PUBLIC DISCLOSURE

February 3, 2025

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

First Community Bank
RSSD# 932745

200 East Main Street
Harbor Springs, Michigan 49740

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

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

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INSTITUTION'S CRA RATING

First Community Bank is rated **Satisfactory**

First Community Bank (FCB) is meeting the credit needs of its community based on an analysis of the bank's lending activities. The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans are originated in the assessment area. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area and lending activities reflect reasonable penetration among borrowers of different income levels and businesses of different revenue sizes. Neither FCB 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

FCB'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.

The bank maintains four delineated assessment areas, the Northen Michigan Non-Metropolitan Statistical Area (Northen MI Non-MSA), the Western Michigan Non-Metropolitan Statistical Area (Western MI Non-MSA), the Grand Rapids-Kentwood, Michigan Metropolitan Statistical Area #24340 (Grand Rapids-Kentwood, MI MSA), and the Warren-Troy-Farmington Hills, Michigan Metropolitan Division #47664 (Warren-Troy-Farmington Hills, MI MD). The evaluation included full scope reviews of the bank's Northen MI Non-MSA and Western MI Non-MSA assessment areas given the distribution of branch locations, including the main office, prevalence of low-and moderate-income populations, and the volume and concentration of deposits and loans located within these assessment areas. The Grand Rapids-Kentwood, MI MSA and Warren-Troy-Farmington Hills, MI MD assessment areas received limited scope reviews. The limited scope review assessment areas were evaluated for consistency with the bank's performance in its full-scope review assessment areas, although the limited scope review areas did not impact the overall CRA rating.

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

- *Loan-to-Deposit Ratio* – A 12 quarter average loan-to-deposit ratio from December 31, 2021, to September 30, 2024, was calculated for the bank and compared to a sample of local competitors.

- *Lending in the Assessment Area* – The bank's HMDA-reportable loans and a sample of small business 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 loans and a sample of small business 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 of Different Sizes* – The bank's HMDA-reportable loans and a sample of small business 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 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, four community representatives were contacted in connection with this evaluation to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: affordable housing, economic development, and community development.

DESCRIPTION OF INSTITUTION

First Community Bank (FCB) is a family-owned community bank headquartered in Harbor Springs, Michigan. The bank's holding company, Harbor Spring Financial Company, is a noncomplex holding company organized as an S corporation. The holding company has two non-bank subsidiaries established for the sole purpose of issuing trust-preferred securities.

The bank has intrastate operations, primarily in the northern counties of Michigan's Lower Peninsula. The bank maintains its main office in Harbor Springs, with nine additional locations across Birmingham, Cheboygan, Grand Rapids, Harbor Springs, Petoskey, and Traverse City. The Birmingham and Grand Rapids branches are located in the southern parts of the state of Michigan, in Oakland and Kent counties, respectively. Additionally, seven out of the bank's 10 locations operate cash-only automated teller machines (ATMs). While no major changes have occurred to FCB's branching structure since the previous evaluation, the bank's Traverse City branch was relocated to a building in close proximity to its prior location in April 2024.

According to the Uniform Bank Performance Report, FCB reported total assets of $402.6 million as of June 30, 2024. The bank is predominantly a commercial lender, as this category represented 78.3 percent of the loan portfolio. The bank offers standard deposit and loan products, and key business lines are stable. The bank maintains a website (https://www.firstcb.com/) that provides information on loan and deposit products, as well as access to basic online banking capabilities.

As of June 30, 2024, according to the Federal Deposit Insurance Corporation (FDIC) Summary of Deposits Market Share Report, FCB ranked 21 out of 46 financial institutions operating within its combined assessment area. The bank held $343.6 million in total deposits, representing a market share of 0.3 percent. The financial institutions with the largest percentage of the deposit market share are Flag Star Bank, National Association and Bank of America, National Association at 23.4 percent and 17.5 percent, respectively.

Details of the allocation of the bank's loan portfolio are provided in the following table:

Composition of Loan Portfolio as of June 30, 2024 (000's)		
Type	**$**	**%**
Commercial	247,751	78.3
Residential Real Estate	50,164	15.9
Consumer	17,001	5.4
Other	1,323	0.4
Agriculture	105	0.0
Total	316,344	100.0
Note: Percentages may not total 100.0 percent due to rounding.		

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 **satisfactory** under the CRA at its previous evaluation conducted on January 3, 2022.

DESCRIPTION OF ASSESSMENT AREA

FCB maintains four non-contiguous assessment areas throughout the state of Michigan. The assessment areas include one county in the Grand Rapids-Kentwood, MI MSA, one county in the Warren-Troy-Farmington Hills, MI MD, two counties in the Northern MI Non-MSA, and three counties in the Western MI Non-MSA. For more detail regarding the geographic composition if the assessment areas please refer to the following table.

Description of First Community Bank's Individual Assessment Areas		
Assessment Area	**Counties Included**	**MSA Counties Excluded (if applicable)**
Grand Rapids-Kentwood, MI MSA	Kent	Ionia, Montcalm, and Ottawa
Warren-Troy-Farmington Hills, MI MD	Oakland	Lapeer, Livingston, Macomb, and St. Clair
Northern MI Non-MSA	Emmet and Cheboygan	N/A
Western MI Non-MSA	Benzie, Grand Traverse, and Leelanau	N/A

The combined assessment area includes a total of 557 census tracts, which is comprised of 28 low-, 90 moderate-, 212 middle-, 213 upper-, and 14 unknown-income census tracts. In the Northern MI Non-MSA assessment area, five of the 11 census tracts in Emmet County and seven of 10 census tracts in Cheboygan County were designated as underserved and distressed due to unemployment levels and their rural nature.

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

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	28	5.0	17,602	3.3	4,322	24.6	92,171	17.3
Moderate	90	16.2	78,335	14.7	8,761	11.2	86,270	16.1
Middle	212	38.1	202,527	37.9	10,874	5.4	113,795	21.3
Upper	213	38.2	234,029	43.8	5,554	2.4	242,017	45.3
Unknown	14	2.5	1,760	0.3	268	15.2	0	0.0
Total AA	**557**	**100.0**	**534,253**	**100.0**	**29,779**	**5.6**	**534,253**	**100.0**

	Housing Units by Tract	Housing Type by Tract					
		Owner-occupied			**Rental**		**Vacant**	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	40,396	10,959	1.8	27.1	25,104	62.1	4,333	10.7
Moderate	150,650	77,961	13.0	51.7	61,185	40.6	11,504	7.6
Middle	362,732	230,379	38.5	63.5	99,255	27.4	33,098	9.1
Upper	355,840	278,166	46.5	78.2	48,311	13.6	29,363	8.3
Unknown	2,729	1,255	0.2	46.0	1,305	47.8	169	6.2
Total AA	**912,347**	**598,720**	**100.0**	**65.6**	**235,160**	**25.8**	**78,467**	**8.6**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low	4,682	3.8	4,016	3.6	642	5.8	24	2.3
Moderate	18,804	15.4	16,457	14.9	2,216	20.2	131	12.3
Middle	43,859	35.8	39,709	36.0	3,772	34.3	378	35.5
Upper	54,216	44.3	49,636	44.9	4,059	36.9	521	48.9
Unknown	930	0.8	611	0.6	308	2.8	11	1.0
Total AA	**122,491**	**100.0**	**110,429**	**100.0**	**10,997**	**100.0**	**1,065**	**100.0**
Percentage of Total Businesses:			**90.2**		**9.0**		**0.9**	

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low	17	1.4	17	1.5	0	0.0	0	0.0
Moderate	110	9.2	101	8.7	9	27.3	0	0.0
Middle	496	41.5	484	41.7	12	36.4	0	0.0
Upper	571	47.8	559	48.1	12	36.4	0	0.0
Unknown	1	0.1	1	0.1	0	0.0	0	0.0
Total AA	**1,195**	**100.0**	**1,162**	**100.0**	**33**	**100.0**	**0**	**0.0**
Percentage of Total Farms:			**97.2**		**2.8**		**0.0**	

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.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FCB's performance relative to the lending test is **Satisfactory**. Overall, the bank is meeting the credit needs of its assessment area based on an analysis of the bank's lending activities. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The majority of HMDA-reportable loans and the sample of small business loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activities reflect reasonable penetration among individuals of different income levels, as well as businesses of different sizes. Additionally, neither FCB nor the Federal Reserve Bank of Chicago received any CRA-related complaints since the previous evaluation.

