,304 and \$31,659, respectively. Approximately 6.6% of households in the assessment area are below the poverty level.

The housing market data showed that 62.0% of the 135,979 housing units in the assessment area are owner-occupied, 33.0% are rentals, and 5.0% are vacant. Multi-family units in the assessment area totaled 29,811 or 21.9%. A housing affordability ratio of 0.526 for the assessment area indicates that housing may be less affordable in the assessment area than in the Des Moines MSA or the State. The median monthly rental cost was \$437 for the assessment area, \$427 for the MSA, and \$336 for the State.

The top ten major industries in the MSA are in the insurance, health care, agriculture, retail and manufacturing sectors. According to bank staff, the MSA has had steady and stable growth for the last several years.

Employment figures for 1994 have shown a 2.4% increase in the number of jobs over 1993, primarily supported by job increases in construction and government. Unemployment figures for the MSA are: August 1997 - 2.1% and August 1996 - 3.1%.

According to bank staff, the Des Moines MSA has in excess of 100 banking locations, including banks, savings and loans, credit unions and insurance companies. Loan demand has been strong causing competition for deposits and pressure in maintaining profit margins and quality assets. According to a report produced by Iowa Title Company, in the bank was the number one lender in the real estate loan market in Polk County.

LENDING TEST - Des Moines MSA

The bank-s 1996 lending to small businesses and small farms, 1996 HMDA data and the bank-s

1997 YTD (1-2-97 through 6-30-97) preliminary HMDA data were reviewed. The bank's brokered HMDA-related loan activity for 1997 YTD (1-2-97 through 8-20-97) also was reviewed.

Small Business/Small Farm Loans

In 1996, the bank made a total of 1,049 small business loans within the assessment areas, of which 246 or 23.45% were in the Des Moines MSA. Of the bank's 2,290 total small farm loans made in the assessment areas, 35 or 1.53% were in the Des Moines MSA. Approximately \$17,083,000 (29.31%) of total small business loan dollars and \$4,556,000 (5.41%) of total small farm loan dollars were made within the Des Moines MSA. The following chart shows loan originations within the Des Moines MSA, by number and dollar amount, categorized by original loan balance:

Mercantile Bank of Western Iowa 1996 Small Business-Small Farm Loans Within the Des Moines MSA				
Loan Product	# and \$ (000's) \$100,000 or less	# and \$ (000's) Greater than \$100,000 to \$250,000	# and \$ (000's) Greater than \$250,000	Total # and \$ (000's)
Small Business	198 - \$6,105	38 - \$6,289	10 - \$4,689	246 - \$17,083
Small Farm	19 - \$535	9 - \$1,616	7 - \$2,405	35 - \$4,556

The preceding chart shows that loans in amounts of \$100,000 or less constitute the majority of small business/small farm loans. This distribution demonstrates the bank's very strong effort of lending to small businesses and small farms within the Des Moines MSA.

Distribution of Small Business-Small Farm Loans within Low- and Moderate-Income Geographies

The following chart shows small business and small farm loan activity in low- and moderate-income census tracts in the Des Moines MSA for 1996:

Mercantile Bank of Western Iowa 1996 Small Business-Small Farm Loans in Low- and Moderate-income geographies Within the Des Moines MSA				
Loan Product	# and \$ (000's) \$100,000 or less	# and \$ (000's) Greater than \$100,000 to \$250,000	# and \$ (000's) Greater than \$250,000	Total # and \$ (000's)
Small Business	31 - \$719	6 - \$1,044	-0-	37- \$1,763
Small Farm	4 - \$263	6 - \$1,102	7 - \$2,405	17 - \$3,770

Innovative or Flexible Loan Programs

The bank's activity in flexible lending programs within the Des Moines MSA is as follows:

MERCANTILE BANK OF WESTERN IOWA FLEXIBLE LOAN PROGRAMS				
Assessment Area	SBA Loans # and \$ (000's)		Insured Credit Services # and \$ (000's)	
Des Moines MSA	68	7,552	99	1,394

Conclusions Regarding Small Business and Small Farm Lending in Low- and Moderate-Income Areas

The preceding chart shows that 37 or 15.04% of total small business loans made within the MSA (246) were in low- and moderate-income geographies; the majority were in amounts under \$100,000. Seventeen or 48.57% of total small farm loans made within MSA (35) were in low- and moderate-income geographies; these loans were generally distributed in all loan amount ranges. A review of area demographics indicates that approximately 20% of the geographies in the MSA are low- and moderate-income. Additionally, the bank uses flexible loan programs which expand the pool of loan applicants in a manner consistent with its abilities and identified area needs.

Geographic Distribution of HMDA-related Lending (By Geography Income Level)

The 1996 data showed that 604 or 94.08% of all HMDA-related loans (642) made within the assessment areas were made within the Des Moines MSA. Review of the bank's 1997 YTD preliminary HMDA data showed that 421 loans or 46.06% of all originations (914) were made within the Des Moines MSA. The majority of brokered loan activity was in the Des Moines MSA; 425 loans in 1996 and 448 loans in 1997.

1996 HMDA-related Lending Opportunities

The following chart shows the bank's 1996 HMDA-related lending within the MSA by comparing the bank's loan originations in low-, moderate-, middle-, and upper-income geographies to the number of owner-occupied units in those geographies per 1,000 units.

Geography	# of Owner-Occupied Units in		# of 1996 HMDA-related Loan Originations		Percentage of Originations per 1,000 Owner- Occupied Units	
	Non-L/M	L/M	Non-L/M	L/M	Non-L/M	L/M
Des Moines MSA	73,350	10,957	527	77	7.18	7.03

The preceding chart shows that the bank's loan originations per 1,000 owner-occupied units in the Des Moines MSA are slightly lower within low- and moderate-income geographies in comparison to loans in middle- and upper-income geographies.

The 1996 HMDA-related loan data showed 604 loan originations within the Des Moines MSA. The following chart shows the distribution of these loans, by geography income level:

<p>Mercantile Bank of Western Iowa 1996 HMDA-related Loan Originations in the Des Moines MSA by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics and 1996 Aggregate Data</p>

Census Tract Income Classification	# of Census Tracts	% of Total Census Tracts	Mercantile Bank within Des Moines MSA		Market Aggregate Within Des Moines MSA	
			# of Orig-s	% of Total Orig-s	# of Orig-s	% of Total Orig-s
Low - 0 to 49%	4	5.13	12	1.99	181	1.28
Moderate - 50 to 79%	12	15.38	65	10.76	1,077	7.60
Middle - 80 to 119%	45	57.69	349	57.78	8,137	57.45
Upper - > 120%	17	21.80	178	29.47	4,770	33.67
Total	78	100.00	604	100.00	14,165	100.00

A review of area demographics indicated that 20.51% of the geographies in the Des Moines MSA are low- and moderate-income. The preceding chart shows that 12.75% of the bank's loan originations were made in low- and moderate-income geographies. In comparison, the concentration of the bank's loans in low- and moderate-income geographies is less than area demographics, and exceeds aggregate lending. Lending in other geographies was reasonably consistent with the aggregate and demographics.

1997 HMDA-related Lending Opportunities

The following chart compares the bank's 1997 YTD HMDA-related loan originations in low-, moderate-, middle-, and upper-income within the Des Moines MSA to the number of owner-occupied units in those geographies per 1,000 units.

