

PUBLIC DISCLOSURE

March 10, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Thumb Bank & Trust
RSSD# 698649

7254 Michigan Avenue
Pigeon, Michigan 48755

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

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

TABLE OF CONTENTS

PERFORMANCE EVALUATION	2
SCOPE OF EXAMINATION	2
DESCRIPTION OF INSTITUTION.....	3
DESCRIPTION OF ASSESSMENT AREA.....	4
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA	7
2023 NON-MSA, MI – FULL REVIEW	9
DESCRIPTION OF INSTITUTION’S OPERATIONS IN 2023 NON-MSA, MI.....	9
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA, MI.....	16
BAY CITY, MICHIGAN MSA #13020 – LIMITED REVIEW.....	25
APPENDIX A – MAPS OF ASSESSMENT AREA	32
APPENDIX B – SCOPE OF EXAMINATION	33
APPENDIX C – GLOSSARY	34

BANK'S CRA RATING

Thumb Bank & Trust is rated **Satisfactory**.

Thumb Bank & Trust (TBT) is meeting the credit needs of its community based on an analysis of the bank's lending activities. Thumb Bank & Trust's average loan-to-deposit ratio is reasonable considering the characteristics of the bank, its local competitors, and the credit needs of the assessment area. A substantial majority of loans are originated in the assessment area and the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank's lending activity reflects reasonable penetration among borrowers of different income levels and businesses and farms of different revenue sizes. Neither TBT nor the Federal Reserve Bank of Chicago have received any complaints related to the Community Reinvestment Act (CRA) during the review period.

SCOPE OF EXAMINATION

Thumb Bank & Trust's CRA performance was evaluated using the Interagency Small Institution Examination Procedures issued by the Federal Financial Institutions Examinations Council (FFIEC). The evaluation was performed within the context of information about the institution and its assessment area including asset size, financial condition, competition, credit needs, and economic and demographic characteristics of the assessment area.

The bank maintains two delineated assessment areas in the northeastern part of Michigan's lower peninsula. First, the Michigan Non-Metropolitan Statistical Area (Non-MSA, MI) which received a full scope review given the distribution of the bank's branch locations, including the main office, and the volume of the bank's deposit and loans located within this assessment area. The second assessment area delineated by the bank is the Bay City, Michigan Metropolitan Statistical Area #13020 (Bay City, MI MSA), which received a limited scope review. The limited scope review assessment area was evaluated to ensure consistency with the bank's performance in its full scope review assessment area. The limited scope review area was given less weight in the overall CRA rating. Major products reviewed include a sample of small business and small farm loans, and Home Mortgage Disclosure Act (HMDA)-reportable loans.

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

- ***Loan-to-Deposit Ratio*** – A 16 quarter average loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's HMDA-reportable, a sample of small business, and small farm loans originated from January 1, 2023, to December 31, 2023, were reviewed to determine the percentage of loans originated within the assessment area.

- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s HMDA-reportable, a sample of small business, and small farm loans originated within the assessment area, from January 1, 2023, to December 31, 2023, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – The bank’s HMDA-reportable, a sample of small business, and small farm loans originated within the assessment area, from January 1, 2023, to December 31, 2023, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

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

DESCRIPTION OF INSTITUTION

Thumb Bank & Trust is a subsidiary of Thumb Bancorp, Inc., a one bank holding company headquartered in Pigeon, Michigan. As of September 30, 2024, TBT had total assets of \$601.4 million. The bank has intrastate operations primarily in the northeastern counties of Michigan. The bank maintains its main office in Pigeon with 11 additional locations in the neighboring communities of Caseville, Bad Axe, Marlette, Brown City, Carsonville, Deckerville, Port Sanilac, Sandusky, Lexington, Cass City, and Bay City. TBT operates 14 full service automated teller machines (ATMs) with 10 of those at branch locations. Since the previous evaluation, TBT opened a branch and ATM location in Marlette (July 18, 2022) and in Lexington (August 5, 2024), Michigan. Additionally, on December 31, 2022, the bank added six branch locations (in Applegate, Brown City, Carsonville, Deckerville, Port Sanilac, and Sandusky, Michigan) and six ATMs to its branch network through its merger with Exchange State Bank. Subsequently, the bank closed one of the six acquired branches located in Applegate, Michigan on August 2, 2024, while retaining its ATM. Lastly, in November 2024, TBT acquired Freeland State Bank, adding one branch location in Freeland, Michigan; however, this acquisition occurred outside of the review period for this evaluation and consequently are excluded from the analysis.

Thumb Bank & Trust offers a full range of traditional deposit and loan products to help meet the banking needs of consumers, businesses, and farms operating in its combined assessment area. Deposit products can be opened at any branch and primarily include traditional checking, savings, money market accounts, and certificates of deposits. Agricultural and commercial loans comprise the largest portion of the bank's loan portfolio at 41.1 percent and 39.3 percent, respectively, followed by residential real estate at 16.4 percent. Details of the allocation of the bank's loan portfolio are provided in the following table.

Composition of Loan Portfolio as of September 30, 2024 (000's)		
Type	\$	%
Agriculture	137,823	41.1
Commercial	131,651	39.3
Residential Real Estate	54,917	16.4
Consumer	9,797	2.9
Other	793	0.2
Total	334,981	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated satisfactory under the CRA at its previous evaluation conducted on January 25, 2021.

DESCRIPTION OF ASSESSMENT AREA

Thumb Bank & Trust has two designated assessment areas in the northeastern part of Michigan's lower peninsula: the Michigan Non-Metropolitan Statistical Area (Non-MSA, MI) and the Bay City, Michigan Metropolitan Statistical Area #13020 (Bay City, MI MSA). The Non-MSA, MI consists of the entireties of Huron, Sanilac, and Tuscola Counties, as well as two contiguous census tracts in Lapeer County and three contiguous census tracts in St. Clair County.