LENDING TEST

Loan-to-Deposit Ratio

FCB has a reasonable loan-to-deposit (LTD) ratio given the bank's size, financial condition, and the credit needs of its assessment areas. As of September 30, 2024, the loan-to-deposit ratio averaged 79.6 percent over a 12-quarter period, which exceeds the peer average of 77.7 percent over the same duration. The LTD ratio has decreased since the previous evaluation, during which time the bank had an average LTD ratio of 93.1 percent over a 18-quarter period ending September 30, 2021. 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. The bank's peer group average also showed a decrease since the previous evaluation.

The following table compares the bank's loan-to-deposit ratio to its local competitors of similar size and complexity.

Comparative Loan-to-Deposit Ratios as of September 30, 2024	
Comparative Data	**Loan-to-Deposit Ratio (%)**
	12 – Quarter Average
First Community Bank	79.6
Peer Average - Local	77.7
Competitors	
Citizens National Bank of Cheboygan	46.3
ChoiceOne Bank	58.2
First National Bank of Michigan	82.6
Grand River Bank	99.5
Honor Bank	79.6
Independent Bank	77.4
Mercantile Bank of Michigan	101.2
State Savings Bank	77.0

Assessment Area Concentration

FCB made a majority of its loans inside the bank's assessment area. Of the 88 loans originated during the evaluation period, the bank originated 82.2 percent of total loans by count and 78.5 percent by dollar amount inside the assessment area. When evaluating loans by total count, the bank originated 84.2 percent of HMDA-reportable loans, and 81.2 percent of small business loans inside the assessment area. When evaluating loans by dollar amount, the bank originated 95.0 percent of HMDA-reportable loans inside the assessment area, which demonstrates a significant commitment to serving local credit needs. For small business lending, 64.6 percent of loans were originated inside the assessment area by dollar amount. When compared to the previous evaluation, the proportion of small business loans originated within the assessment area was slightly higher at 85.7 percent by count and 83.5 percent by dollar amount. HMDA-reportable loans were not evaluated during the previous examination. Overall, the performance indicates the bank is actively serving the credit needs of the community.

The following table summarizes the bank's HMDA-reportable loans and a sample of small business lending inside and outside the assessment area from January 1, 2023, to December 31, 2023.

Lending Inside and Outside the Assessment Area								
	Inside				Outside			
Loan Types	#	%	$(000s)	%	#	%	$(000s)	%
Home Improvement	0	0.0	$0	0.0	1	100.0	$30	100.0
Home Purchase – Conventional	18	90.0	$8,368	95.6	2	10.0	$385	4.4
Multi-Family Housing	5	100.0	$5,274	100.0	0	0.0	$0	0.0
Refinancing	9	75.0	$1,165	76.2	3	25.0	$363	23.8
Total HMDA-Related	**32**	**84.2**	**$14,807**	**95.0**	**6**	**15.8**	**$778**	**5.0**
Small Business	56	81.2	$11,955	64.6	13	18.8	$6,553	35.4
Total Small Bus. related	**56**	**81.2**	**$11,955**	**64.6**	**13**	**18.8**	**$6,553**	**35.4**
Total Loans	**88**	**82.2**	**$26,762**	**78.5**	**19**	**17.8**	**$7,331**	**21.5**

Geographic and Borrower Distribution

The geographic distribution of HMDA-reportable and small business loans reflects reasonable dispersion throughout the assessment areas, including low-and moderate- income geographies. In addition, the distribution of loans to individuals of different income levels (including low-and moderate -income individuals) and business of different revenue sizes is reasonable given the demographics of the bank's assessment areas. More weight was given to the small business loan analysis due to the bank's loan portfolio composition, general business strategy, and assessment area demographics. Additional information regarding the bank's geographic and borrower distribution of lending activity is found within the individual assessment area discussions in this evaluation.

Response to Complaints

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

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

NORTHERN MICHIGAN NON-MSA – FULL REVIEW

SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Northern Michigan Non-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 NORTHERN MICHIGAN NON-MSA[1]

FCB's Northern Michigan Non-MSA assessment area is comprised of Cheboygan and Emmet counties in their entireties. The bank has a main office, and six branch offices located in the assessment area all of which include cash-only ATMs. There have been no changes in branches or ATMs since the previous evaluation. In 2023, the assessment area was comprised of 21 census tracts, of which three are designated as moderate-income, 12 are designated as middle-income, and four are upper-income. There are two tracts designated as unknown, and no low-income census tracts in the assessment area. Seven of 10 census tracts in Cheboygan County are designated as distressed and underserved, as are five of 11 census tracts in Emmet County. The assessment area is the bank's primary market.

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. Refer to census tract designation changes in the following table.

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[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.*

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	**2021 Designations (#)**	**2022 Designations (#)**	**Net Change (#)**
Low	0	0	0
Moderate	2	3	+1
Middle	9	12	+3
Upper	5	4	-1
Unknown	2	2	0
Total	18	21	+3
Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 *U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020*			

According to the June 30, 2023, FDIC Deposit Market Share Report, FCB ranks third of eight FDIC-insured financial institutions operating within the assessment area. The bank held $255.4 million in deposits representing 16.0 percent of the total deposit market share. In comparison, the first ranked institution, Citizens National Bank of Cheboygan, held $405.1 million in deposits, representing 25.4 percent of the deposit market share. The second ranked institution, JPMorgan Chase Bank, National Association, held $365.3 million in deposits, representing 22.9 percent of the deposit market share.

In 2023, FCB ranked 10th among 157 HMDA-reporters, originating 20 HMDA-reportable loans in the assessment area. By comparison, the first ranked institution, Mercantile Bank, originated 146 HMDA-reportable loans, and the second ranked institution, The Huntington National Bank, originated or purchased 109 HMDA-reportable loans.

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

2023 Northern 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	3,176	19.2
Moderate	3	14.3	2,937	17.8	263	9.0	2,854	17.3
Middle	12	57.1	9,794	59.3	741	7.6	3,835	23.2
Upper	4	19.0	3,772	22.9	137	3.6	6,638	40.2
Unknown	2	9.5	0	0.0	0	0.0	0	0.0
Total AA	21	100.0	16,503	100.0	1,141	6.9	16,503	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	6,143	3,761	18.8	61.2	832	13.5	1,550	25.2
Middle	25,550	11,710	58.7	45.8	3,500	13.7	10,340	40.5
Upper	8,642	4,494	22.5	52.0	1,119	12.9	3,029	35.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	40,335	19,965	100.0	49.5	5,451	13.5	14,919	37.0

	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	469	13.1	428	13.1	25	10.4	16	22.5
Middle	2,190	61.3	1,991	61.0	159	66.0	40	56.3
Upper	916	25.6	844	25.9	57	23.7	15	21.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3,575	100.0	3,263	100.0	241	100.0	71	100.0
Percentage of Total Businesses:			91.3		6.7		2.0	

	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	22	23.2	21	22.3	1	100.0	0	0.0
Middle	44	46.3	44	46.8	0	0.0	0	0.0
Upper	29	30.5	29	30.9	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	95	100.0	94	100.0	1	100.0	0	0.0
Percentage of Total Farms:			98.9		1.1		0.0	

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.

Population Characteristics

According to the U.S. Census Bureau's 2020 Decennial Census, the assessment area's population is 59,691. This represents a slight increase in population from 2015 of 1.7 percent. The state of Michigan's population had a similar increase at 1.8 percent, while the non-metropolitan portion of Michigan (Non-MSA Michigan) remained stable during the same period. Population growth in the assessment area is driven by Emmet County, which had a population increase of 3.3 percent from 2015 to 2020, while Cheboygan County experienced a slight decrease of 0.4 percent. A community representative stated that the increase in population in the assessment area is in part due to Emmet County being a relatively wealthier area that has historically been a desirable place for individuals to move to when they retire.