Geography	# of Owner-Occupied Units in		# of 1997 HMDA-related Loan Originations		Percentage of Originations per 1,000 Owner- Occupied Units	
	Non-L/M	L/M	Non-L/M	L/M	Non-L/M	L/M
Des Moines MSA	73,350	10,957	322	99	4.39	9.04

The preceding chart shows that the bank's loan originations per 1,000 owner-occupied units in the Des Moines MSA is substantially higher in low- and moderate-income geographies in comparison to loans in middle- and upper-income geographies.

The bank's 1997 YTD preliminary HMDA data showed 421 loan originations within the Des Moines MSA. The following chart shows the distribution of these loans, by geography income level:

Mercantile Bank of Western Iowa 1997 YTD HMDA-related Loan Originations in the Des Moines MSA by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Census Tract Income Classification	# of Census Tracts	% of Total Census Tracts	within Des Moines MSA			

			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Low - 0 to 49%	4	5.13	19	4.51	183	0.86
Moderate - 50 to 79%	12	15.38	80	19.00	1,990	9.44
Middle - 80 to 119%	45	57.69	230	54.63	11,259	53.40
Upper - > 120%	17	21.80	92	21.86	7,654	36.30
Total	78	100.00	421	100.0	21,086	100.0

The preceding chart shows that 23.51% of the loans were made in low- and moderate-income census tracts. The bank's concentration of loans in low- and moderate-income tracts exceeds area demographics and the market aggregates. Lending was reasonably consistent in all other geography income ranges. Although not shown in the preceding chart, \$33,273,000 in loan originations were made within the assessment area in 1996; \$2,460,000 or 7.39% were in low- and moderate-income geographies.

Brokered HMDA-related Lending

The bank's brokered HMDA-related loan activity was reviewed for geographic distribution. In 1996, 23 of 425 or 5.41% of the bank's brokered loans were in low- and moderate-income geographies. In 1997 YTD, 34 of 448 or 7.59% of brokered loans were in low- and moderate-income geographies.

Conclusions Regarding Geographic Distribution of HMDA-related Loans

The bank has a strong record of lending in low- and moderate-income geographies within the Des Moines MSA. In 1996, the percentage of lending was somewhat below the percentage of low- and moderate-income geographies in the MSA, but exceeded the market aggregate. In 1997 YTD, HMDA lending in low- and moderate-income areas exceeded the market demographics. Although brokered lending generated a significant number of loans, the record of lending in low- and moderate-income geographies was somewhat below the percentage of low- and moderate-income geographies and did not further enhance the bank's overall performance.

Distribution of HMDA-related Loans (By Borrower Income Level)

The distribution of 1996 HMDA loans in the Des Moines MSA, by borrower income level, is illustrated in the following chart:

Mercantile Bank of Western Iowa 1996 HMDA-related Loan Originations in the Des Moines MSA by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics and 1996 Market Aggregate				
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank Within Des Moines MSA	Aggregate Within Des Moines MSA

			# of Orig-s	% of Total Orig-s	# of Orig-s	% of Total Orig-s
Low - 0 to 49%	14,521	16.80	83	13.74	1,539	11.13
Moderate - 50 to 79%	15,919	18.43	117	19.37	3,284	23.76
Middle - 80 to 119%	22,937	26.55	182	30.13	4,184	30.26
Upper - > 120%	33,017	38.22	222	36.76	4,818	34.85
Total	86,394	100.00	604	100.00	13,825	100.00

The number of originations by borrower income for the bank and aggregate does not include loans for which income was not identified; the percentages of total loans also do not include these numbers.

A review of area demographics indicated that 35.23% of families (using 1996 data) in the Des Moines MSA are low- and moderate-income. The preceding chart shows that 33.11% of the loans were to low- and moderate-income borrowers, compared to 34.89% of loans in the market aggregate. Lending to borrowers of other income levels was reasonably consistent with the demographics and the market aggregate. In 1996, of the \$33,273,000 total loan originations, \$6,960,000 or 20.92% were to low- and moderate-income borrowers.

The distribution of the preliminary 1997 YTD preliminary HMDA data, by borrower income level, is illustrated in the following chart:

Mercantile Bank 1997 YTD HMDA-related Loan Originations in the Des Moines MSA by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank within Des Moines MSA			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Low - 0 to 49%	14,521	16.80	102	24.23	2,011	9.54
Moderate - 50 to 79%	15,919	18.43	111	26.37	5,211	24.71

Middle - 80 to 119%	22,937	26.55	120	28.50	6,766	32.09
Upper - > 120%	33,017	38.22	88	20.90	7,098	33.66
Total	86,394	100.00	421	100.0	21,086	100.0

The number of originations by borrower income for the bank and aggregate, does not include loans for which income was not identified. The percentages of total loans do not include these numbers.

A review of area demographics indicated that approximately 35.23% of families (using 1997 data) in the assessment area are low- and moderate-income. The preceding chart shows that 50.60% of the bank's HMDA-related loans were to low- and moderate-income borrowers. The concentration of loans to low- and moderate-income individuals is higher than the percentage of low- and moderate-income families within the assessment area. Lending in the other income ranges was reasonably consistent with demographics.

Brokered HMDA-related Activity

The bank's brokered HMDA-related loan activity was also reviewed for distribution by borrower income ranges. In 1996, the bank made 81 of 425 (19.06%) of its brokered loans to low- and moderate-income borrowers. In 1997 YTD, the bank made 58 of 448 (12.95%) of its brokered loans to low- and moderate-income borrowers.

Conclusions Regarding Borrower Income Distribution of Loans

The bank's distribution of loans, by borrower income level, is highly satisfactory. In 1996, the bank's record of lending to low- and moderate-income individuals was substantially similar to the market aggregate and consistent with area demographics. The 1997 YTD preliminary HMDA data shows that the bank's lending to low- and moderate borrowers significantly exceeds the percentage of low- and moderate-income families within the assessment area. Brokered lending activity to low- and moderate-income borrowers, however, is below the market demographics.

Community Development Loans

The bank's community development loans in the Des Moines MSA are as follows:

\$The bank committed approximately \$1,000,000 for the purchase of mortgages originated through Neighborhood Finance Corporation, a non-profit, affordable housing corporation in the Des Moines MSA that targets certain MSAs for revitalization. Approximately 68% (\$683,027) of this commitment has been funded as a result of the bank purchasing mortgages under the program for the past several years. The bank's commitment, which constitutes approximately 3.26% of NFC's total commitments, ranks 9th of the 14 commitments made by financial institutions to NFC in the MSA.

\$The bank is approved to administer a \$200,000 grant for an Affordable Housing Program received from the Federal Home Loan Bank. This loan program, referred to as the Drake Area Home Improvement Program, is also sponsored by Citizens for Community Improvement of Des Moines. The program offers loans to qualified low-income borrowers (below 50% of the area median income) in four Drake area low- and moderate-income census tracts. Borrowers are offered loans in amounts up to \$2,000 at a 1% rate of interest for up to five years from the bank.

The grant is targeted to retired, fixed-income persons and low-income minorities. The grant is fully committed but not yet funded. As of May 1997, the bank has closed seven \$2,000 loans (totaling \$14,000), and has seven applications in process.

In the Des Moines MSA, the bank made six small business loans to businesses located in an Enterprise Zone.

Conclusions Regarding Community Development Lending

The bank originates community development loans in the Des Moines MSA in response to identified area needs.

INVESTMENT TEST - Des Moines MSA

The bank has made approximately \$16,100 in community development-related investments in the Des Moines MSA. According to community representatives, additional opportunities for community development investments, particularly those that promote low-income affordable housing, are available in the City of Des Moines.

Conclusions Regarding Investment Test

Although the investments in the Des Moines MSA were responsive to credit and community development needs, the level of community development investments is low in comparison to the bank's total assets, abilities and opportunities present in the assessment area.