The delineated assessment area includes 42 total census tracts, with six designated as moderate-income and 36 middle-income. This is a change from the previous evaluation, when the bank took portions of Huron, Sanilac, and Tuscola Counties, while excluding the census tracts in Lapeer and St. Clair counties. Similarly, the total number of census tracts increased in the Non-MSA, MI assessment area from 13 to 42, through the addition of five moderate- and 24 middle-income census tracts. The bank's Bay City, MI MSA consists of a portion of Bay County, excluding one census tract in Lake Huron. The Bay City, MI MSA delineated assessment area includes 27 census tracts, with eight designated as moderate-income, 13 middle-income, five upper-income, and one

tract of an unknown income level. There are no low-income census tracts within the assessment area. Since the previous evaluation, the number of census tracts in the Bay City, MI MSA has increased from 22 to 27.

2023 Combined Assessment Area AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	14,315	21.3
Moderate	14	20.3	13,479	20.0	2,078	15.4	12,742	18.9
Middle	49	71.0	47,503	70.5	4,175	8.8	14,843	22.0
Upper	5	7.2	5,944	8.8	447	7.5	25,437	37.8
Unknown	1	1.4	411	0.6	147	35.8	0	0.0
Total AA	69	100.0	67,337	100.0	6,847	10.2	67,337	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	25,481	16,490	19.7	64.7	6,432	25.2	2,559	10.0
Middle	88,697	59,235	70.7	66.8	12,876	14.5	16,586	18.7
Upper	10,495	7,757	9.3	73.9	2,056	19.6	682	6.5
Unknown	772	245	0.3	31.7	482	62.4	45	5.8
Total AA	125,445	83,727	100.0	66.7	21,846	17.4	19,872	15.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1,890	22.3	1,689	22.1	168	26.1	33	18.6
Middle	5,755	68.0	5,229	68.4	390	60.7	136	76.8
Upper	762	9.0	678	8.9	76	11.8	8	4.5
Unknown	60	0.7	51	0.7	9	1.4	0	0.0
Total AA	8,467	100.0	7,647	100.0	643	100.0	177	100.0
Percentage of Total Businesses:				90.3		7.6		2.1
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	111	9.8	109	9.8	2	13.3	0	0.0
Middle	966	85.6	953	85.5	13	86.7	0	0.0
Upper	51	4.5	51	4.6	0	0.0	0	0.0
Unknown	1	0.1	1	0.1	0	0.0	0	0.0
Total AA	1,129	100.0	1,114	100.0	15	100.0	0	0.0
Percentage of Total Farms:				98.7		1.3		0.0
Source: 2023 FFIEC Census Data 2023 Data & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Thumb Bank & Trust's loan to deposit (LTD) ratio is reasonable given the bank's financial condition, community credit needs, and recency of mergers and acquisitions. As of September 30, 2024, the bank had a 16-quarter average LTD ratio of 59.3 percent, which is below the local peer average of 67.2 percent. The previous evaluation's 23-quarter average LTD ratio was higher at 73.6 percent. Bank management noted that this decline in the LTD ratio was primarily driven by market conditions that saw decreased lending demand and increases in deposits, rather than bank strategy. Also, within the Non-MSA, MI AA, the top five institutions in the assessment area collectively hold 62.6 percent of the market share for deposits, which suggests a highly competitive market. Similarly, in the Bay City, MI MSA AA, the top four institutions in the assessment area collectively hold 91.4 percent of the market share for deposits, which suggests an extremely competitive market. The following table compares the bank's LTD ratio to its local competitors of similar size and complexity.

Comparative Loan-to-Deposit Ratios	
Comparative Data	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Thumb Bank & Trust	59.3
Peer Average - Local	67.2
Competitors	
Northstar Bank	84.0
Tri-County Bank	74.6
Oxford Bank	70.7
1st State Bank	65.1
Eastern Michigan Bank	41.5

Assessment Area Concentration

During the evaluation period, a substantial majority of HMDA-reportable, small business, and small farm loans were originated in the bank's combined assessment area, at 84.5 percent of total loans by number and 80.4 percent of total loans by dollar amount. Small business loans had the highest concentration rate by number within the combined assessment area of 89.9 percent, followed by small farm loans at 83.1 percent, and lastly, HMDA-reportable loans at 81.4 percent. The bank's lending within its combined assessment area is markedly higher for this review period than the previous evaluation period where the bank originated 64.2 percent by number and 63.6 percent by dollar amount of total loans in the combined assessment area. The following table summarizes the bank's HMDA-reportable loans and a sample of small business and small farm lending inside and outside the assessment area from January 1, 2023, to December 31, 2023.

Lending Inside and Outside the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	10	90.9	426	93.4	1	9.1	30	6.6
Home Purchase – Conventional	58	79.5	8,598	71.9	15	20.5	3,352	28.1
Multi-Family Housing	1	50.0	21	4.0	1	50.0	500	96.0
Refinancing	23	85.2	2,535	71.6	4	14.8	1,005	23.8
Total HMDA-Related	92	81.4	11,580	70.3	21	18.6	4,887	29.7
Small Business	80	89.9	10,394	91.8	9	10.1	923	8.2
Small Farm	74	83.1	8,757	83.9	15	16.9	1,676	16.1
Total Loans	246	84.5	30,731	80.4	45	15.5	7,486	19.6

Geographic and Borrower Distribution

The geographic distribution of HMDA-reportable, small business, and small farm loans reflects reasonable dispersion throughout the individual assessment areas. In addition, the distribution of loans to individuals of different income levels, including low- and moderate-income individuals and businesses and farms of different sizes is reasonable given the demographics of the bank's assessment areas. The bank is primarily a commercial and agricultural lender; therefore, small business and small farm loans received greater weight for this analysis. Additional information with respect to the bank's geographic and borrower distribution is found within the full and limited review assessment area sections.