The following table presents the population trends for the assessment area, counties that make up the bank's 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	58,708	59,691	1.7
Cheboygan County, MI	25,690	25,579	-0.4
Emmet County, MI	33,018	34,112	3.3
Non-MSA Michigan	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: American Community Survey			
* 2020 U.S. Census Bureau Decennial Census*			

Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 16,503 families, with 19.2 percent of families designated as low-income, 17.3 percent moderate-income, 23.2 percent middle-income, and 40.2 percent upper income. Families living below the poverty level within the assessment area is at 6.9 percent, which is below the state of Michigan's poverty rate of 9.2 percent. The median family income (MFI) for the assessment area is $64,961, which is comparable to the entirety of non-MSA Michigan at $64,965, but below that of the state of Michigan at $75,470.

MFI levels vary between the counties that make up the assessment area, with Cheboygan County at $59,041 and Emmet County at $70,964. Median family income growth within the assessment area as a whole from 2015 to 2020 was 7.4 percent, which is below the percentage growth for non-MSA Michigan and the state of Michigan during the same period, at 10.9 percent and 11.0 percent, respectively. While Emmet County has a higher MFI, Cheboygan County saw greater growth in the 5-year period, at 13.2 percent compared to 0.7 percent. One community representative noted that while there have been increases in median family income in the area, the cost of living in recent years has made necessities, such as housing and food, difficult to afford.

Median Family Income Change			
Area	2015 Median Family Income ($)	2020 Median Family Income ($)	Percentage Change (%)
Assessment Area	60,464	64,961	7.4
Cheboygan County, MI	52,134	59,041	13.2
Emmet County, MI	70,457	70,964	0.7
Non-MSA MI	58,593	64,965	10.9
State of Michigan	68,010	75,470	11.0
Source: 2011 - 2015 U.S. Census Bureau American Community Survey			
2016 - 2020 U.S. Census Bureau American Community Survey			
Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.			

Housing Characteristics

The bank's assessment area includes 40,335 housing units. The majority of housing units are owner-occupied at 49.5 percent, whereas rental units account for 13.5 percent of total units. Within the assessment area, 37.0 percent of housing units are vacant, which is higher than the percentage of vacant units within the entirety of non-MSA Michigan at 29.2 percent and significantly higher than the state of Michigan at 13.7 percent of total housing units. One community representative stated that the higher vacancy rate in non-MSA Michigan is attributed to the seasonal nature of the tourism-driven economy, where many homes experience low occupancy in the off-season.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C – Glossary. A higher ratio generally suggests more affordable housing opportunities. Based on the 2016-2020 American Community Survey data, the affordability ratio for the assessment area was 0.30, which is lower than non-MSA Michigan and the state of Michigan at 0.38 and 0.36 percent, respectively. As such, the affordability ratio suggests that housing within the assessment area is slightly less affordable when compared to non-MSA Michigan and the state of Michigan.

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. The 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 evidenced within the following table, low-income individuals are impacted at a higher rate than moderate-income individuals as both renters and owners. Additionally, renters in the assessment area are more likely to face housing cost burden compared to owners, at 35.3 and 19.9 percent, respectively. Community representatives noted that there is a lack of affordable housing in the area for both rental and purchase. Emmet County, in particular, is considered a tourist area, which was noted by one representative to impact the supply of available housing for long-term residents, as properties are often used for short-term rentals.

Housing Cost Burden						
Area	**Cost Burden (%) - Renters**			**Cost Burden (%) - Owners**		
	Low Income	**Moderate Income**	**All Renters**	**Low Income**	**Moderate Income**	**All Owners**
Assessment Area	64.6	27.4	35.3	53.9	35.6	19.9
Cheboygan County, MI	69.0	24.8	39.1	46.7	27.1	17.5
Emmet County, MI	61.9	28.5	33.5	61.0	45.2	22.1
Non-MSA, MI	66.7	28.6	39.3	58.3	25.0	17.5
State of Michigan	74.8	32.5	43.0	61.2	26.1	17.7
Cost Burden is housing cost that equals 30 percent or more of household income						
Source: U.S. Department of Housing and Urban Development (HUD), 2016-2020 Comprehensive Housing Affordability Strategy						

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 notably during the COVID-19 pandemic, the unemployment rate for the assessment area is lower than pre-pandemic levels as of 2022, at 6.6 percent. However, this is higher than non-MSA Michigan and the state of Michigan's unemployment rates of 5.1 percent and 4.2 percent. Within the assessment area, Emmet County has a lower unemployment rate than Cheboygan County throughout the period of 2018 to 2022. Bigger towns such as Petoskey and Harbor Springs drive the employment market in Emmet County, while Cheboygan County is much more rural. Seven of Cheboygan's 10 counties are classified as distressed and underserved. Community representatives stated that while there are job openings in the area, compensation is often not enough to afford the cost of living. Due to the tourism-based economy, employment trends were noted to be geared towards more temporary forms of employment, rather than career-based roles. However, institutions such as a local community college were working to address this issue by offering training programs for in-demand careers that help keep younger people within the community and earning livable salaries.

Unemployment Rates (%)					
Area	**2018**	**2019**	**2020**	**2021**	**2022**
Assessment Area	7.1	6.7	12.3	7.0	6.6
Cheboygan County, MI	9.2	8.8	14.8	8.4	8.3
Emmet County, MI	5.9	5.5	10.7	6.2	5.6
Non-MSA MI	4.9	4.7	9.3	5.8	5.1
Michigan	4.2	4.1	10.0	5.8	4.2
Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics					

Industry Characteristics

The assessment area contains an employment base that is most heavily impacted by the industries of retail trade, health care and social assistance, and accommodation and food services based on data from the U.S. Bureau of Labor Statistics. Both community representatives emphasized difficulty of employers finding employees, as there has been a trend of employees seeking higher wages and salaries in other areas of the state. Community representatives provided that industry make up has been stable, and there have not been notable fluctuations of employers moving in or out of the area.

Community Representatives

Two community representatives were contacted during the evaluation to provide information regarding local economic and demographic conditions. The representatives provided information on housing, employment, and economic development needs within the assessment area, and information about how the COVID-19 pandemic affected the area economy. The representatives stated that there are challenges within their respective areas in which local financial institutions can assist. One community representative listed access to affordable housing, employment with adequate salaries, and food insecurity as some of the biggest issues facing local communities. Another representative stated that there are opportunities for banks to partner with local organizations to work together to implement programs that provide services such as early childhood education and financial education.

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

LENDING TEST

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

Geographic Distribution of Loans

For the purposes of this review, loans made in calendar years up to and including 2021 were analyzed based on income designations from the 2011-2015 American Community Survey data[2]. Loans made in calendar years 2022 and after were analyzed based on income designations from the 2016-2020 American Community

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[2] *The median family income levels (MFI) for census tracts are calculated using income data from the U.S. Census Bureau's American Community Survey and geographic designations from the Office of Management and Budget and are updated approximately every five years. (.12(m) Income Levels)*

Survey data.

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 and small business loans reflects reasonable dispersion throughout the assessment area. Examiners determined that there were no conspicuous unexplained gaps in contiguous census tracts.

<u>HMDA-reportable Loans</u>

The geographic distribution of HMDA-reportable lending reflects reasonable penetration among census tract designations within the assessment area. There are no low-income census tracts in the assessment area; therefore, the analysis focused on lending in moderate-income census tracts.

The bank did not originate any loans in its three moderate-income census tracts. This is below the aggregate and the percentage of owner-occupied units located within these geographies at 13.4 percent and 18.8 percent, respectively. While the bank did not originate loans in these tracts, this does not necessarily reflect an unwillingness to lend in these geographies, as there are a relatively small percentage of moderate-income census tracts that make up the assessment area as a whole. Specifically, 14.3 percent of the bank's census tracts are moderate-income and 85.7 percent are middle-income, upper-income, or unknown-income. Similarly, only 15.2 percent of all housing units in the assessment area are located in the moderate-income census tracts, and of those units, only 18.8 percent are owner-occupied. Owner-occupied units are one measure of available home mortgage lending opportunity.

The bank originated 35.0 percent of HMDA-reportable loans in middle-income census tracts, which is below the aggregate and percentage of owner-occupied units at 60.7 percent and 58.7 percent. The majority (65.0 percent) of the bank's HMDA-reportable loans were originated in upper-income census tracts, which is above with the aggregate and the percentage of owner-occupied units located within those geographies at 25.9 percent and 22.5 percent.