SERVICE TEST - Des Moines MSA

Retail Services

Nine or 23.68% of the bank's total branch offices serve the Des Moines MSA; five of the nine (55.55%) are located in low- and moderate-income geographies. Additionally, there are ten full-service ATMs, one cash dispensing only ATM and seven drive-up facilities located in the Des Moines MSA; three (42.85%) of the drive-up facilities are located in low- and moderate-income geographies.

Community Development Services

The bank conducted four small business workshops and one homebuyers seminar during the scope of the examination, providing technical assistance for small businesses and information regarding affordable housing loan programs for low-income individuals.

Conclusions Regarding Service Test

The bank's delivery system for retail credit products provides an outstanding level of services in the Des Moines MSA. The bank maintains the maximum number of branches currently allowed by law. Forty-five percent of the branches and 43% of the drive-up facilities are located in low-

and moderate-income geographies or areas. Branch offices are accessible to all portions of the MSA, and bank products and services are consistent and similar at all branches. The availability of products and services was excellent, and the range and tailoring of services among the branches provide banking opportunities beyond normal banking hours. The results of this examination and branch visits revealed no physical or cultural barriers to the access of credit, or conspicuous gaps in the provision of retail services to the assessment areas. Bank staff is very knowledgeable of bank products and services and provides a high level of assistance to consumers. The bank provides a high level of community development services.

IOWA NON-METROPOLITAN STATEWIDE ASSESSMENT AREAS

DESCRIPTION OF INSTITUTION-S OPERATIONS IN THE IOWA NON-METROPOLITAN STATEWIDE AREA:

The nonmetro State of Iowa assessment areas contribute significantly to the bank-s overall performance. The seven nonmetro state assessment areas account for approximately 70% of the bank-s total deposits, 50% of HMDA-related loans, 72% of small business loans and 96% of small farm loans.

Seven assessment areas are in nonmetro State of Iowa areas. The nonmetro state assessment areas include all or part of the following counties:

Assessment Area #3 - Lyon, Osceola, Dickinson, O'Brien and Clay Counties
 Assessment Area #4 - Humboldt County
 Assessment Area #5 - Boone County
 Assessment Area #6 - Marshall, Jasper, Marion, and Mahaska Counties
 Assessment Area #7 - Lucas, Wayne and Appanoose Counties
 Assessment Area #8 - Ringgold and Taylor Counties
 Assessment Area #9 - Monona and Harrison Counties

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE IOWA NON-METROPOLITAN STATEWIDE AREA:

Demographic Data

The seven nonmetro state assessment areas have a total population of 248,347, accounting for 37.74% of the bank-s entire assessment area population. Institutionalized or persons in group quarters in the nonmetro state assessment areas numbered 8,239 or 3.34% of the nonmetro state assessment areas-population. The majority of institutionalized persons are in nursing homes and college dormitories.

The nonmetro state areas are comprised of 74 geographies, of which 6 or 8.11% are moderate-income, 59 or 79.73% are middle-income, and 9 or 12.16% are upper-income; there are no low-income geographies. The distribution of the bank-s low- and moderate-income geographies within the nonmetro state assessment areas, by county, is as follows:

Assessment Area #3 - 1 moderate-income (Lyon County)
 Assessment Area #7 - 2 moderate-income (Appanoose County)
 1 moderate-income (Wayne County)
 Assessment Area #8 - 1 moderate-income (Taylor County)
 Assessment Area #9 - 1 moderate-income (Monona County)

The nonmetro state areas encompasses approximately 38% of the families in the assessment areas: 37% of the low-income, 37% of the moderate-income, 37% of the middle-income and 41% of the upper-income families.

There are 105,695 housing units in the area; 70,295 or 66.51% are owner-occupied, 26,013 or 24.61% are renter-occupied, and 9,387 or 8.88% are vacant units (157 are boarded-up). There are 6,188 multi-family units. Approximately 93% of all owner-occupied housing units in the

bank's nonmetro state assessment areas are located in middle- or upper-income geographies. The nonmetro state areas' affordability ratio is 0.630, compared to 0.531 for the Des Moines MSA, 0.517 for the Omaha MSA and 0.576 for State. These ratios suggest that housing may be more affordable in the bank's nonmetro state assessment areas than the MSAs and the State.

Additional demographic information relative to each nonmetro state assessment area is as follows:

Assessment Area	Population	Median Family Income (\$)	% of Owner-Occupied Units	# of Owner-Occupied Units in L/M	# of Multi-family Units	Affordability Ratio	% of L/M Families	% of Families Below Poverty Level
#3	46,476	28,838	63.7	925	1,092	0.666	36.80	7.8
#4	10,765	29,088	67.6	-0-	235	0.725	35.21	6.4
#5	27,229	31,485	68.0	-0-	745	0.652	32.02	5.9
#6	100,785	33,115	68.6	-0-	2,910	0.627	28.46	6.2
#7	27,913	24,150	66.2	2,408	604	0.727	48.78	14.4
#8	10,424	24,170	63.7	787	120	0.846	47.74	13.0
#9	24,764	26,388	67.6	821	381	0.693	42.73	11.1

The preceding demographic data suggests that housing is most affordable in assessment areas #7 and #8. These areas, located in the southern part of the state, also have the highest percentage of low- and moderate-income families. The availability of low-income residential and multi-family housing, and home improvement loan programs appears to be essential to economic growth of these areas. Demographic data for areas #5 and #6, located adjacent to the Des Moines MSA, indicates that these areas have the lowest percentage of low- and moderate-income residents, and the highest percentage of owner-occupancy housing units, and therefore might be expected to generate the highest volume of lending.

According to interviews with bank staff, economic profiles of each assessment area are as follows:

Assessment area #3 (Clay, Dickinson, Lyon, O'Brien, Osceola Counties) has a stable, growing economy with a strong manufacturing sector and a healthy agriculture base. Although recent construction activity has provided additional rental units, the availability of affordable housing has been limited. Financial competition, particularly for real estate lending, is strong and diversified.

Assessment area #4 (Humboldt County) has a diversified industrial base with approximately 40 local industries. Agriculture is the largest industry with the area having highly productive and rich soil. The local retail sector receives strong competition from nearby Fort Dodge. Financial competition, particularly for residential, agriculture and commercial real estate loans, is strong.

Assessment area #5 (Boone, Hamilton Counties) has a healthy, growing economy, but has a

need for additional labor. The agriculture sector has been very strong with excellent yields. Financial competition is very strong with intense rate competition in both loans and deposit areas. Real estate lending is very active with new housing developments and increasing land prices.

Assessment area #6 (Jasper, Mahaska, Marion, Marshall Counties) has prime farmland and a diversified economic base of manufacturing, service and retail businesses. The area economy has been very strong and stable with solid growth. Financial competition is strong and aggressive, notably for deposits; active loan products include consumer automotive and home equity loans.

Assessment area #7 (Appanoose, Lucas, Wayne Counties) has a stable economy with a strong industrial and retail base which attracts consumers from Missouri. The population includes a high percentage of retired, fixed-income residents. Financial competition is reasonably strong and recently increased from additional financial institution branches; active loan products include farm lending and consumer loans.

Assessment area #8 (Ringgold, Taylor Counties) has an agriculture industry that has faced challenges in recent years. Local retail and industrial sectors, however, have been stable. The area population has been decreasing. Financial competition is minimal and consistent with area opportunities.