Response to Complaints

Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

NON-MSA, MICHIGAN – FULL REVIEW

SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Non-MSA, Michigan (Non-MSA, MI) assessment area. The review of this assessment area is consistent with the scope discussed in the "Scope of Examination" section of this performance evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN 2023 NON-MSA, MICHIGAN¹

TBT's Non-MSA, MI assessment area consists of Huron, Sanilac, and Tuscola counties in their entireties as well as two contiguous census tracts in Lapeer County and three contiguous census tracts in St. Clair County. This represents a change from the previous evaluation, when the bank delineated only portions of Huron, Sanilac, and Tuscola counties. Based on 2023 FFIEC Census data, the census tract composition includes no low-, six moderate-, 36 middle-, and no upper-income census tracts in the assessment area. As of 2023, 11 middle-income census tracts located in Huron County are considered underserved by the FFIEC due to their remote and rural location. Additionally, 12 middle-income census tracts in Tuscola County are considered distressed due to unemployment figures. TBT maintains operations in the Non-MSA, MI assessment area through its main office, ten branches, and 13 full-service ATMs. The main office and two branches are located in Huron County, an additional seven branches are located in Sanilac County (excludes one branch in Applegate that closed in August 2024), and one branch is located in Tuscola County.

The Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report dated June 30, 2024, ranks Thumb Bank & Trust seventh among 14 FDIC-insured financial institutions operating within the assessment area. The bank held \$484.0 million in deposits, or a 7.2 percent market share, compared to the market leader The Huntington National Bank, which held roughly \$1.3 billion in deposits, or 18.8 percent of the market's deposits. The second ranked institution, JP Morgan Chase Bank, held \$954.0 million in deposits representing 14.1 percent of the deposit market share.

Tract Designation Change Data

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022

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

and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2019 Designations (#)	2023 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	1	6	+5
Middle	12	36	+24
Upper	0	0	0
Unknown	0	0	0

Additional 2023 Non-MSA, MI assessment area demographic information is provided in the following table.

2023 MI Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	8,481	21.4
Moderate	6	14.3	6,722	17.0	814	12.1	7,880	19.9
Middle	36	85.7	32,863	83.0	2,743	8.3	9,165	23.2
Upper	0	0.0	0	0.0	0	0.0	14,059	35.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	42	100.0	39,585	100.0	3,557	9.0	39,585	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	11,983	8,326	16.7	69.5	2,251	18.8	1,406	11.7
Middle	65,122	41,453	83.3	63.7	8,916	13.7	14,753	22.7
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	77,105	49,779	100.0	64.6	11,167	14.5	16,159	21.0
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	907	17.9	806	17.6	79	22.0	22	16.1
Middle	4,160	82.1	3,765	82.4	280	78.0	115	83.9
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	5,067	100.0	4,571	100.0	359	100.0	137	100.0
Percentage of Total Businesses:				90.2		7.1		2.7
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	97	10.5	95	10.4	2	14.3	0	0.0
Middle	828	89.5	816	89.6	12	85.7	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	925	100.0	911	100.0	14	100.0	0	0.0
Percentage of Total Farms:				98.5		1.5		0.0
Source: 2023 FFIEC Census Data 2023 Data & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Population Characteristics:

According to U.S. Census Bureau data, the assessment area's population in 2020 was 374,343. This represents a slight decrease in population from 2015 of 0.8 percent. The state of Michigan's population saw a slight increase at 1.8 percent, while the non-metropolitan portion of Michigan (Non-MSA, Michigan) remained stable during the same period, showing a 0.1 percent increase. Sanilac County experienced the largest population loss at 3.3 percent, while Huron and Tuscola counties experienced population losses at 2.7 and 2.0 percent, respectively. Lapeer County's population increased by 0.4 percent, which was still below the state of Michigan. Community representatives stated that the decrease in population in the assessment area can be widely attributed to younger populations relocating to larger cities for more career opportunities and/or seeking higher education. Representatives also noted that Lapeer County's population increase can be tied to its proximity to Detroit, making it an attractive location for residents to access job opportunities in and around the Detroit metropolitan area. The following table presents the population trends for the assessment area, counties that make up the assessment area, the entirety of Non-MSA, Michigan, and the state of Michigan from 2015 to 2020.

Population Change			
Area	2015 Population	2020 Population	Percentage Change (%)
Assessment Area	377,388	374,343	-0.8
Huron County, MI	32,290	31,407	-2.7
Lapeer County, MI	88,235	88,619	0.4
St. Clair County, MI	160,429	160,383	0.0
Sanilac County, MI	42,014	40,611	-3.3
Tuscola County, MI	54,420	53,323	-2.0
Non-MSA, MI	1,806,007	1,807,574	0.1
State of Michigan	9,900,571	10,077,331	1.8
Source: 2011 – 2015 U.S. Census Bureau: Decennial Census 2020 U.S. Census Bureau: American Community Survey			

Income Characteristics

According to U.S. Census Bureau data, the assessment area is comprised of 39,585 families, with 21.4 percent of families designated as low-income, 19.9 percent moderate-income, 23.2 percent middle-income, and 35.5 percent upper-income. Of the families residing within the assessment area, 9.0 percent live below the poverty line.

Median family income (MFI) levels vary between the counties that make up the assessment area, with Sanilac County at \$60,956 and Lapeer County at \$74,675. Median family income growth within the assessment area from 2015 to 2020 was 8.1 percent, which is below the percentage growth for Non-MSA, MI, and the state of Michigan during the same period, at 10.9 percent and 11.0 percent, respectively. While Lapeer County has a highest MFI, Tuscola County experienced

slightly higher income growth during the same period, at 10.9 percent compared to the 10.5 percent in Lapeer County. Community representatives attributed the slower MFI growth to the predominantly rural composition of the assessment area consisting of fewer higher-paying job opportunities. The following table presents the MFI trends for the assessment area, counties that make up the assessment area, the entirety of Non-MSA, Michigan, and the state of Michigan from 2015 to 2020.

Median Family Income Change			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percentage Change (%)
Assessment Area	63,780	68,935	8.1
Huron County, MI	58,787	62,761	6.6
Lapeer County, MI	67,575	74,675	10.5
St. Clair, MI	67,574	73,484	8.7
Sanilac County, MI	55,704	60,956	9.4
Tuscola County, MI	57,688	63,976	10.9
Non-MSA, MI	58,593	64,965	10.9
State of Michigan	68,010	75,470	11.0
<i>Source: 2011-2015 U.S. Census Bureau: Decennial Census 2016-2020 U.S. Census Bureau: American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

Housing Characteristics

The bank's assessment area includes 77,105 housing units, the majority of which are owner-occupied at 64.6 percent, whereas rental units account for 14.5 percent of total units. Within the assessment area, 21.0 percent of the housing units are vacant, which is higher than the state of Michigan at 13.7 percent of total housing units. Community representatives noted the higher vacancy rate in Non-MSA, MI is attributed to the seasonal nature of the tourism-driven economy, where many homes experience low occupancy during the off-season.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, whereby a higher ratio supports more affordable housing opportunities. Based on the 2016-2020 American Community Survey data, the affordability ratio for the assessment area was 0.44, which is higher than Non-MSA, Michigan and the state of Michigan, at 0.38 and 0.36, respectively. As such, the affordability ratio suggests that housing within the assessment area is slightly more affordable when compared to Non-MSA, Michigan and the state of Michigan.