The following table presents the bank's geographic distribution of HMDA-reportable loans in 2023.

Distribution of 2023 Home Mortgage Lending By Income Level of Geography Assessment Area: Northern MI Non MSA						Owner
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	0	0.0	13.4	0	0.0	7.6	18.8
Middle	7	35.0	60.7	1,394	15.1	63.3	58.7
Upper	13	65.0	25.9	7,830	84.9	29.1	22.5
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	20	100.0	100.0	9,224	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 Loans

Geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. There are no low-income census tracts in the assessment area; therefore, the analysis focused on lending in moderate-income census tracts.

A sample of small business loans originated in 2023 were reviewed, of which the bank originated 13.8 percent loans in moderate-income census tracts. This number is consistent with the percentage of total businesses located in moderate-income census tracts at 13.1 percent. FCB originated 37.9 percent of its small business loans to businesses located in middle-income census tracts, which is below with the percentage of total business located in middle-income census tracts at 61.3 percent. The bank originated 48.3 percent of small business loans in upper-income census tracts, which is above the percentage of total businesses located in upper-income census tracts at 25.6 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: Northern MI Non MSA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	$(000)	$%	
Low	0	0.0	0	0.0	0.0
Moderate	4	13.8	312	5.7	13.1
Middle	11	37.9	2,069	37.9	61.3
Upper	14	48.3	3,079	56.4	25.6
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	29	100.0	5,460	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.

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

For the purposes of this review, loans made in calendar year 2021 or before were analyzed based on 2011-2015 American Community Survey income designations for individuals3. Loans made in calendar year 2022 or after were analyzed based on 2016-2020 American Community Survey income designations for individuals.

FCB's distribution of lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals, and to businesses of different revenue sizes. More weight was given to the small business loan analysis due to the bank's loan portfolio composition, general business strategy, and assessment area demographics.

The rise in home mortgage interest rates following the COVID-19 pandemic, as well as cessation of Paycheck Protection Program loans has stymied the higher home mortgage and small business lending activity observed in prior years when economic conditions were more favorable for lenders.

HMDA-reportable Loans

FCB's distribution of HMDA-reportable loans reflect a poor penetration among individuals of different income levels, including low- and moderate-income individuals. In 2023, FCB did not originate any loans to low-income borrowers, which is below the aggregate at 5.2 percent and significantly below the percentage of low-income families in the assessment area at 19.2 percent. Additionally, the bank did not originate any loans to moderate-income borrowers, which is significantly below the aggregate at 14.9 percent and significantly below the percentage of moderate-income families living in the assessment area at 17.3 percent.

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[3] *Income levels for individuals are calculated annually by the FFIEC using geographic definitions from the OMB, income data from the ACS and the Consumer Price Index from the Congressional Budget Office (.12(m) Income Levels).*

The bank originated 23.5 percent of HMDA-reportable loans to middle-income borrowers, which is above the aggregate at 20.6 percent and consistent with the percentage of middle-income families in the assessment area, at 23.2 percent. The bank originated the majority of HMDA-reportable loans (70.6 percent) to upper-income borrowers, which is above the aggregate at 50.8 percent, as well as the percentage of upper-income families in the assessment area at 40.2 percent Lastly, the bank originated one HMDA-reportable loan, or 5.9 percent of lending volume by number, to a borrower with an unknown level of income.

The following table presents the borrower distribution of HMDA-reportable loans in 2023.

Distribution of 2023 Home Mortgage Lending By Borrower Income Level Assessment Area: Northern MI Non MSA						
Borrower Income Level	**Bank And Aggregate Loans**					**Families by Family Income %**
	Bank		**Agg**	**Bank**		**Agg**	
	#	#%	#%	$(000)	$%	$%	
Low	0	0.0	5.2	0	0.0	1.6	19.2
Moderate	0	0.0	14.9	0	0.0	7.1	17.3
Middle	4	23.5	20.6	565	9.6	12.5	23.2
Upper	12	70.6	50.8	5,234	88.7	63.0	40.2
Unknown	1	5.9	8.5	99	1.7	15.9	0.0
Total	17	100.0	100.0	5,898	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 Loans

FCB's small business lending reflects a reasonable penetration among businesses of different sizes. A sample of small business loans originated in 2023 were reviewed, of which the majority (55.2 percent) were originated to businesses with gross revenues equal to or less than $1 million. The bank's performance was well below the presence of total small businesses operating in the assessment area at 91.3 percent. Although the bank's performance is below the percentage of total businesses making $1.0 million or less annually located within the assessment area, high competition within the non-metropolitan area provides challenges for the bank to increase its small business lending. As illustrated previously, the top two institutions in the assessment area collectively hold 48.3 percent of the market share for deposits, which suggests a highly competitive market.

Additionally, 37.7 percent of the bank's loans were originated to businesses with annual revenues of $1 million or less in the amounts of $100,000 or less. These loans are considered the most beneficial to small businesses and demonstrate the bank's willingness to meet the credit needs of small businesses.

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: Northern MI Non MSA					Total
	Bank Loans				Total
	#	#%	$(000)	$%	Businesses %
By Revenue					
$1 Million or Less	16	55.2	3,449	63.2	91.3
Over $1 Million	13	44.8	2,011	36.8	6.7
Revenue Unknown	0	0.0	0	0.0	2.0
Total	29	100.0	5,460	100.0	100.0
By Loan Size					
$100,000 or Less	14	48.3	857	15.7	
$100,001 - $250,000	10	34.5	1,556	28.5	
$250,001 - $1 Million	5	17.2	3,048	55.8	
Total	29	100.0	5,460	100.0	
By Loan Size and Revenues $1 Million or Less					
$100,000 or Less	6	37.5	336	9.7	
$100,001 - $250,000	6	37.5	1,038	30.1	
$250,001 - $1 Million	4	25.0	2,075	60.2	
Total	16	100.0	3,449	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.

WESTERN MICHIGAN NON-MSA – FULL REVIEW

SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Western Michigan Non-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 WESTERN MICHIGAN NON-MSA[4]

FCB's Western Michigan Non-MSA assessment area is comprised of Benzie, Grand Traverse, and Leelanau Counties in their entireties. There is one branch location in the assessment area. Since the previous evaluation, the sole branch was relocated to a nearby location within the existing census tract. No other openings or closing have occurred in the assessment area. While the branch location change did not entail a move into a new census tract, the tract designation changed from middle- to upper-income since the previous evaluation.

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.

Refer to census tract designation changes in the following table.

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[4] *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.*

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	**2021 Designations (#)**	**2022 Designations (#)**	**Net Change (#)**
Low	0	0	0
Moderate	1	3	+2
Middle	13	13	0
Upper	13	22	+9
Unknown	3	3	0
Total	30	41	+11
Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 *U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020*			

According to the June 30, 2023, FDIC Deposit Market Share Report, FCB ranks 10 out of 11 FDIC-insured financial institutions operating within the assessment area. The bank held $55.0 million in deposits representing 1.3 percent of the total deposit market share. In comparison, the first ranked institution, The Huntington National Bank, held $1.6 billion in deposits representing 36.7 percent of the deposit market share. The second ranked institution, Fifth Third Bank, National Association, held $721.6 million in deposits representing 16.7 percent of the deposit market share.

In 2023, FCB ranked 33rd among 239 HMDA-reporters, originating six HMDA-reportable loans in the assessment area. By comparison, the first ranked institution, The Huntington National Bank, originated 461 HMDA-reportable loans, and the second ranked institution, Lake Michigan Credit Union, originated 314 HMDA-reportable loans.