Assessment area #9 (Harrison, Monona) has a moderately stable agriculture economy, a struggling retail sector, and a moderate health care and manufacturing base. An area gaming casino has provided some economic assistance in recent years. Financial competition is very competitive for loans and deposits; active loan products include residential real estate and agriculture related loans.

According to community representatives, there are unmet opportunities for lending in the southern areas of nonmetro State of Iowa.

LENDING TEST - Nonmetro Areas

Small Business/Small Farm Loans

In 1996, the bank made a total of 1,049 small business loans within the assessment areas, of which 756 or 72.07% were in the Iowa nonmetro state areas. Of the bank's 2,290 small farm made in the assessment areas, 2,190 or 95.63% were within the Iowa nonmetro state assessment areas. Approximately, \$37,248,000 or 63.90% of total small business loan dollars, and \$76,605,000 or 90.97% of total small farm loans dollars were made within nonmetro state

Iowa areas. The following chart shows loan originations within the seven nonmetro state assessment areas, by number and dollar amount, categorized by original loan balance:

Mercantile Bank of Western Iowa 1996 Small Business-Small Farm Loans Within nonmetro State of Iowa Assessment Areas				
Loan Product	# and \$ (000's) \$100,000 or less	# and \$ (000's) Greater than \$100,000 to	# and \$ (000's) Greater than \$250,000	Total # and \$ (000's)

		\$250,000		
Small Business	676 - \$16,998	50 - \$7,688	30 - \$12,562	756 - \$37,248
Small Farm	2,021 - \$44,381	139 - \$21,738	30 - \$10,486	2,190 - \$76,605

The preceding chart shows a high concentration of loans in the less than \$100,000 range, demonstrating the bank's efforts in making small business and small farm loans in the nonmetro State of Iowa areas.

Distribution of Small Business and Small Farm Loans within Low- and Moderate-Income Geographies

In nonmetro State of Iowa, all four of the bank's assessment areas with moderate-income geographies had small-business or small farm lending activity in the moderate-income geographies. A total of 267 or 9.06% of the small business and small farm loans in Nonmetro State of Iowa were made in moderate-income geographies. The breakdown of the 267 loans made in moderate-income geographies, by assessment area, is as follows:

- Assessment area #3 - 67 loans
- Assessment area #7 - 171 loans
- Assessment area #8 - 7 loans
- Assessment area #9 - 22 loans

In comparison, demographics show that approximately 8.11% of the geographies within the nonmetro areas are moderate-income. The lending activity for each assessment area with low- and moderate-income geographies is shown in the following charts:

Small Business-Small Farm Loans in Moderate-income Geographies Within Assessment Area #3			
Loan Product	# and \$ (000's) \$100,000 or less	# and \$ (000's) Greater than \$100,000 to \$250,000	# and \$ (000's) Greater than \$250,000
Small Business Loans	4 - \$52	-0-	-0-
Small Farm Loans	59 - \$949	3 - \$360	1 - \$300

Small Business-Small Farm Loans in Moderate-income Geographies Within Assessment Area #7			
Loan Product	# and \$ (000's) \$100,000 or less	# and \$ (000's) Greater than \$100,000 to \$250,000	# and \$ (000's) Greater than \$250,000
Small Business Loans	78 - \$1,613	5 - \$618	2 - \$805
Small Farm Loans	82 - \$1,473	4 - \$482	-0-

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Small Business-Small Farm Loans in Moderate-income Geographies Within Assessment Area #8			
Loan Product	# and \$ (000's) \$100,000 or less	# and \$ (000's) Greater than \$100,000 to \$250,000	# and \$ (000's) Greater than \$250,000
Small Business Loans	2 - \$31	-0-	-0-
Small Farm Loans	4 - \$74	1 - \$110	-0-

Small Business-Small Farm Loans in Moderate-income geographies Within Assessment Area #9			
Loan Product	# and \$ (000's) \$100,000 or less	# and \$ (000's) Greater than \$100,000 to \$250,000	# and \$ (000's) Greater than \$250,000
Small Business Loans	-0-	-0-	-0-
Small Farm Loans	21 - \$476	1 - \$105	-0-

Innovative or Flexible Loan Programs

The bank's activity in flexible lending programs within the nonmetro state areas is as follows:

MERCANTILE BANK OF WESTERN IOWA FLEXIBLE LOAN PROGRAMS									
Assessment Area	SBA Loans # and \$ (000's)		FmHA Loans # and \$ (000's)		LIFT \$ (000's)	IADA # and \$ (000's)		ICS # and \$ (000's)	
#3	11	1,987	62	5,521	169	7	300		
#4	13	1,349	30	1,903	67	8	986	19	160
#5	24	1,921	10	434	483				
#6	39	5,650	83	6,872	1,289	4	242	104	938
#7	7	1,253	73	6,505		3	208	47	365
#8	5	678	51	2,332				29	74
#9	7	870	18	1,843		2	154	23	24
NonmetroState Total	106	13,808	327	25,409	2,008	24	1,890	222	1,560

Conclusions Regarding Geographic Distribution of Small Business and Small Farm Loans

The bank's record of small business and small farm lending in moderate-income geographies is satisfactory. There were no small business loans made in moderate-income geographies in assessment area #9. Management indicated that there is only one community with significant

population (Mapleton, in Monona County) in assessment area #9; this town is more conveniently served by the two Mapleton Banks with combined assets of approximately \$80 million rather than the bank's branch located in Turin. Similarly, with respect to the limited small business lending in assessment #8 management indicated that the one moderate-income geography was included primarily due to opportunities for agriculture loans; this area is also more conveniently served by a competitor bank. Additionally the bank offers and originates loans in a variety of flexible loan programs throughout the nonmetro state assessment areas which expanded the pool of loan applicants.

Geographic Distribution of 1997 YTD Preliminary HMDA-related Lending (By Geography Income Level)

The bank's 1997 YTD preliminary HMDA data showed that 454 or 49.67% of all 1997 loan originations were made within the Iowa nonmetro state assessment areas; \$18,016,000 or 43.97% of the total dollar amount of loan originations were within the assessment areas. Of the 454 loans, 24 or 5.29% were located in moderate-income geographies. The distributions, by geographic income levels, were developed based on the 1990 nonmetro area median family income.

Opportunities for HMDA-related Lending in Nonmetro State of Iowa Areas

The following chart shows the bank's preliminary 1997 YTD HMDA-related lending within the nonmetro assessment area by comparing the bank's loan originations in moderate-middle- and upper-income geographies to the number of owner-occupied units in those geographies per 1,000 units.

Geography	# of Owner-Occupied Units in		# of 1997 YTD HMDA-related Loan Originations		Percentage of Originations per 1,000 Owner- Occupied Units	
	Non-L/M	L/M	Non-L/M	L/M	Non-L/M	L/M
Nonmetro State Area	64,173	4,941	430	24	6.70	4.86

The preceding chart shows that the bank's loans per 1,000 owner-occupied units in nonmetro State of Iowa areas was substantially stronger within middle- and upper-income geographies than in moderate-income geographies.

The following charts show the geographic distribution of 1997 YTD HMDA-related lending for each of the bank's Iowa nonmetro assessment areas in comparison to area demographics. The percentage of loans per 1,000 owner-occupied housing units in moderate-income geographies compared to the percentage in middle- and upper-income geographies is also included:

Assessment Area #3			
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics			
Geography Income Classification	# of Geog-s	% of Total Geog-s	Mercantile Bank Loan Originations within non Metro Iowa Assessment Area # 3

			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Moderate-income	1	7.69	1	2.04	50	2.46
Middle income	11	84.62	48	97.96	1,986	97.54
Upper income	1	7.69	0	0.00	0	0.00
Total	13	100.0	49	100.0	2,036	100.0

The bank's 1997 YTD HMDA loans per 1,000 owner-occupied units was 1.08% in moderate-income geographies, and 3.98% in middle- and upper-income geographies. This indicates stronger penetration in middle- and upper-income geographies than in moderate-income geographies.