Housing cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. As shown in the following table, the assessment area's low-income renters and owners have substantial housing cost burden, with 73.5 percent and 59.8 percent of those individuals, respectively, paying

30.0 percent or more of their household income for housing. Moderate-income households have a notably lower proportion of individuals that are housing cost burdened, equating to 23.0 percent of renters and 21.8 percent of owners. Community representatives noted that the lack of affordable housing in the area for both rentals and homeownership has resulted in higher costs due to overall decreased housing availability. The following table represents recent housing cost burden for individuals within the entirety of the assessment area, counties that comprise the assessment area, Non-MSA, Michigan, and the state of Michigan.

Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	73.5	23.0	41.7	59.8	21.8	17.1
Huron County, MI	68.0	14.9	33.3	57.2	20.0	16.2
Lapeer County, MI	74.4	21.5	46.3	62.2	22.2	16.4
St. Clair County, MI	75.3	26.6	45.6	58.9	21.9	17.4
Sanilac County, MI	67.4	18.1	33.7	59.3	22.4	16.7
Tuscola County, MI	74.1	20.3	34.8	61.2	21.6	18.0
Non-MSA, MI	67.0	32.1	39.6	59.6	25.5	17.4
State of Michigan	75.3	35.6	42.9	62.1	27.2	17.5
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2016-2020 Comprehensive Housing Affordability Strategy</i>						

Employment Characteristics

The following table shows unemployment statistics for the assessment area, the counties that comprise the assessment area, the entirety of Non-MSA, Michigan, and the state of Michigan. After increasing to 11.2 percent during the COVID-19 pandemic in 2020, the unemployment rate for the assessment area recovered to pre-pandemic levels in 2023 at 4.2 percent. This is slightly higher than the state of Michigan, with an unemployment rate of 3.9 percent, and lower than three of the five counties in the assessment area. Within the assessment area, the counties of St. Clair and Lapeer have the lowest unemployment rates at 3.8 percent and 4.1 percent, respectively. Community representatives attributed this to these county's proximity to Interstate 69, which expands the job market for residents in the larger cities of Detroit, Flint, Saginaw, and Midland. Area unemployment figures also indicate some seasonality in unemployment statistics due to their agricultural and manufacturing landscape. Lastly, one community representative noted that the automobile industry goes through cyclical hiring and layoff periods, depending on supply and demand for vehicles.

Unemployment Rates (%)					
Area	2019	2020	2021	2022	2023
Assessment Area	4.9	11.2	5.9	4.4	4.2
Huron County, MI	4.5	8.8	5.3	4.6	4.3
Lapeer County, MI	5.3	12.2	6.0	4.3	4.1
St. Clair County, MI	4.8	11.7	5.8	3.9	3.8
Sanilac, County, MI	4.8	10.0	6.0	5.1	4.8
Tuscola County, MI	5.1	10.4	6.2	5.3	5.0
Non-MSA, MI	4.7	9.3	5.8	5.0	4.8
State of Michigan	4.1	10.0	5.7	4.1	3.9
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>					

Industry Characteristics

The assessment area contains an employment base that is reliant upon the industries of retail trade, health care, social assistance, and manufacturing based on data from the U.S. Bureau of Labor Statistics. Community representatives stated that these industries have remained stable, and there have not been any notable fluctuations of employers moving in or out of the area. However, representatives emphasized the difficulty facing employers to find employees in the assessment area, as there has been an exodus of employees seeking higher wages and salaries in other areas of the state.

Community Representatives

Two community representatives were contacted during the evaluation and provided information on housing, employment, and economic development needs within the assessment area. Representatives stated that there are challenges in which local financial institutions can assist, including access to affordable housing, additional small business start-up assistance, and finding skilled workers as some of the priorities facing local communities. The representatives also conveyed they believe that local financial institutions are meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA, MICHIGAN

LENDING TEST

The geographic distribution of loans reflects reasonable distribution throughout the assessment area. In addition, the borrower distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and to businesses and farms of different sizes. More weight was given to the small business and small farm loan analysis due to the bank's loan portfolio composition, general business strategy, and assessment area demographics.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among the census tract designations within the assessment area, particularly low- and moderate-income census tracts. Overall, the bank's geographic distribution of HMDA-reportable, small business, and small farm loans reflects reasonable dispersion throughout the assessment area. Examiners determined that there were no conspicuous unexplained gaps in contiguous census tracts. There are no low-income census tracts in the assessment area; therefore, the analysis focused on lending in moderate-income census tracts. Additionally, a meaningful geographic analysis of home improvement loans and multi-family loans could not be performed due to low loan volume; therefore, these loans will not be discussed.

HMDA-Reportable Loans

The geographic distribution of HMDA-reportable lending reflects poor penetration among census tract designations within the assessment area. TBT originated 7.0 percent of total HMDA-reportable loans in moderate-income census tracts, which is below the aggregate of lenders, and the percentage of owner-occupied units located in moderate-income census tracts at 18.1 percent and 16.7 percent, respectively.

Home Purchase Lending

In 2023, home purchase loans represented 64.0 percent of the bank's total HMDA-reportable loans in the assessment area. The bank originated 5.5 percent of its home purchase loans in moderate-income census tracts. TBT's performance is significantly lower than the aggregate of lenders and owner-occupied units located in moderate-income census tracts at 18.1 percent and 16.7 percent, respectively. A substantial majority of the bank's home purchase loans were originated in middle-income census tracts at 94.5 percent, significantly above the aggregate of lenders and owner-occupied units located in moderate-income tracts at 81.9 percent and 83.3 percent, respectively.