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

2023 Western 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	4,372	12.6
Moderate	3	7.3	1,580	4.6	274	17.3	5,124	14.8
Middle	13	31.7	11,243	32.5	734	6.5	6,933	20.0
Upper	22	53.7	21,814	63.0	969	4.4	18,208	52.6
Unknown	3	7.3	0	0.0	0	0.0	0	0.0
Total AA	**41**	**100.0**	**34,637**	**100.0**	**1,977**	**5.7**	**34,637**	**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	3,488	1,541	3.5	44.2	1,651	47.3	296	8.5
Middle	26,186	14,787	34.0	56.5	4,033	15.4	7,366	28.1
Upper	43,129	27,180	62.5	63.0	4,888	11.3	11,061	25.6
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	**72,803**	**43,508**	**100.0**	**59.8**	**10,572**	**14.5**	**18,723**	**25.7**

	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	525	6.0	463	5.8	58	9.1	4	3.9
Middle	3,421	39.2	3,085	38.6	294	46.1	42	41.2
Upper	4,782	54.8	4,440	55.6	286	44.8	56	54.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**8,728**	**100.0**	**7,988**	**100.0**	**638**	**100.0**	**102**	**100.0**
Percentage of Total Businesses:			**91.5**		**7.3**		**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	3	0.9	3	0.9	0	0.0	0	0.0
Middle	122	36.7	121	37.0	1	20.0	0	0.0
Upper	207	62.3	203	62.1	4	80.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**332**	**100.0**	**327**	**100.0**	**5**	**100.0**	**0**	**0.0**
Percentage of Total Farms:			**98.5**		**1.5**		**0.0**	

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.

Population Characteristics:

According to the U.S. Census Bureau's 2020 Decennial Census, the assessment area's population is 135,509. This represents an increase in population from 2015 of 5.0 percent, which is higher than the state of Michigan's and Non-MSA Michigan's population growth of 1.8 percent and 0.1 percent, respectively. While each county in the assessment area grew within this period, Grand Traverse County saw the highest level of growth at 5.9 percent. A community representative stated the population continues to grow in Grand Traverse County due to the presence of employment opportunities in Traverse City. While a community representative noted that the area struggles with availability of affordable housing for residents, recent housing developments being constructed in Benzie County were attributed to recent population growth.

The following table presents the population trends for the assessment area, counties that make up the bank's 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	129,116	135,509	5.0
Benzie County, MI	17,437	17,970	3.1
Grand Traverse County, MI	89,907	95,238	5.9
Leelanau County, MI	21,772	22,301	2.4
Non-MSA Michigan	1,806,007	1,807,574	0.1
Michigan	9,900,571	10,077,331	1.8
Source: 2011-2015 – U.S. Census Bureau: American Community Survey *2020 U.S. Census Bureau Decennial Census*			

Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 34,637 families, with 12.6 percent of families designated as low-income, 14.8 percent moderate-income, 20.0 percent middle-income, and 52.6 percent upper-income. Families living below the poverty level within the assessment area is at 5.7 percent, which is below the state of Michigan's poverty rate of 9.2 percent. The median family income (MFI) for the assessment area is $79,763, which is above non-MSA Michigan at $64,965 and the state of Michigan at $75,470.

Median family income levels vary between the counties that make up the assessment area, with Grand Traverse County having the highest level at $83,062, followed by Leelanau County at $80,752, and Benzie County at $76,110. Median family income growth within the assessment area from 2015 to 2020 was 13.5 percent, which is above the percentage growth for non-MSA Michigan and the state of Michigan during the same period, at 10.9 percent and 11.0 percent, respectively. Benzie County had the highest percentage growth in MFI at 22.3 percent, followed by Grand Traverse County at 14.3 percent, and Leelanau County at 8.2 percent. A community representative shared that, while Grand Traverse County is more affluent

than some counties in the northwest region of the state, income data may be skewed upward by seasonal residents and retirees, and that the higher income levels are not reflective of year-round residents.

Median Family Income Change			
Area	2015 Median Family Income ($)	2020 Median Family Income ($)	Percentage Change (%)
Assessment Area	70,292	79,763	13.5
Benzie County, MI	62,251	76,110	22.3
Grand Traverse County, MI	72,677	83,062	14.3
Leelanau County, MI	74,612	80,752	8.2
Non MSA, MI	58,593	64,965	10.9
Michigan	68,010	75,470	11.0
Source: 2011 - 2015 U.S. Census Bureau American Community Survey			
2016 - 2020 U.S. Census Bureau American Community Survey			
Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.			

Housing Characteristics

The bank's assessment area includes 72,803 housing units. The majority of housing units are owner-occupied at 59.8 percent, whereas rental units account for 14.5 percent of total units. Within the assessment area, 25.7 percent of housing units are vacant, which is lower than the percentage of vacant units within the entirety of non-MSA Michigan at 29.2 percent and the state of Michigan at 13.7 percent of total housing units. A community representative described housing characteristics as being impacted by the seasonal tourism-based economy, where many people do not live in the area year-round. Similarly, the community representative stated that the housing supply is often built for three-season use and is not always intended for use during the winter months.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C – Glossary. A higher ratio generally suggests more affordable housing opportunities. Based on the 2016-2020 American Community Survey data, the affordability ratio for the assessment area was 0.28, which is lower than non-MSA Michigan and the state of Michigan at 0.38 and 0.36 percent, respectively. As such, the affordability ratio suggests that housing within the assessment area is less affordable when compared to non-MSA Michigan and the state of Michigan.

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. The 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 evidenced within the following table, low-income individuals are impacted at a higher rate than moderate-income individuals as both renters and owners. Additionally, renters in the assessment area are more likely to face housing cost burden compared to owners, at 45.4 and 19.8 percent,

respectively. One community representative confirmed the trend suggested by housing cost burden data, noting that while market rate rental options are available in Grand Traverse County, tenants still struggle to meet these costs.

Housing Cost Burden						
Area	**Cost Burden (%) - Renters**			**Cost Burden (%) - Owners**		
	Low Income	**Moderate Income**	**All Renters**	**Low Income**	**Moderate Income**	**All Owners**
Assessment Area	71.2	48.5	45.4	65.5	36.2	19.8
Benzie County, MI	67.7	14.8	37.1	72.6	27.8	22.2
Grand Traverse County, MI	73.2	50.5	46.7	64.8	37.4	18.7
Leelanau County, MI	54.9	50.5	39.5	60.6	37.2	21.6
Non-MSA Michigan	66.7	28.6	39.3	58.3	25.0	17.5
Michigan	74.8	32.5	43.0	61.2	26.1	17.7
Cost Burden is housing cost that equals 30 percent or more of household income						
Source: U.S. Department of Housing and Urban Development (HUD), 2016-2020 Comprehensive Housing Affordability Strategy						

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 notably during the pandemic, the unemployment rate for the assessment area is nearer to pre-pandemic levels as of 2022 at 4.0 percent. This is lower than both non-MSA Michigan and the state of Michigan's unemployment rates of 5.1 percent and 4.2 percent. Within the assessment area, Grand Traverse County has the lowest unemployment rate at 3.8 percent, while Leelanau and Benzie County have higher unemployment rates at 4.3 percent and 5.3 percent. With the exception of the year 2020, unemployment rates from 2018-2020 show Grand Traverse with the lowest levels followed by Leelanau County, with Benzie County having the highest unemployment levels. A community representative shared that given the seasonal lifestyle trends in the area that result from the tourism-based economy, employment trends are cyclical as employees acquire more secure jobs during warmer months, while facing employment challenges or limited wages during the remainder of the year. The representative also noted that recent initiatives have sought to attract a larger and younger workforce.

Unemployment Rates (%)					
Area	**2018**	**2019**	**2020**	**2021**	**2022**
Assessment Area	4.0	3.8	8.7	5.1	4.0
Benzie County, MI	5.5	5.1	9.7	5.9	5.3
Grand Traverse County, MI	3.7	3.5	8.6	5.0	3.8
Leelanau County, MI	4.3	3.8	8.2	5.1	4.3
Non-MSA Michigan	4.9	4.7	9.3	5.8	5.1
Michigan	4.2	4.1	10.0	5.8	4.2
Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics					

Industry Characteristics

The assessment area contains a diverse employment base and is most heavily impacted by the industries of health care and social assistance, retail trade, and accommodation and food services based on data from the U.S. Bureau of Labor Statistics. One community representative shared that while many businesses closed due to the COVID-19 pandemic, post-pandemic there has been new businesses such as restaurants and small factories opening and expanding. Workers in the health care and social assistance industry were noted to have experienced hardship through the pandemic, while job security has been present in more recent years with an aging population and less competition due to a health care worker shortage in the area. A community representative shared an example of the shortage, which caused an area senior care center to leave 60 beds vacant due to insufficient staffing numbers.