Assessment Area #4						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Geography Income Classification	# of Geog-s	% of Total Geog-s	Mercantile Bank Originations within non Metro Iowa Assessment Area # 4			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Moderate-income	-0-	0.00	n/a	n/a	n/a	n/a
Middle income	4	100.0	43	100.0	1,902	100.0
Upper income	0	0.00	-0-	-0-	-0-	-0-
Total	4	100.0	43	100.0	1,902	100.0

There are no low- and moderate-income or upper-income geographies in assessment area #4; the bank's geographic distribution of loans is reasonable.

Assessment Area #5						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Geography Income Classification	# of Geog-s	% of Total Geog-s	Mercantile Bank Originations within non Metro Iowa Assessment Area # 5			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Moderate-income	-0-	0.00	n/a	n/a	n/a	n/a
Middle income	7	87.50	79	90.80	3,623	87.24
Upper income	1	12.50	8	9.20	530	12.76
Total	8	100.0	87	100.0	4,153	100.0

There are no low- and moderate-income geographies in assessment area #5. The bank's geographic distribution of loans is reasonable.

Assessment Area # 6						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Geography Income Classification	# of Geog-s	% of Total Geog-s	Mercantile Bank Originations within non Metro Iowa Assessment Area # 6			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Moderate-income	-0-	0.00	n/a	n/a	n/a	n/a
Middle income	18	72.00	114	68.26	5,022	67.52
Upper income	7	28.00	53	31.74	2,416	32.48
Total	25	100.0	167	100.0	7,438	100.0

There are no low- and moderate-income geographies in assessment area #6. The bank's geographic distribution of loans is reasonable.

Assessment Area # 7						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Geography Income Classification	# of Geog-s	% of Total Geog-s	Mercantile Bank Originations within non Metro Iowa Assessment Area # 7			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Moderate-income	3	27.27	21	41.18	519	42.51
Middle income	8	72.73	30	58.82	702	57.49
Upper income	0	0.00	0	0.00	0	0.00
Total	11	100.0	51	100.0	1,221	100.0

The preceding chart shows that 41.18% of loan originations were in moderate-income

geographies. In comparison, 27.27% of the geographies in the assessment area are moderate-income. The bank's 1997 YTD HMDA loans per 1,000 owner-occupied units was 8.72% in moderate-income geographies and 4.85% in middle-income geographies. This indicates stronger penetration in moderate-income geographies than in middle-income geographies. There are no upper-income geographies in assessment area # 7.

Assessment Area # 8						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Geography Income Classification	# of Geog-s	% of Total Geog-s	Mercantile Bank Originations within non Metro Iowa Assessment Area # 8			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Moderate-income	1	25.00	-0-	0.00	-0-	0.00
Middle income	3	75.00	25	100.0	491	100.0
Upper income	0	0.00	-0-	0.00	-0-	0.00
Total	4	100.0	25	100.0	491	100.0

The preceding chart shows that the bank made no loans in moderate-income geographies in assessment area #8. The bank's 1997 YTD loans per 1,000 owner-occupied units was 0.00% in moderate-income geographies, and 10.32% in middle-income geographies. This indicates stronger penetration in middle-income geographies than in moderate-income geographies. There are no upper-income geographies in assessment area # 8.

Assessment Area # 9						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Geography Income Classification	# of Geog-s	% of Total Geog-s	Mercantile Bank Originations within non Metro Iowa Assessment Area # 9			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Moderate-income	1	11.11	2	6.25	19	2.45
Middle income	8	88.89	30	93.75	756	97.55
Upper income	0	0.00	0	0.00	0	0.00
Total	9	100.0	32	100.0	775	100.0

The preceding chart shows that 6.25% of the bank's loans were in moderate-income geographies. In comparison, 11.11% of the geographies in the assessment area are moderate-income. The bank's 1997 YTD loans per 1,000 owner-occupied units was 2.44% in moderate-income geographies and 4.67% in middle-income geographies. This indicates stronger penetration in middle-income geographies than in low- and moderate-income geographies.

There are no upper-income geographies in assessment area #9.

Conclusions Regarding Geographic Distribution of HMDA- related Loans

The bank's record of originating loans in comparison to opportunities to lend (as measured by loans per 1,000 owner-occupied units) in moderate-income geographies is outstanding in assessment area #7. In assessment areas #3, #8 and #9, the bank's record shows significantly more loans per 1,000 owner-occupied units in middle- and upper-income geographies than in low- and moderate-income geographies. According to community representatives in assessment area #3, low unemployment, strong manufacturing and a healthy agriculture base have fueled a strong economy for a number of years, yet only recently has residential construction been evident.

In assessment areas #8 and #9, there is low unemployment in Ringgold, Harrison and Monona counties. Although Taylor County shows a higher unemployment percentage than other counties in these assessment areas, it has improved from one year ago. According to bank staff, assessment areas #8 and #9 have had economic problems in recent years due to a loss of employers and jobs. It may be reasonable to expect improvement in the bank's record of lending in these areas. Economic data for assessment areas #4, #5 and #6 suggests a strong economy and significant opportunities for lending. Bank staff indicated that strong and aggressive financial competition exists in these assessment areas. The bank's record of responding to opportunities for lending in these assessment areas is reasonable.

Distribution of HMDA-related Lending (By Borrower Income Level)

The distribution of the bank's 1997 YTD HMDA lending, by borrower income level, is illustrated in the following charts. The analysis is based on the nonmetro area median family income for each of the seven nonMetroState assessment areas. Additionally, the number of loan originations does not include loans for which income was not identified.

Assessment Area # 3						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank Originations within nonmetro Assessment Area # 3			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Low- and Moderate-income	4,761	36.80	12	25.00	306	16.14
Middle-income	3,565	27.56	17	35.42	750	39.56
Upper-income	4,610	35.64	19	39.58	840	44.30
Total	12,936	100.0	48	100.0	1,896	100.0

The bank's record of lending to low- and moderate-income borrowers in assessment area #3 is somewhat less than the percentage of low- and moderate-income families within the assessment area. Lending to borrowers in other income ranges was reasonable.

Assessment Area # 4						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank Originations within nonmetro Assessment Area # 4			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Low- and Moderate-income	1,111	35.21	14	33.33	340	20.46
Middle-income	945	29.95	12	28.57	417	25.09
Upper-income	1,099	34.84	16	38.10	905	54.45
Total	3,155	100.0	42	100.0	1,662	100.0

The bank's record of lending to low- and moderate-income borrowers in assessment area #4 is reasonably consistent with the percentage of low- and moderate-income families in the assessment area. Lending to borrowers in other income ranges was reasonable.

Assessment Area # 5						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank Originations within nonmetro Assessment Area # 5			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Low- and Moderate-income	2,431	32.02	25	28.74	830	19.98
Middle-income	1,923	25.33	28	32.18	980	23.60
Upper-income	3,239	42.65	34	39.08	2,343	56.42
Total	7,593	100.0	87	100.0	4,153	100.0

The bank's record of lending to low- and moderate-income borrowers in assessment area #5 is reasonably consistent with the percentage of low- and moderate-income families in the assessment area. Lending to borrowers in other income ranges was reasonable.