Refinance Lending

In 2023, refinance loans represented 25.6 percent of the bank's total HMDA-reportable loans in the assessment area. The bank originated 13.6 percent of their refinance loans in moderate-income census tracts. The bank's performance is below both the aggregate of lenders and the percentage of owner-occupied units within moderate-income tracts at 18.5 percent and 16.7 percent, respectively. A substantial majority of the bank's refinance loans were originated in middle-income census tracts at 86.4 percent, which was above the aggregate of lenders and owner-occupied units located in moderate-income tracts at 81.5 percent and 83.3 percent, respectively. The following table presents the bank's geographic distribution of mortgage lending.

Distribution of 2023 Home Mortgage Lending By Income Level of Geography							
Assessment Area: MI Non MSA							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	%	%	\$ (000)	%	%	
Home Purchase Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	3	5.5	18.1	627	7.7	17.9	16.7
Middle	52	94.5	81.9	7,542	92.3	82.1	83.3
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	55	100.0	100.0	8,169	100.0	100.0	100.0
Refinance Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	3	13.6	18.5	193	8.4	18.3	16.7
Middle	19	86.4	81.5	2,092	91.6	81.7	83.3
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	22	100.0	100.0	2,285	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	17.4	0	0.0	18.5	16.7
Middle	8	100.0	82.6	386	100.0	81.5	83.3
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	8	100.0	100.0	386	100.0	100.0	100.0
Multifamily Loans							Multi-family Units %
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	40.0	0	0.0	67.8	20.9
Middle	1	100.0	60.0	21	100.0	32.2	79.1
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	1	100.0	100.0	21	100.0	100.0	100.0
Total Home Mortgage Loans							Owner Occupied Units %
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	6	7.0	18.1	820	7.5	20.9	16.7
Middle	80	93.0	81.9	10,041	92.5	79.1	83.3
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	86	100.0	100.0	10,861	100.0	100.0	100.0
Source: 2023 FFIEC Census Data							
2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

Small Business Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. A sample of small business loans originated in 2023 was reviewed, of which the bank originated 11.0 percent of its small business loans in moderate-income census tracts. This decrease may be attributed to the high-interest rate environment during this evaluation period, as well as the cessation of PPP loans. These factors have caused a decrease in demand for small business loans, especially traditional loans, which may lack flexible underwriting criteria. Additionally, the bank's lower performance can be attributed to the low percentage of moderate-income census tracts in the assessment area (six of 42 total census tracts or 14.3 percent), as well as the low percentage of small businesses located in moderate-income census tracts (17.9 percent). Both factors indicate limited opportunities for small business lending within the moderate-income census tracts. TBT originated 89.0 percent of its small business loans to businesses located in middle-income census tracts, which was above the percentage of total business located in middle-income census tracts at 82.1 percent. The following table presents the bank's geographic distribution of small business loans in 2023.

Distribution of 2023 Small Business Lending By Income Level of Geography					
Assessment Area: MI Non MSA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	8	11.0	1,129	13.3	17.9
Middle	65	89.0	7,350	86.7	82.1
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	73	100.0	8,480	100.0	100.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Small Farm Lending

The geographic distribution of the bank's small farm lending reflects a reasonable dispersion throughout the assessment area. TBT originated 1.5 percent of small farm loans in moderate-income census tracts, which is below the percentage of small farms located in moderate-income census tracts at 10.5 percent. Despite the lower performance, the bank's lending efforts can be attributed to the low percentage of farms in the assessment area at 10.5 percent, suggesting limited opportunities to lend. The majority (98.5 percent) of the bank's small farm loans were originated in middle-income census tracts, which is higher than the percentage of small farms located within those tracts at 89.5 percent. The following table summarizes the bank's geographic distribution of

small farms loans in 2023.

Distribution of 2023 Small Farm Lending By Income Level of Geography					
Assessment Area: MI Non MSA					
Geographic Income Level	Bank Loans				Total Farms %
	#	%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	1	1.5	10	0.1	10.5
Middle	67	98.5	8,459	99.9	89.5
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	68	100.0	8,469	100.0	100.0
Source: 2023 FFIEC Census Data					
2023 Data & Bradstreet Data					
2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

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

Thumb Bank & Trust's distribution of lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals and to businesses and farms of different revenue sizes. More weight was given to the small business and small farm loan analysis due to the bank's loan portfolio composition, general business strategy, and assessment area demographics. Lastly, home improvement loans will not be discussed as a meaningful analysis could not be performed due to low origination volume.

HMDA-reportable Lending

TBT's distribution of HMDA-reportable loans reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals. In 2023, TBT originated 8.2 percent of its HMDA-reportable loans to low-income borrowers, which is below both the aggregate of 14.7 percent and the percentage of low-income families in the assessment area at 21.4 percent. The bank originated 23.5 percent of its HMDA-reportable loans to moderate-income borrowers, which is consistent with the aggregate at 25.7 percent, and above the percentage of moderate-income families living in the assessment area at 19.9 percent. While the bank's performance amongst low-income individuals is below aggregate and demographics, community representatives indicated that the housing inventory for both low- and moderate-income borrowers has been scarce, suggesting limited opportunities to lend within low-and-moderate income census tract. The bank also originated 29.4 percent of HMDA-reportable loans to middle-income borrowers, which is above both the aggregate of lenders at 21.5 percent and the percentage of middle-income families in the assessment area, at 23.2 percent. TBT originated 25.9 percent of its HMDA-reportable loans to upper-income borrowers, which consistent with the

aggregate at 24.4 percent, and below the percentage of upper-income families in the assessment area at 35.5 percent. Additionally, the bank originated 12.9 percent of HMDA-reportable loans to borrowers with unknown levels of income, which is consistent with the aggregate at 13.7 percent.