Community Representatives

Two community representatives were contacted during the evaluation to provide information regarding local economic and demographic conditions. The representatives provided information on housing, employment, and economic development needs within the assessment area, and information about how the COVID-19 pandemic affected the area economy. The representatives stated that there are challenges within their respective areas in which local financial institutions can assist. Lack of affordable housing was highlighted as a primary issue, as it has impacted growth in the area as workers cannot remain in the area without it. One challenge is the particularly high cost of construction in the area; it is more costly than other areas in the state due to its northern location. Opportunities exist for financial institutions to invest in regional housing funds, low interest loans, and investment in local entrepreneurs.

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

LENDING TEST

The geographic distribution of loans reflects reasonable distribution throughout the assessment area. In addition, the loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes. HMDA-reportable lending volume during the review period was too low to draw meaningful conclusions, therefore, only small business lending was assessed.

Geographic Distribution of Loans

For the purposes of this review, loans made in calendar years up to and including 2021 were analyzed based on income designations from the 2011-2015 American Community Survey data[5]. Loans made in calendar years 2022 and after were analyzed based on income designations from the 2016-2020 American Community Survey data.

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 small business loans reflects reasonable dispersion throughout the assessment area. Examiners determined that there were no conspicuous unexplained gaps in contiguous census tracts.

<u>Small Business</u>

Geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. There are no low-income census tracts in the assessment area; therefore, the analysis focused on lending in moderate-income census tracts. A sample of small business loans originated in 2023 were reviewed. While the bank did not engage in lending activities in moderate income geographies, lending activity is reasonable due to a limited number of lending opportunities, as only 6.0 percent of small businesses within the assessment are located within the three moderate-income census tracts. FCB originated 36.4 percent of its small business loans to businesses located in middle-income census tracts, which is below the percentage of total business located in middle-income census tracts at 39.2 percent. The bank originated 63.6 percent of small business loans in upper-income census tracts, which is above the percentage of total businesses located in upper-income census tracts at 54.8 percent.

The following table presents the bank's geographic distribution of small business loans in 2023.

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[5] *The median family income levels (MFI) for census tracts are calculated using income data from the U.S. Census Bureau's American Community Survey and geographic designations from the Office of Management and Budget and are updated approximately every five years. (.12(m) Income Levels)*

Distribution of 2023 Small Business Lending By Income Level of Geography Assessment Area: Western MI Non MSA					
Geographic Income Level	**Bank Loans**				**Total Businesses %**
	#	**#%**	**$(000)**	**$%**	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	6.0
Middle	4	36.4	697	32.3	39.2
Upper	7	63.6	1,459	67.7	54.8
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	11	100.0	2,155	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.

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

For the purposes of this review, loans made in calendar year 2021 or before were analyzed based on 2011-2015 American Community Survey income designations for individuals[6]. Loans made in calendar year 2022 or after were analyzed based on 2016-2020 American Community Survey income designations for individuals.

FCB's distribution of lending reflects a reasonable penetration among businesses of different revenue sizes.

Small Business Loans

FCB's small business lending reflects a reasonable penetration among businesses of different sizes. A sample of small business loans originated in 2023 were reviewed, of which the majority (81.8 percent) were originated to businesses with gross revenues equal to or less than $1 million. The bank's performance was below the presence of total small businesses operating in the assessment area at 91.5 percent. Additionally, 44.4 percent of the bank's loans were originated to businesses with annual revenues of $1 million or less in the amounts of $100,000 or less. These loans are considered the most beneficial to small businesses and demonstrate the bank's willingness to meet the credit needs of small businesses.

The following table presents the borrower distribution of small business loans in 2023.

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[6] *Income levels for individuals are calculated annually by the FFIEC using geographic definitions from the OMB, income data from the ACS and the Consumer Price Index from the Congressional Budget Office (.12(m) Income Levels).*

Distribution of 2023 Small Business Lending By Revenue Size of Businesses Assessment Area: Western MI Non MSA					
	Bank Loans				Total
	#	#%	$(000)	$%	Businesses %
By Revenue					
$1 Million or Less	9	81.8	1,806	83.8	91.5
Over $1 Million	2	18.2	350	16.2	7.3
Revenue Unknown	0	0.0	0	0.0	1.2
Total	11	100.0	2,155	100.0	100.0
By Loan Size					
$100,000 or Less	5	45.5	225	10.4	
$100,001 - $250,000	1	9.1	209	9.7	
$250,001 - $1 Million	5	45.5	1,722	79.9	
Total	11	100.0	2,155	100.0	
By Loan Size and Revenues $1 Million or Less					
$100,000 or Less	4	44.4	175	9.7	
$100,001 - $250,000	1	11.1	209	11.6	
$250,001 - $1 Million	4	44.4	1,422	78.7	
Total	9	100.0	1,806	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.*					

GRAND RAPIDS – KENTWOOD, MI MSA #24340 – LIMITED REVIEW

SCOPE OF EXAMINATION

Limited scope examination procedures were used to evaluate the bank's performance in the Grand Rapids-Kentwood, 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 GRAND RAPIDS-KENTWOOD, MI MSA

First Community Bank's Grand Rapids-Kentwood, MI MSA assessment area is comprised of Kent County in its entirety. The excluded portions of the MSA consist of the entireties of Ionia County, Montcalm County, and Ottawa County. The bank operates one branch and no ATM, which is located within an upper-income census tract, representing no change in branch operations since the previous evaluation. In 2023, the assessment area was comprised of 145 census tracts, of which nine are designated as low-income, 35 are moderate-income, 65 are middle-income, 34 are upper-income, and two are unknown-income census tracts. In July 2023, following updates by the Office of Management and Budget, Barry County was added to the MSA, which was also formally renamed the Grand Rapids-Wyoming-Kentwood, MI MSA #24340 as of that date. However, this evaluation utilized the pre-July 2023 MSA comprised of four counties, before the name change and without Barry County.

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.

Refer to the census tract designation changes in the following table.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	**2021 Designations (#)**	**2022 Designations (#)**	**Net Change (#)**
Low	11	9	-2
Moderate	31	35	+4
Middle	54	65	+11
Upper	32	34	+2
Unknown	0	2	+2
Total	128	145	+17
Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 *U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020*			

According to the June 30, 2023, FDIC Deposit Market Share Report, FCB ranks 22 of 24 FDIC-insured financial institutions operating within the assessment area. The bank held $46.4 million in deposits representing 0.2 percent of the total deposit market share. In comparison, the first ranked institution, Fifth Third Bank, National Association, held $4.2 billion in deposits representing 19.2 percent of the deposit market share. The second ranked institution, The Huntington National Bank, held $3.9 billion in deposits representing 17.7 percent of the deposit market share.

In 2023, FCB ranked 81st among 353 HMDA-reporters, originating six HMDA-reportable loans in the assessment area. By comparison, the first ranked institution, Lake Michigan Credit Union, originated or purchased 3,361 HMDA-reportable loans, and the second ranked institution, The Huntington National Bank, originated or purchased 919 HMDA-reportable loans.