Assessment Area # 6						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank Originations within nonmetro Assessment Area # 6			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s

			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Low- and Moderate-income	7,967	28.46	46	27.71	1,233	16.59
Middle-income	7,123	25.44	53	31.93	1,907	25.66
Upper-income	12,905	46.10	67	40.36	4,293	57.75
Total	27,995	100.0	166	100.0	7,433	100.0

The bank's record of lending to low- and moderate-income borrowers in assessment area #6 is consistent with the percentage of low- and moderate-income families in the assessment area. Lending to borrowers in other income ranges was reasonable.

Assessment Area # 7						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank Originations within nonmetro Assessment Area # 7			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Low- and Moderate-income	3,847	48.78	25	52.08	525	44.53
Middle-income	1,724	21.86	12	25.00	323	27.40
Upper-income	2,316	29.36	11	22.92	331	28.07
Total	7,887	100.0	48	100.0	1,179	100.0

The bank's record of lending to low- and moderate-income borrowers in assessment area #7 exceeds the percentage of low- and moderate-income families in the assessment area. Lending to borrowers in other income ranges was reasonable.

Assessment Area # 8						
1997 YTD HMDA-related Loan Originations in nonmetro State of Iowa by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank Originations within nonmetro Assessment Area # 8			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s

Low- and Moderate-income	1,428	47.74	13	52.00	123	25.05
Middle-income	778	26.01	5	20.00	160	32.59
Upper-income	785	26.25	7	28.00	208	42.36
Total	2,991	100.0	25	100.0	491	100.0

The bank's record of lending to low- and moderate-income borrowers in assessment area #8 exceeds the percentage of low- and moderate-income families in the assessment area. Lending to borrowers in other income ranges was reasonable.

Assessment Area # 9						
1997 YTD HMDA-related Loan Originations in nonmetro by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank Originations within nonmetro Assessment Area # 9			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Low- and Moderate-income	2,979	42.73	11	34.38	231	29.81
Middle-income	1,875	26.90	15	46.87	386	49.80
Upper-income	2,117	30.37	6	18.75	158	20.39
Total	6,971	100.0	32	100.0	775	100.0

The bank's record of lending to low- and moderate-income borrowers in assessment area #9 is less than the percentage of low- and moderate-income families in the assessment area. Lending to borrowers in other income ranges was reasonable.

Conclusions Regarding Borrower Income Distribution of HMDA-related Loans

The bank has a satisfactory record of lending to low- and moderate-income borrowers. In assessment areas #7 and #8, which have the highest percentage of low- and moderate-income families of all the nonmetro assessment areas, the bank's record of lending to low- and moderate-income borrowers is the highest of all the assessment areas and exceeds the demographics. In assessment areas #4, #5 and #6, which have strong economies and aggressive financial competition, the bank's record is reasonably consistent with area demographics. In assessment areas #3 and #9, although the bank's record is satisfactory and reasonably consistent with area demographics, lending to low- and moderate-income borrowers can improve.

Community Development Loans

The bank's community development loans within the nonmetro State of Iowa areas are as follows:

\$ In assessment area #3, the bank made four qualified community development loans totaling approximately \$350,000. These loans assisted area organizations in providing community development services for low- and moderate-income residents, and promoted economic development through area housing. It also assisted economic development corporations in providing additional jobs for low- and moderate-income residents.

\$ In assessment area # 5, the bank made a qualified community development loan in the approximate amount of \$100,000 for the construction of a new business located in an urban revitalization area.

\$ In assessment area #6, the bank made a loan for \$3,900,000 to the City of Marshalltown for business development in an Urban Revitalization area. This loan led to four additional loans (totaling approximately \$1 million) for customers located in this area; these loans are included in the totals for small business loans. Additionally, four qualified loans (totaling approximately \$6 million) were made in another Urban Revitalization area within the assessment area.

\$ In assessment area # 7, there were two qualified community development loans totaling approximately \$45,000. These loans assisted area organizations in providing services for low- and moderate-income individuals and infrastructure improvements in a moderate-income area.

\$ In assessment # 8, the bank pledged a matching (one-third) contribution to a fund for the Southern Iowa Council of Governments; the City of Mount Ayr and Ringgold County also pledged a one-third contribution. This revolving loan fund is used to make seven-year, affordable housing down payment loans at a 2% rate of interest (interest deferred for the first two years). In 1996, the bank made six down payment loans (totaling \$13,762) within the assessment area through this program. These loans led to the bank granting six end financing mortgage loans totaling approximately \$80,000. The bank also made a loan for approximately \$300,000 for a retail outlet which, according to bank staff has retained and improved shopping facilities for nearby low- and moderate-income residents.

According to bank staff, opportunities for community development loans have been minimal in assessment area #8. However, the bank forwarded a letter in July of 1997 in support of the City of Diagonal's application for a housing rehabilitation block grant. The City of Diagonal submitted an application to the Iowa Department of Economic Development for a grant to finance owner-occupied housing rehabilitation. This initiative was the result of area residents indicating a need to address the city's deteriorating housing stock. As an indication of need, the city solicited pre-applications to include in the application; the city received twenty responses from area households.

Conclusions Regarding Community Development Lending

The bank originates community development loans in nonmetro State of Iowa are consistent with area needs and available opportunities.

INVESTMENT TEST - Nonmetro State of Iowa Areas

There were approximately \$86,000 in community development related investments in the nonmetro assessment areas; these investments are primarily in assessment area #6. Each assessment area's percentage of total nonmetro area investments were:

Assessment area #3 - 8%
Assessment area #4 - 1.5%
Assessment area #5 - 9.5%
Assessment area #6 - 72%
Assessment area #7 - None noted
Assessment area #8 - 8%
Assessment area #9 - 1%

Conclusions Regarding Investment Test

Although qualified investments were viewed as proactive and responsive to community development needs, particularly in assessment area #6, the bank's volume of community development related investments in the nonmetro State of Iowa areas is low in comparison to the bank's size and abilities.

SERVICE TEST - Nonmetro State of Iowa Areas**Retail Services**

Twenty-five or 65.79% of the bank's 38 total branch offices serve the nonmetro State of Iowa areas; three of the 25 branches are located in moderate-income geographies. Additionally, there are 18 ATMs and 18 drive-up facilities located in the nonmetro assessment areas; one ATM and three drive-up facilities are located in moderate-income geographies (in assessment areas #7 and #8).

Community Development Services

During the scope of this examination, the bank conducted a farm and family management, small farm financial skills seminar in assessment area #5; a how to start a small business presentation in assessment area #6; a home buyers seminar featuring affordable housing loan program information in assessment area #7; and financial counseling for area families in assessment area #8. These workshops provided financial information relative to banking products and services as bank personnel conducted these seminars on donated bank time.

Conclusions Regarding Service Test

The bank's delivery system for retail credit products provides an outstanding level of services in nonmetro State of Iowa assessment areas. Branch offices are accessible to all assessment areas, and bank products and services are consistent and similar at all branches. No conspicuous gaps in the provision of retail services to the assessment areas were noted during the examination. The bank's credit products and services are tailored to meet opportunities in the assessment areas and branch services provided extended banking hours. Bank staff is very knowledgeable of bank products and services and provide a high level of assistance to consumers. The bank provides a high level of community development services.