Home Purchase Lending

In 2023, the bank originated 10.9 percent of its home purchase loans to low-income borrowers, which is below the aggregate lender rate of 13.1 percent and the percentage of low-income families within the assessment area at 21.4 percent. While both the bank and aggregate lenders did not reach the demographic percentage of 21.4 percent of low-income families in the assessment area, this is not expected based on a more limited population in those tracts who have the financial readiness for home ownership. TBT originated 25.5 percent of its home purchase loans to moderate-income borrowers, which is consistent with the aggregate of lenders at 26.2 percent and above the percent of moderate-income families within the assessment area at 19.9 percent. The bank originated 25.5 percent of its home purchase loans to middle-income borrowers, which is above the aggregate of lenders and consistent with the percentage of middle-income families within the assessment area, at 19.5 percent and 23.2 percent, respectively. TBT originated 27.3 percent of its purchase loans to upper-income borrowers, which is above the aggregate of lenders at 23.6, and below the percentage of upper-income families within the assessment area at 35.5 percent. In addition, the bank originated 10.9 percent of its home purchase loans to borrowers of unknown income, which is below the aggregate of lenders at 17.5 percent.

Refinance Lending

In 2023, TBT originated 4.5 percent of its refinance loans to low-income borrowers, which is significantly below the aggregate of lenders at 19.1 percent and the percentage of low-income families within the assessment area at 21.4 percent. The bank originated 13.6 percent of its refinance loans to borrowers of moderate-income, which was significantly below the aggregate of lenders and below the percentage of moderate-income families within the assessment area at 24.7 and 19.9 percent, respectively. Refinance loans to borrowers of middle-income accounted for 31.8 percent of TBT's total refinance loans, which is above the both the aggregate of lenders at 24.0 percent and the percentage of middle-income families within the assessment area at 23.2 percent. The bank originated 27.3 percent of its refinance loans to upper-income borrowers, which is above the aggregate of lenders at 21.7 percent, and below the percentage of upper-income families within the assessment area at 35.5 percent. The bank originated 22.7 percent of its refinance loans to borrowers of unknown income, which was above the aggregate of lenders at 10.5 percent.

The following table summarizes TBT's 2023 HMDA-reportable lending in the assessment area.

Distribution of 2023 Home Mortgage Lending By Borrower Income Level							
Assessment Area: MI Non MSA							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	##	##	\$(000)	%	\$%	
Home Purchase Loans							
Low	6	10.9	13.1	483	5.9	7.3	21.4
Moderate	14	25.5	26.2	1,440	17.6	21.2	19.9
Middle	14	25.5	19.5	2,365	29.0	20.2	23.2
Upper	15	27.3	23.6	3,225	39.5	33.2	35.5
Unknown	6	10.9	17.5	656	8.0	18.1	0.0
Total	55	100.0	100.0	8,169	100.0	100.0	100.0
Refinance Loans							
Low	1	4.5	19.1	93	4.1	14.2	21.4
Moderate	3	13.6	24.7	144	6.3	21.5	19.9
Middle	7	31.8	24.0	647	28.3	25.3	23.2
Upper	6	27.3	21.7	1,171	51.2	27.4	35.5
Unknown	5	22.7	10.5	230	10.1	11.7	0.0
Total	22	100.0	100.0	2,285	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	13.6	0	0.0	9.1	21.4
Moderate	3	37.5	23.9	202	52.3	20.5	19.9
Middle	4	50.0	26.5	172	44.6	25.3	23.2
Upper	1	12.5	33.0	12	3.1	43.2	35.5
Unknown	0	0.0	3.0	0	0.0	1.9	0.0
Total	8	100.0	100.0	386	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	7	8.2	14.7	576	5.3	8.8	21.4
Moderate	20	23.5	25.7	1,786	16.5	21.3	19.9
Middle	25	29.4	21.5	3,184	29.4	21.4	23.2
Upper	22	25.9	24.4	4,408	40.7	32.8	35.5
Unknown	11	12.9	13.7	886	8.2	15.8	0.0
Total	85	100.0	100.0	10,840	100.0	100.0	100.0
Source: 2023 FFIEC Census Data							
2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							
Multifamily loans are not included in the borrower distribution analysis.							

Small Business Lending

TBT's small business lending reflects excellent penetration among businesses of different sizes. The bank's lending to businesses with annual revenues of \$1 million or less, at 86.3 percent by number, is slightly below the percentage of total businesses in the assessment area at 90.2 percent. Furthermore, of the loans to businesses with annual revenues of \$1 million or less, the bank originated 81.0 percent in amounts of \$100,000 or less, which are considered the most beneficial to

small businesses, indicating the bank's willingness to meet the credit needs of small businesses. Community representatives noted additional lending options and assistance for new small businesses, as an opportunity for participation by local financial institutions. The following table presents the borrower distribution of small business loans in 2023.

Distribution of 2023 Small Business Lending By Revenue Size of Businesses					
Assessment Area: MI Non MSA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	63	86.3	5,853	69.0	90.2
Over \$1 Million	10	13.7	2,626	31.0	7.1
Revenue Unknown	0	0.0	0	0.0	2.7
Total	73	100.0	8,480	100.0	100.0
By Loan Size					
\$100,000 or Less	55	75.3	2,568	30.3	
\$100,001 - \$250,000	9	12.3	1,163	13.7	
\$250,001 - \$1 Million	9	12.3	4,748	56.0	
Total	73	100.0	8,480	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	51	81.0	2,391	40.9	
\$100,001 - \$250,000	7	11.1	908	15.5	
\$250,001 - \$1 Million	5	7.9	2,554	43.6	
Total	63	100.0	5,853	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Small Farm Lending

The distribution of small farm loans reflects reasonable penetration among farms of different revenue sizes. In 2023, 82.4 percent of small farm loans were originated to farms with gross revenues equal to or less than \$1.0 million. This is below the percentage of small farms in the assessment area, at 98.5 percent. Additionally, 58.9 percent of loans were originated to farms with revenues of \$1 million or less and in amounts of \$100,000 or less. Loans in these amounts are indicative of the bank's willingness to meet the lending needs of small farms. The following table presents the bank's distribution of small farm loans in 2023.