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

2023 Grand Rapids-Kentwood, MI MSA 24340 AA Demographics							
Income Categories	**Tract Distribution**		**Families by Tract Income**		**Families < Poverty Level as % of Families by Tract**		**Families by Family Income**
	#	%	#	%	#	%	#	%
Low	9	6.2	7,217	4.4	1,793	24.8	31,584	19.4
Moderate	35	24.1	32,520	20.0	4,493	13.8	29,661	18.2
Middle	65	44.8	68,679	42.1	3,989	5.8	37,322	22.9
Upper	34	23.4	52,820	32.4	812	1.5	64,429	39.5
Unknown	2	1.4	1,760	1.1	268	15.2	0	0.0
Total AA	**145**	**100.0**	**162,996**	**100.0**	**11,355**	**7.0**	**162,996**	**100.0**

	Housing Units by Tract	Housing Type by Tract					
		Owner-occupied			**Rental**		**Vacant**	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	11,688	4,569	2.7	39.1	6,240	53.4	879	7.5
Moderate	58,058	29,511	17.1	50.8	24,482	42.2	4,065	7.0
Middle	112,388	76,273	44.3	67.9	31,594	28.1	4,521	4.0
Upper	72,258	60,614	35.2	83.9	8,952	12.4	2,692	3.7
Unknown	2,723	1,255	0.7	46.1	1,305	47.9	163	6.0
Total AA	**257,115**	**172,222**	**100.0**	**67.0**	**72,573**	**28.2**	**12,320**	**4.8**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low	906	3.2	809	3.2	95	3.2	2	1.0
Moderate	6,075	21.4	5,147	20.4	888	30.1	40	19.0
Middle	11,090	39.1	9,950	39.5	1,066	36.1	74	35.2
Upper	10,164	35.8	9,169	36.4	902	30.5	93	44.3
Unknown	149	0.5	144	0.6	4	0.1	1	0.5
Total AA	**28,384**	**100.0**	**25,219**	**100.0**	**2,955**	**100.0**	**210**	**100.0**
Percentage of Total Businesses:				**88.8**		**10.4**		**0.7**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low	7	1.8	7	1.9	0	0.0	0	0.0
Moderate	45	11.6	38	10.3	7	33.3	0	0.0
Middle	189	48.6	180	48.9	9	42.9	0	0.0
Upper	147	37.8	142	38.6	5	23.8	0	0.0
Unknown	1	0.3	1	0.3	0	0.0	0	0.0
Total AA	**389**	**100.0**	**368**	**100.0**	**21**	**100.0**	**0**	**0.0**
Percentage of Total Farms:				**94.6**		**5.4**		**0.0**

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.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN GRAND RAPIDS-KENTWOOD, MI MSA

The intuition's lending performance in the area is above the institution's performance overall.

Distribution of 2023 Home Mortgage Lending By Income Level of Geography Assessment Area: Grand Rapids-Kentwood, MI MSA 24340							Owner Occupied Units %
Geographic Income Level	Bank And Aggregate Loans						
	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	
Low	0	0.0	3.7	0	0.0	2.8	2.7
Moderate	3	50.0	19.5	847	37.8	15.4	17.1
Middle	2	33.3	43.7	1,336	59.6	40.6	44.3
Upper	1	16.7	32.6	58	2.6	40.9	35.2
Unknown	0	0.0	0.5	0	0.0	0.3	0.7
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
Total	6	100.0	100.0	2,241	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: Grand Rapids-Kentwood, MI MSA 24340					Total Businesses %
Geographic Income Level	Bank Loans				
	#	#%	$(000)	$%	
Low	2	20.0	250	10.1	3.2
Moderate	3	30.0	926	37.5	21.4
Middle	3	30.0	738	29.9	39.1
Upper	2	20.0	553	22.4	35.8
Unknown	0	0.0	0	0.0	0.5
Tract-Unk	0	0.0	0	0.0	
Total	10	100.0	2,468	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.

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

Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	
Low	1	20.0	9.2	58	4.8	4.5	19.4
Moderate	0	0.0	23.2	0	0.0	17.1	18.2
Middle	0	0.0	23.6	0	0.0	20.9	22.9
Upper	0	0.0	32.4	0	0.0	44.4	39.5
Unknown	4	80.0	11.6	1,159	95.2	13.1	0.0
Total	5	100.0	100.0	1,217	100.0	100.0	100.0

Distribution of 2023 Home Mortgage Lending By Borrower Income Level
Assessment Area: Grand Rapids-Kentwood, MI MSA 24340

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: Grand Rapids-Kentwood, MI MSA 24340

	Bank Loans				Total Businesses %
	#	#%	$(000)	$%	
By Revenue					
$1 Million or Less	4	40.0	1,091	44.2	88.8
Over $1 Million	6	60.0	1,376	55.8	10.4
Revenue Unknown	0	0.0	0	0.0	0.7
Total	10	100.0	2,468	100.0	100.0
By Loan Size					
$100,000 or Less	4	40.0	265	10.7	
$100,001 - $250,000	2	20.0	350	14.2	
$250,001 - $1 Million	4	40.0	1,853	75.1	
Total	10	100.0	2,468	100.0	
By Loan Size and Revenues $1 Million or Less					
$100,000 or Less	1	25.0	58	5.3	
$100,001 - $250,000	0	0.0	0	0.0	
$250,001 - $1 Million	3	75.0	1,033	94.7	
Total	4	100.0	1,091	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.

WARREN-TROY-FARMINGTON HILLS, MI MD #47664 – LIMITED REVIEW

SCOPE OF EXAMINATION

Limited scope examination procedures were used to evaluate the bank's performance in Warren-Troy-Farmington Hills, MI MD 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 WARREN-TROY-FARMINGTON HILLS, MI MD

First Community Bank's Warren-Troy-Farmington Hills, MI MD assessment area is comprised of the Oakland County in its entirety. The bank excludes from its portion of the assessment area the entireties of Lapeer County, Livingston County, Macomb County, and St. Clair County. In addition, the Warren MD is part of the larger Detroit-Warren-Dearborn, MI MSA #19820. The full Detroit-Warren-Dearborn, MI MSA #19820 (Detroit MSA) is comprised of two metropolitan divisions, Detroit-Dearborn-Livonia, MI MD #19804 (Detroit MD) and Warren-Troy-Farmington Hills, MI MD #47664 (Warren MD). The bank operates one branch with no ATM located within an upper-income census tract, representing no change in branch operations since the previous evaluation. In 2023, the assessment area was comprised of 350 census tracts, of which 19 are designated as low-income, 49 are moderate-income, 122 are middle-income, 153 are upper-income, and seven are unknown-income census tracts.

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.

Refer to the census tract designation changes in the following table.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	**2021 Designations (#)**	**2022 Designations (#)**	**Net Change (#)**
Low	23	19	-4
Moderate	55	49	-6
Middle	113	122	+9
Upper	146	153	+7
Unknown	1	7	+6
Total	338	350	+12
Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 *U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020*			

According to the June 30, 2023, FDIC Deposit Market Share Report, FCB ranks 26 of 29 FDIC-insured financial institutions operating within the assessment area. The bank held $6.4 million in deposits representing below 0.1 percent of the deposit market share. In comparison, the first ranked institution, Bank of America, National Association, held $21.3 billion in deposits representing 28.1 percent of the deposit market share. The second ranked institution, JPMorgan Chase Bank, National Association, held $11.7 billion in deposits representing 15.5 percent of the deposit market share.

In 2023, FCB was unranked among 476 HMDA-reporters, originating zero HMDA-reportable loans in the assessment area. By comparison, the first ranked institution, United Wholesale Mortgage LLC, originated or purchased 3,091 HMDA-reportable loans, and the second ranked institution, Rocket Mortgage LLC, originated or purchased 2,610 HMDA-reportable loans.

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

2023 Warren-Troy-Farmington Hills, MI MD 47664 AA Demographics							
Income Categories	**Tract Distribution**		**Families by Tract Income**		**Families < Poverty Level as % of Families by Tract**		**Families by Family Income**	
	#	%	#	%	#	%	#	%
Low	19	5.4	10,385	3.2	2,529	24.4	53,039	16.6
Moderate	49	14.0	41,298	12.9	3,731	9.0	48,631	15.2
Middle	122	34.9	112,811	35.2	5,410	4.8	65,705	20.5
Upper	153	43.7	155,623	48.6	3,636	2.3	152,742	47.7
Unknown	7	2.0	0	0.0	0	0.0	0	0.0
Total AA	**350**	**100.0**	**320,117**	**100.0**	**15,306**	**4.8**	**320,117**	**100.0**
	Housing Units by Tract	**Housing Type by Tract**						
		Owner-occupied		**Rental**		**Vacant**		
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	28,708	6,390	1.8	22.3	18,864	65.7	3,454	12.0
Moderate	82,961	43,148	11.9	52.0	34,220	41.2	5,593	6.7
Middle	198,608	127,609	35.2	64.3	60,128	30.3	10,871	5.5
Upper	231,811	185,878	51.2	80.2	33,352	14.4	12,581	5.4
Unknown	6	0	0.0	0.0	0	0.0	6	100.0
Total AA	**542,094**	**363,025**	**100.0**	**67.0**	**146,564**	**27.0**	**32,505**	**6.0**
	Total Businesses by Tract	**Businesses by Tract & Revenue Size**						
		Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**		
	#	%	#	%	#	%	#	%
Low	3,776	4.6	3,207	4.3	547	7.6	22	3.2
Moderate	11,735	14.3	10,419	14.1	1,245	17.4	71	10.4
Middle	27,158	33.2	24,683	33.4	2,253	31.5	222	32.6
Upper	38,354	46.9	35,183	47.6	2,814	39.3	357	52.3
Unknown	781	1.0	467	0.6	304	4.2	10	1.5
Total AA	**81,804**	**100.0**	**73,959**	**100.0**	**7,163**	**100.0**	**682**	**100.0**
Percentage of Total Businesses:			**90.4**		**8.8**		**0.8**	
	Total Farms by Tract	**Farms by Tract & Revenue Size**						
		Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**		
	#	%	#	%	#	%	#	%
Low	10	2.6	10	2.7	0	0.0	0	0.0
Moderate	40	10.6	39	10.5	1	16.7	0	0.0
Middle	141	37.2	139	37.3	2	33.3	0	0.0
Upper	188	49.6	185	49.6	3	50.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**379**	**100.0**	**373**	**100.0**	**6**	**100.0**	**0**	**0.0**
Percentage of Total Farms:			**98.4**		**1.6**		**0.0**	