OMAHA MSA ASSESSMENT AREA**DESCRIPTION OF INSTITUTION-S OPERATIONS IN THE OMAHA MSA ASSESSMENT AREA:**

The bank-s lending activity in the Omaha MSA was not a significant portion of the bank-s overall performance, accounting for approximately 5% of the bank-s total deposits, 4% of HMDA-related loans, 4.5% of small business loans, and 2.8% of small farm loans. The bank-s section of the Omaha, Nebraska MSA or Pottawattamie County was examined using the full examination procedures

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE OMAHA, NEBRASKA, MSA:Demographic Data

The bank-s assessment area in the Omaha MSA has an estimated population of 82,628. It is comprised of 26 geographies, of which one or 3.85% is low-income, nine or 34.61% are moderate-income, 15 or 57.69% are middle-income, and one or 3.85% is upper-income. Approximately 23,038 or 12.87% of the families in all assessment areas are in the Omaha MSA: 16.25% of the low-income, 15.43% of the moderate-income, 13.96% of the middle-income and 9.18% of the upper-income families. Institutionalized persons in the assessment area numbered 1,240 or 1.50% of the assessment area population. The majority of institutionalized persons are in nursing homes or at colleges.

The median family income for the assessment area is \$31,044. In comparison, the Omaha MSA and State of Iowa median family incomes are \$36,011 and \$31,659, respectively. Approximately 8.4% of households are below the poverty level.

The housing market data showed that 67.7% of the 32,831 housing units in the assessment area are owner-occupied, 27.5% are rentals, and 4.8% are vacant. Multi-family units in the MSA totaled 3,857 or 11.7%. The housing affordability ratio for the assessment area is 0.575. In comparison, the MSA ratio is 0.517 and the State of Iowa ratio is 0.576. This data suggests that housing may be more affordable in the assessment area than the MSA, but less affordable than the State. The median monthly rental cost for the assessment area is \$371, compared to \$400 for the Omaha MSA and \$336 for the State of Iowa.

According to bank staff, the area economy has been stable and growing for several years. Entertainment and retail industries have been strong since the introduction of casino gaming in 1995. The financial community has experienced some adjustments with new competition and banking philosophies. The area has a very active, competitive real estate loan market, with competitive retail and commercial loan rates.

Employment figures for the assessment area have shown an increase in the number of jobs from 1993 to 1994, primarily supported by job increases in construction and manufacturing. Unemployment figures for the MSA have remained stable; August 1997 and August 1996 unemployment rates were 3.2%.

LENDING TEST - Omaha MSA**Small Business/Small Farm Loans**

In 1996, the bank made a total of 1,049 small business loans in the assessment areas, of which 47 or 4.48% were made within the Omaha MSA assessment area. Of the bank's 2,290 small farm loans made in the assessment areas, 65 or 2.84% were within the Iowa nonmetro assessment areas. Approximately \$3,956,000 or 6.79% of total small business loan dollars and \$3,045,000 or 3.62% of total small farm loan dollars were made within the Omaha MSA. The following chart shows loan originations within the Omaha MSA, by number and dollar amount, categorized by original loan balance.

Mercantile Bank of Western Iowa 1996 Small Business-Small Farm Loans Within the Omaha MSA				
Loan Product	# and \$ (000's) \$100,000 or less	# and \$ (000's) Greater than \$100,000 to \$250,000	# and \$ (000's) Greater than \$250,000	Total # and \$ (000's)
Small Business	33 - \$940	11 - \$1,783	3 - \$1,233	47 - \$3,956
Small Farm	59 - \$1,826	5 - \$944	1 - \$275	65 - \$3,045

The preceding chart shows a concentration of loans in the less than \$100,000 range, demonstrating the bank's very strong effort of lending to small businesses and small farms in the Omaha MSA assessment area.

Distribution of Small Business and Small Farm Loans Within Low- and Moderate-Income Geographies

The following chart shows the bank's performance in lending to small business and small farms within low- and moderate-income census tracts:

Mercantile Bank of Western Iowa Loans in Low- and Moderate-income geographies Within the Omaha MSA				
Loan Product	# and \$ (000's) \$100,000 or less	# and \$ (000's) Greater than \$100,000 to \$250,000	# and \$ (000's) Greater than \$250,000	Total # and \$ (000's)
Small Business	13 - \$429	4 - \$636	-0-	17 - \$1,065
Small Farm	10 - \$327	1 - \$225	1 - \$275	12 - \$827

Innovative or flexible loan programs

The bank's activity in flexible lending programs within the Omaha MSA assessment area is as follows:

MERCANTILE BANK OF WESTERN IOWA FLEXIBLE LOAN PROGRAMS							
Assessment Area	SBA Loans # and \$ (000's)		FmHA # and \$ (000's)		Linked Investments For Tomorrow \$ (000's)	Insured Credit Services # and \$ (000's)	
	#	\$	#	\$		#	\$
OMAHA MSA	7	1,087	7	240	104	11	52

Conclusions Regarding Geographic Distribution of Small Business and Small Farm Loans

The bank's record of lending to small businesses and small farms in low- and moderate-income geographies is satisfactory. A review of area demographics indicated that approximately 38% of the geographies in the MSA are low- and moderate-income. The preceding chart shows that 17 or 30.91% of the total small business loans and 12 or 18.18% of total small farm loans within the Omaha MSA assessment area were made in low- and moderate-income geographies; the majority of these loans were in amounts under \$100,000.

Geographic Distribution of HMDA-related Lending (By Geography Income Level)

In 1996, 38 loans or 5.92% of all HMDA-related loan originations were made within the Omaha MSA. The 1997 YTD preliminary HMDA data showed that 39 loans or 4.27% of all MSA and nonmetro State of Iowa loans were made within the Omaha MSA.

1996 HMDA-related Lending Opportunities

The following chart shows the bank's 1996 lending within the Omaha MSA assessment area by comparing the percentage of the bank's loans in low- and moderate-income geographies to the percentage in middle- and upper-income geographies per 1,000 units owner-occupied units.

Geography	Owner-Occupied Units in		1996 HMDA-related Loan Originations		Percentage of Originations per 1,000 Owner- Occupied Units	
	Non-L/M	L/M	Non-L/M	L/M	Non-L/M	L/M
Omaha MSA	15,406	6,820	22	16	1.43	2.35

The preceding chart shows that the bank's loans per 1,000 owner-occupied units in the Omaha MSA were substantially higher within low- and moderate-income geographies than in middle- and upper-income geographies.

The 1996 HMDA-related loan data showed that 38 loans were made within the Omaha MSA. The following chart shows the distribution of these loans, by geography income level:

<p>Mercantile Bank of Western Iowa 1996 HMDA-related Loan Originations in the Omaha MSA by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics and 1996 Aggregate HMDA-related Originations</p>

Census Tract Income Classification	# of Census Tracts	% of Total Census Tracts	Mercantile Bank within Omaha MSA		Aggregate Within Omaha MSA	
			# of Orig-s	% of Total Orig-s	# of Orig-s	% of Total Orig-s
Low - 0 to 49%	1	3.85	0	0.00	24	0.86
Moderate - 50 to 79%	9	34.62	16	42.11	742	26.69
Middle - 80 to 119%	15	57.68	22	57.89	1,818	65.40
Upper - > 120%	1	3.85	0	0.00	196	7.05
Total	26	100.00	38	100.00	2,780	100.00

A review of area demographics indicate that approximately 38.47% of the geographies in the Omaha MSA assessment area are low- and moderate-income. The preceding chart shows that 42.11% of the bank's loan originations were made in low- and moderate-income geographies. In comparison, the concentration of the bank's loans in low- and moderate-income geographies exceeds the percentage of low- and moderate-income geographies and the market aggregate's lending. Lending in other geographies was reasonably consistent with the market aggregate and demographics.