Distribution of 2023 Small Farm Lending By Revenue Size of Farms					
Assessment Area: MI Non MSA					
	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	56	82.4	6,448	76.1	98.5
Over \$1 Million	12	17.6	2,021	23.9	1.5
Revenue Unknown	0	0.0	0	0.0	0.0
Total	68	100.0	8,469	100.0	100.0
By Loan Size					
\$100,000 or Less	37	54.4	1,732	20.5	
\$100,001 - \$250,000	22	32.4	3,511	41.5	
\$250,001 - \$500,000	9	13.2	3,227	38.1	
Total	68	100.0	8,469	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	33	58.9	1,521	23.6	
\$100,001 - \$250,000	16	28.6	2,461	38.2	
\$250,001 - \$500,000	7	12.5	2,466	38.2	
Total	56	100.0	6,448	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

BAY CITY, MI MSA #13020 – LIMITED REVIEW

SCOPE OF EXAMINATION

Limited scope examination procedures were used to evaluate the bank's performance in the Bay City, MI MSA assessment area. The review of this assessment area is consistent with the scope discussed in the "Scope of Examination" section of this performance evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN BAY CITY, MI MSA #13020²

Thumb Bank & Trust has delineated a portion of the Bay City, MI MSA, where the bank currently operates one branch location with a full-service ATM. Since the previous evaluation, the bank closed (on April 19, 2024) one branch location and full-service ATM located in a moderate-income census tract. The bank's Bay City, MI MSA assessment area consists of a portion of Bay County with no low-, eight moderate-, 13 middle-, five upper-, and one unknown-income census tract(s). Since the previous evaluation, the number of census tracts in the Bay City, MI MSA has increased from 22 to 27, with the number of low- and moderate-income census tracts changing from one and seven to zero and eight tracts, respectively.

According to the June 30, 2024, FDIC Deposit Market Share Report, Thumb Bank & Trust ranks fifth of seven FDIC-insured financial institutions operating within the assessment area. The bank held \$65.2 million in deposits representing 5.0 percent of the total deposit market share. In comparison, the first ranked institution, The Huntington National Bank, held \$492.0 million in deposits representing 37.4 percent of the deposit market share. The second ranked institution, Independent Bank, held \$424.0 million in deposits representing 32.2 percent of the deposit market share. In 2023, TBT ranked 32nd out of 165 HMDA-reporting institutions with a total of seven HMDA-reportable loan originations, compared to the top competitor, Academy Mortgage Corporation with 173 total originations.

² Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 ACS data. For years 2021 and before, the designations are based on 2011-2015 ACS data. For examinations that include performance before and after 2022, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

Tract Designation Change Data

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2019 Designations (#)	2023 Designations (#)	Net Change (#)
Low	1	0	-1
Moderate	7	8	+1
Middle	10	13	+3
Upper	4	5	+1
Unknown	0	1	+1

Additional assessment area demographic information is provided in the following table.

2023 Bay City, MI MSA 13020 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	5,834	21.0
Moderate	8	29.6	6,757	24.3	1,264	18.7	4,862	17.5
Middle	13	48.1	14,640	52.8	1,432	9.8	5,678	20.5
Upper	5	18.5	5,944	21.4	447	7.5	11,378	41.0
Unknown	1	3.7	411	1.5	147	35.8	0	0.0
Total AA	27	100.0	27,752	100.0	3,290	11.9	27,752	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	13,498	8,164	24.0	60.5	4,181	31.0	1,153	8.5
Middle	23,575	17,782	52.4	75.4	3,960	16.8	1,833	7.8
Upper	10,495	7,757	22.8	73.9	2,056	19.6	682	6.5
Unknown	772	245	0.7	31.7	482	62.4	45	5.8
Total AA	48,340	33,948	100.0	70.2	10,679	22.1	3,713	7.7
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	983	28.9	883	28.7	89	31.3	11	27.5
Middle	1,595	46.9	1,464	47.6	110	38.7	21	52.5
Upper	762	22.4	678	22.0	76	26.8	8	20.0
Unknown	60	1.8	51	1.7	9	3.2	0	0.0
Total AA	3,400	100.0	3,076	100.0	284	100.0	40	100.0
Percentage of Total Businesses:				90.5		8.4		1.2
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	14	6.9	14	6.9	0	0.0	0	0.0
Middle	138	67.6	137	67.5	1	100.0	0	0.0
Upper	51	25.0	51	25.1	0	0.0	0	0.0
Unknown	1	0.5	1	0.5	0	0.0	0	0.0
Total AA	204	100.0	203	100.0	1	100.0	0	0.0
Percentage of Total Farms:				99.5		0.5		0.0
Source: 2023 FFIEC Census Data 2023 Data & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN BAY CITY, MI MSA

The institution's lending performance in the area is consistent with the institution's lending performance overall.

LENDING TEST

Geographic Distribution of Loans

Distribution of 2023 Home Mortgage Lending By Income Level of Geography Assessment Area: Bay City, MI MSA 13020							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	2	33.3	23.6	272	37.8	17.3	24.0
Middle	3	50.0	55.5	335	46.6	58.5	52.4
Upper	1	16.7	19.8	112	15.6	23.2	22.8
Unknown	0	0.0	1.0	0	0.0	0.9	0.7
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	6	100.0	100.0	719	100.0	100.0	100.0
Source: 2023 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.							

Distribution of 2023 Small Business Lending By Income Level of Geography Assessment Area: Bay City, MI MSA 13020					
Geographic Income Level	Bank Loans				Total Businesses %
	#	%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	28.9
Middle	3	42.9	1,043	54.5	46.9
Upper	3	42.9	741	38.7	22.4
Unknown	1	14.3	130	6.8	1.8
Tract-Unk	0	0.0	0	0.0	
Total	7	100.0	1,914	100.0	100.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.					