Source: 2023 FFIEC Census Data
2023 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
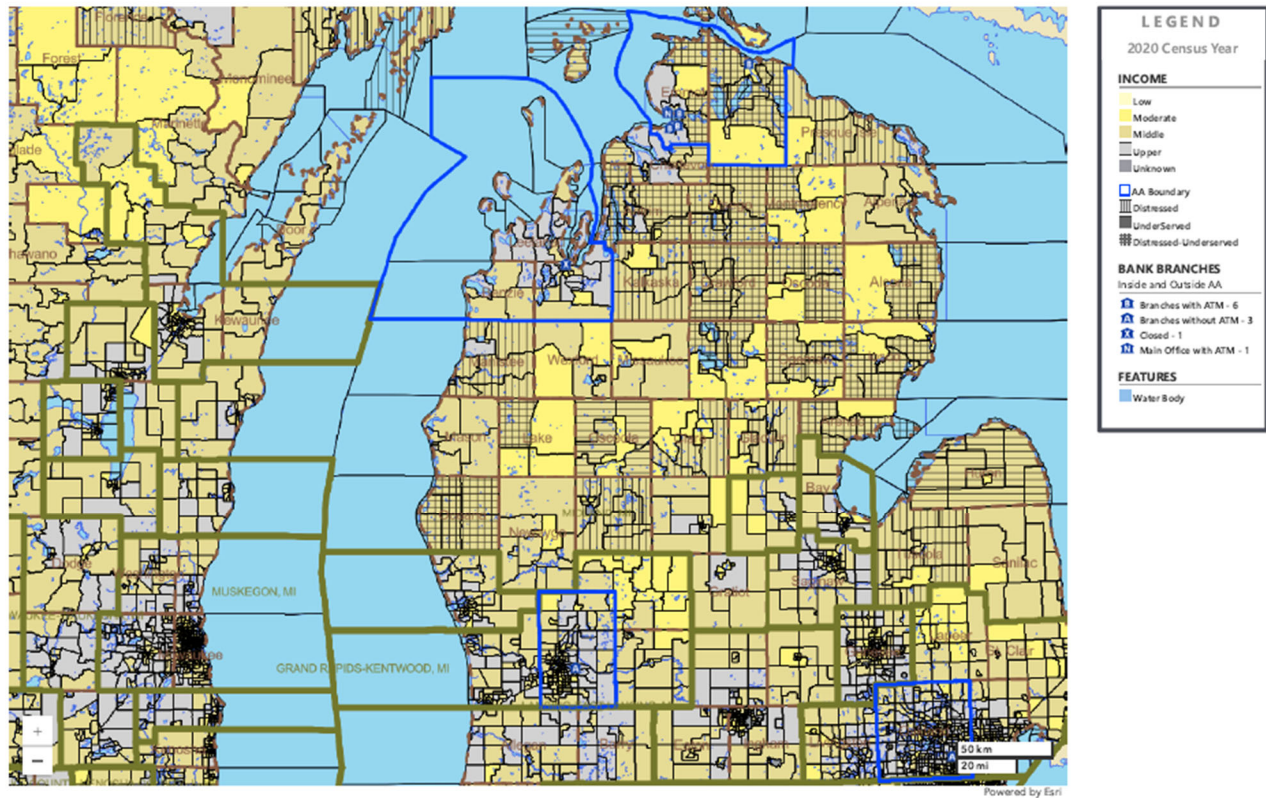*Note: Percentages may not total 100.0 percent due to rounding.*

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WARREN-TROY-FARMINGTON HILLS, MI MD

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

LENDING TEST

Geographic Distribution of Loans

Distribution of 2023 Home Mortgage Lending By Income Level of Geography Assessment Area: Warren-Troy-Farmington Hills, MI MD 47664							Owner Occupied Units %
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
Geographic Income Level	Bank		Agg	Bank		Agg	Owner Occupied Units %
Geographic Income Level	#	#%	#%	$(000)	$%	$%	Owner Occupied Units %
Low	0	0.0	2.2	0	0.0	1.8	1.8
Moderate	0	0.0	13.7	0	0.0	9.4	11.9
Middle	0	0.0	35.3	0	0.0	28.9	35.2
Upper	0	0.0	48.8	0	0.0	59.9	51.2
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	0	0.0	100.0	0	0.0	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: Warren-Troy-Farmington Hills, MI MD 47664					Total Businesses %
Geographic Income Level	Bank Loans				Total Businesses %
Geographic Income Level	#	#%	$(000)	$%	Total Businesses %
Low	0	0.0	0	0.0	4.6
Moderate	2	33.3	423	22.6	14.3
Middle	2	33.3	600	32.1	33.2
Upper	2	33.3	849	45.4	46.9
Unknown	0	0.0	0	0.0	1.0
Tract-Unk	0	0.0	0	0.0	
Total	6	100.0	1,872	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.

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

Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	
Low	0	0.0	9.2	0	0.0	4.0	16.6
Moderate	0	0.0	19.2	0	0.0	12.2	15.2
Middle	0	0.0	22.3	0	0.0	18.6	20.5
Upper	0	0.0	39.0	0	0.0	52.8	47.7
Unknown	0	0.0	10.2	0	0.0	12.4	0.0
Total	0	0.0	100.0	0	0.0	100.0	100.0

Distribution of 2023 Home Mortgage Lending By Borrower Income Level
Assessment Area: Warren-Troy-Farmington Hills, MI MD 47664

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.

	Bank Loans				Total Businesses %
	#	#%	$(000)	$%	
By Revenue					
$1 Million or Less	3	50.0	1,278	68.3	90.4
Over $1 Million	3	50.0	595	31.8	8.8
Revenue Unknown	0	0.0	0	0.0	0.8
Total	6	100.0	1,872	100.0	100.0
By Loan Size					
$100,000 or Less	1	16.7	45	2.4	
$100,001 - $250,000	1	16.7	250	13.4	
$250,001 - $1 Million	4	66.7	1,578	84.3	
Total	6	100.0	1,872	100.0	
By Loan Size and Revenues $1 Million or Less					
$100,000 or Less	0	0.0	0	0.0	
$100,001 - $250,000	0	0.0	0	0.0	
$250,001 - $1 Million	3	100.0	1,278	100.0	
Total	3	100.0	1,278	100.0	

Distribution of 2023 Small Business Lending By Revenue Size of Businesses
Assessment Area: Warren-Troy-Farmington Hills, MI MD 47664

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 – Maps of Assessment Area

First Community Bank 932745
Combined Assessment Area

APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	HMDA-reportable loans and small business loans originated from January 1, 2023, to December 31, 2023		
FINANCIAL INSTITUTION First Community Bank			**PRODUCTS REVIEWED** HMDA-Reportable Loans Small Business 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**
Northern Michigan Non-MSA	Full Scope Review	N/A	N/A
Western Michigan Non-MSA	Full Scope Review	N/A	N/A
Grand Rapids-Kentwood, MI MSA #24340	Limited Scope Review	N/A	N/A
Warren-Troy-Farmington Hills, MI MD #47664	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.[7]

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

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[7] *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).