The 1997 YTD preliminary HMDA data showed that 39 loans were made within the Omaha MSA assessment area. The following chart shows distribution of these loans, by geography income level:

Mercantile Bank of Western Iowa 1997 YTD HMDA-related Loan Originations in the Omaha MSA by Geography Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Census Tract Income Classification	# of Census Tracts	% of Total Census Tracts	Mercantile Bank within Omaha MSA			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Low - 0 to 49%	1	3.85	0	-0-	0	-0-
Moderate - 50 to 79%	9	34.62	17	43.59	821	43.86
Middle - 80 to 119%	15	57.68	19	48.72	821	43.86
Upper - > 120%	1	3.85	3	7.69	230	12.28
Total	26	100.00	39	100.0	1,872	100.0

A review of area demographics indicated that approximately 38.47% of the geographies within the Omaha MSA assessment area are low- and moderate-income. The preceding chart shows that 43.59% of all HMDA loans within the assessment area were made in moderate-income geographies. The bank's concentration of loans in low- and moderate-income geographies exceeds area demographics and is consistent with the market aggregate. Although not shown in the preceding chart, the \$503,000 or 43.40% of 1996 total dollars (\$1,159,000) were in low- and moderate-income geographies within the assessment area.

Brokered HMDA-related Lending

The bank's brokered loan activity was reviewed for geographic distribution. In 1996, 24 or 33.80% of the bank's brokered loans (71) were in low- and moderate-income geographies. Loans per 1,000 owner-occupied units represented 3.52% in low- and moderate-income geographies and 3.05% in middle- and upper-income geographies. In 1997 YTD, 12 or 35.29% of the brokered loans (34) were in low- and moderate-income geographies. Loans per 1,000 owner-occupied units represented 1.76% in low- and moderate-income geographies and 1.43% in middle- and upper-income geographies.

Conclusions Regarding Geographic Distribution of HMDA-related Loans

Although there has been limited volume, the bank has a strong record of lending in the Omaha MSA low- and moderate-income geographies. The bank's record of lending in 1996 within low- and moderate-income geographies exceeds both aggregate lending and area demographics. The bank's 1997 YTD preliminary HMDA lending in low- and moderate-income geographies also exceeds area demographics. Additionally the level of brokered lending in low- and moderate-income geographies is high.

Distribution of HMDA-related Loans (By Borrower Income Level)

The distribution of 1996 HMDA loans in the Omaha MSA, by borrower income level, is as follows:

Mercantile Bank of Western Iowa 1996 HMDA-related Loan Originations in the Omaha MSA by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics and 1996 Aggregate HMDA-related Originations						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank within Omaha MSA		Aggregate Within Omaha MSA	
			# of Orig-s	% of Total Orig-s	# of Orig-s	% of Total Orig-s
Low - 0 to 49%	5,083	22.06	5	13.16	308	11.28
Moderate - 50 to 79%	5,250	22.79	9	23.68	722	26.45
Middle - 80 to 119%	6,631	28.78	17	44.74	904	33.11
Upper - > 120%	6,074	26.37	7	18.42	796	29.16
Total	23,038	100.00	38	100.00	2,730	100.00

The number of originations by borrower income for the bank and aggregate does not include loans for which income was not identified; the percentages of total loans also do not include these numbers.

A review of area demographics indicated that approximately 44.85% of families in the Omaha MSA assessment area are low- and moderate-income. The preceding chart shows that 36.84% of the loans were to low- and moderate-income borrowers. The bank's concentration of loans to low- and moderate-income borrowers exceeded aggregate lending in low-income category and was slightly lower than aggregate lending in the moderate-income category. Lending was reasonably consistent in all other borrower income ranges. Of 1996 total loan dollars (\$1,159,000), \$375,000 or 32.35% were to low- and moderate-income borrowers.

The distribution of 1997 YTD HMDA loans in the Omaha MSA assessment area, by borrower income level, is illustrated in the following chart:

Mercantile Bank of Western Iowa 1997 YTD HMDA-related Loan Originations in the Omaha MSA by Borrower Income and as a Percentage of Total Originations in Comparison to Area Demographics						
Borrower Income Classification	# of Families	% of Total Families	Mercantile Bank within Omaha MSA			
			# of Orig-s	% of Total Orig-s	\$ of Orig-s (000's)	% of Total \$ Orig-s
Low - 0 to 49%	5,083	22.06	3	7.69	66	3.52
Moderate - 50 to 79%	5,250	22.79	3	7.69	157	8.39
Middle - 80 to 119%	6,631	28.78	10	25.64	511	27.30
Upper - > 120%	6,074	26.37	23	58.98	1,138	60.79
Total	23,038	100.00	39	100.0	1,872	100.0

The number of originations by borrower income for the bank and aggregate does not include loans for which income was not identified; the percentages of total loans also do not include these numbers.

A review of area demographics indicates that approximately 44.85% of families within the Omaha MSA assessment area are low- and moderate-income. The preceding chart shows that 15.38% of loans, by borrower income level, were to low- and moderate-income borrowers. The bank's concentration of loans to low- and moderate-income borrowers is substantially less than area demographics; a high concentration of loans were made to upper-income borrowers.

Brokered HMDA-related Lending Activity

The bank's brokered HMDA-related loan activity was also reviewed for distribution by borrower income ranges. In 1996, the bank made 29 or 40.85% of its brokered loans (71) to low- and moderate-income borrowers. In 1997 YTD, the bank made 8 or 23.53% of its brokered loans (34) to low- and moderate-income borrowers.

Conclusions regarding Borrower Income Distribution of HMDA-related Loans

The bank's record of lending to borrowers of different income ranges is satisfactory. Although 1996 HMDA-related lending to low- and moderate-income borrowers was substantially similar to area demographics, the 1997 YTD preliminary HMDA-related lending was substantially below area demographics. The concentration of brokered loans in 1996 and 1997 followed a similar pattern as the reported HMDA lending.

Community Development Loans

In the Omaha MSA, the bank made six commercial loans in a community development block grant area totaling approximately \$400,000. These loans assisted in the revitalization of the geography.

Conclusions Regarding Community Development Lending

The bank extends community development loans in targeted areas consistent with its size, abilities and identified needs and opportunities in the assessment area.

INVESTMENT TEST - Omaha MSA

There was approximately \$2,750 in community development related investments in the bank's Omaha MSA assessment area.

Conclusions Regarding Investment Test

Community development related investments in the Omaha MSA assessment area were low in relation to activity in other assessment areas and the bank's resources and size.

SERVICE TEST - Omaha MSA**Retail Services**

Four or 10.53% of the bank's total branches serve the Omaha MSA assessment area; two of the branches are located in low- and moderate-income geographies. Additionally, there are nine full-service ATMs and two drive-up facilities serving the MSA. Two ATMs and one the drive-up facility are located in low- and moderate-income geographies. They are situated to serve the needs of low- and moderate-income and other residents and are conveniently located throughout the assessment area.

Community Development Services

The bank conducted a home buyers seminar and two small business workshops in the assessment area during the scope of the examination. These presentations have furnished financial information for area businesses and affordable housing loan program information for low- and moderate-income residents.

Conclusions Regarding Service Test

The bank provides a satisfactory level of services in the Omaha MSA assessment area. The distribution of branches provides reasonable access to bank products and services which are consistent and similar at all branches. The bank has not opened or closed any branches during the scope of the examination. The availability of products and services are tailored to meet the needs of the assessment area. The results of branch visits showed no physical or cultural barriers to the access of credit. The bank's community development services were related to the provision of financial services and information which benefit low- and moderate-income individuals.