Distribution of 2023 Small Farm Lending By Income Level of Geography					
Assessment Area: Bay City, MI MSA 13020					
Geographic Income Level	Bank Loans				Total Farms %
	#	%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	6.9
Middle	5	83.3	206	71.5	67.6
Upper	1	16.7	82	28.5	25.0
Unknown	0	0.0	0	0.0	0.5
Tract-Unk	0	0.0	0	0.0	
Total	6	100.0	288	100.0	100.0
<i>Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> <i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

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

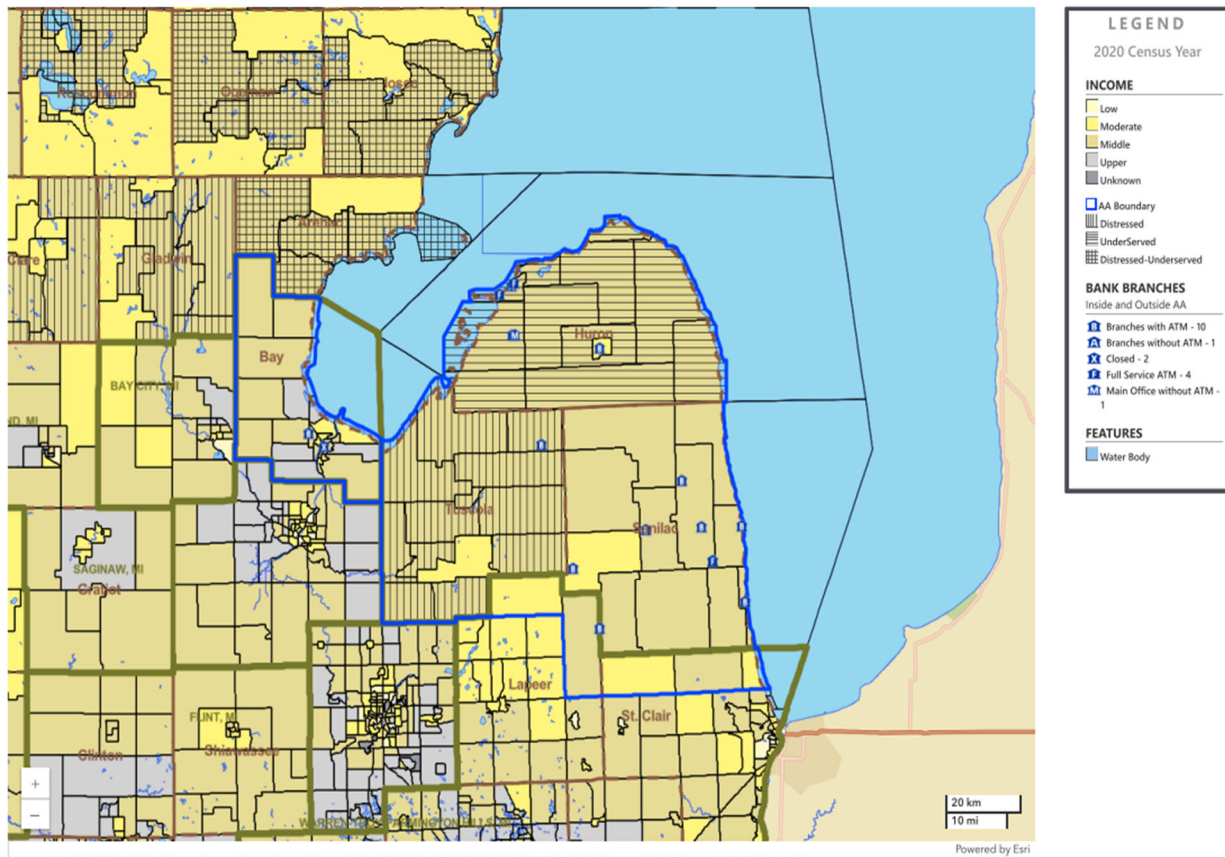
Distribution of 2023 Home Mortgage Lending By Borrower Income Level							
Assessment Area: Bay City, MI MSA 13020							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	
Low	1	16.7	19.5	112	15.6	11.6	21.0
Moderate	1	16.7	25.1	151	21.0	20.7	17.5
Middle	1	16.7	22.1	22	3.1	23.1	20.5
Upper	3	50.0	22.1	434	60.4	32.0	41.0
Unknown	0	0.0	11.3	0	0.0	12.7	0.0
Total	6	100.0	100.0	719	100.0	100.0	100.0
Source: 2023 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.							

Distribution of 2023 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Bay City, MI MSA 13020					
	Bank Loans				Total Businesses %
	#	%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	3	42.9	173	9.0	90.5
Over \$1 Million	4	57.1	1,741	91.0	8.4
Revenue Unknown	0	0.0	0	0.0	1.2
Total	7	100.0	1,914	100.0	100.0
By Loan Size					
\$100,000 or Less	3	42.9	98	5.1	
\$100,001 - \$250,000	1	14.3	130	6.8	
\$250,001 - \$1 Million	3	42.9	1,686	88.1	
Total	7	100.0	1,914	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	2	66.7	43	24.9	
\$100,001 - \$250,000	1	33.3	130	75.1	
\$250,001 - \$1 Million	0	0.0	0	0.0	
Total	3	100.0	173	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Distribution of 2023 Small Farm Lending By Revenue Size of Farms					
Assessment Area: Bay City, MI MSA 13020					
	Bank Loans				Total Farms %
	#	%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	6	100.0	288	100.0	99.5
Over \$1 Million	0	0.0	0	0.0	0.5
Revenue Unknown	0	0.0	0	0.0	0.0
Total	6	100.0	288	100.0	100.0
By Loan Size					
\$100,000 or Less	6	100.0	288	100.0	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$500,000	0	0.0	0	0.0	
Total	6	100.0	288	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	6	100.0	288	100.0	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$500,000	0	0.0	0	0.0	
Total	6	100.0	288	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

APPENDIX A – Map of Assessment Area

Thumb Bank & Trust Combined Assessment Area



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	HMDA-reportable loans, and a sample of small business and small farm loans originated from January 1, 2023, to December 31, 2023.		
FINANCIAL INSTITUTION Thumb Bank & Trust			PRODUCTS REVIEWED HMDA-Reportable Loans Small Business Loans Small Farm Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-MSA, MI	Full Scope Review	N/A	N/A
Bay City MI, MSA #13020	Limited Scope Review	N/A	N/A

APPENDIX C – Glossary

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

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

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

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.³

Area Median Income (AMI): AMI means –

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

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

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

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

³ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

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

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

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

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

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

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

- 1) Low- or moderate-income geographies.
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

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

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

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

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

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

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

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

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

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

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

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

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

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

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

Income Level: Income level means:

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

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

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

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

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

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

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

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

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

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

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as

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

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

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

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

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

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

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

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

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

Small Farm Loan: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).