



PUBLIC DISCLOSURE

January 29, 2024

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank of Michigan
Charter Number 24637**

348 West Michigan Avenue, Kalamazoo, MI 49007

Office of the Comptroller of the Currency
Detroit Field Office
26877 Northwestern Hwy, Suite 411
Southfield, MI 48033

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory.

The community development test is rated: Outstanding.

The major factors that support this rating include:

- The Lending Test rating is based on a substantial majority of lending occurring within the assessment area (AA), a reasonable loan-to-deposit (LTD) ratio, and a reasonable geographic distribution of small loans to businesses and distribution of small business loans of different sizes.
- The Community Development (CD) Test rating is based on excellent responsiveness to community needs through qualified investments and services, with a reasonable responsiveness to community needs through qualified CD loans.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and the credit needs of its AAs, the bank's LTD ratio is reasonable.

The LTD ratio is calculated on a bank-wide basis and meets the standard for satisfactory performance. The average quarterly LTD ratio was 81.7 percent. The LTD ratio ranged from a low of 69.5 percent, in the second quarter of 2022, to a high of 95.3 percent, in first quarter of 2020. In comparison, the average LTD of peer financial institutions ranged from 48.3 to 145.8 percent.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its AAs.

The bank originated and purchased 81.4 percent of its total loans inside its AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. This analysis had a positive impact on the overall analysis of the bank's distribution of lending by income level of geographies.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	180	81.4	41	18.6	221	179,882	82.3	38,818	17.7	218,700
Total	180	81.4	41	18.6	221	179,882	82.3	38,818	17.7	218,700

Description of Institution

First National Bank of Michigan (or “FNBM”, or “the bank”) is an intrastate bank headquartered and wholly owned subsidiary of the First National Bancorp, Inc, a single bank holding company. The bank has one affiliate, FNB Risk Management Incorporated, a captive insurance company. Since the prior CRA evaluation, as of December 31, 2019, the bank has not had any mergers or acquisitions.

FNBM has its headquarters and main office located in Kalamazoo, Michigan (MI). The bank operates six full-service branches in three counties and an additional Loan Production Office in Traverse City, MI. The bank delineated four AAs, with its primary AAs in Kalamazoo County and Kent County. The bank’s other AAs are in Holland and Ingham counties. The most recent bank branch opening in Lansing added the Ingham AA in October 2020.

Of the bank’s six branches, two are in upper income census tracts, two are in middle income census tracts, one is in a moderate-income census tract, and one is in a low-income census tract. During the evaluation period, the bank converted its loan production office in Lansing, MI to a full-service branch.

The bank operates automated teller machines (ATMs) at each location, offers night deposit services, and operates drive-through banking facilities in two branches located in Kalamazoo, MI. FNBM offers a standard variety of consumer banking products at each office including checking accounts, savings accounts, personal loans, and lines of credit.

As of December 31, 2023, the bank reported total assets of \$980.7 million and \$83.5 million in tier 1 capital. FNBM’s loan portfolio has grown throughout the evaluation period from \$477.2 million in 2020 to \$615.4 million in 2022. At the end of the evaluation period, 81.25 percent of the bank’s loans were secured by real estate, an increase from 78.9 percent as of March 31, 2020. Non-farm non-residential loans made up 60.5 percent of the real estate loans, an increase from 51.5 percent at the beginning of the evaluation period. Commercial and industrial loans decreased from 20.7 to 18.6 percent of average gross loans and leases. Commercial loans increased by \$16.0 million and continue to be the primary strategic focus of the bank.

There are no legal, financial, or other factors impeding FNBM’s ability to help meet the credit needs of the AAs. The bank received a “Satisfactory” rating on their previous CRA performance examination dated November 9, 2020.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This performance evaluation assesses the bank’s record of meeting the credit needs of its AA. The evaluation was performed using ISB CRA procedures, which include a Lending Test and a CD Test. The evaluation period for the Lending and CD Tests is January 1, 2020, to December 31, 2022. To evaluate performance under the Lending Test, the record of originating small business loans during the evaluation period was reviewed. The CD Test evaluated the bank’s record of responsiveness to the needs of its AA through qualified loans, investments, and services.

We evaluated FNBM’s lending performance based on its primary lending product of business loans. The bank offers multifamily, HELOCs, consumer installment, and residential mortgage loans; however, these

products are not a primary focus for the bank. As a result, we did not consider these as part of our evaluation.

Selection of Areas for Full-Scope Review

Examiners selected Kalamazoo County and Kent County for full scope reviews, as these areas have a majority of the bank's deposits and branch offices. The OCC completed a limited scope review of the Holland AA and Ingham AA, as these represent the bank's smallest markets based on deposits. The AAs meet the requirements of the CRA and do not arbitrarily exclude any census tracts based on the designation of their income level or the demographic make-up of these census tracts. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is a blend of the state ratings.

The bank operates entirely within the state of Michigan. Therefore, overall conclusions were based entirely on CRA performance within the state of Michigan. Conclusions analyzed the distribution of lending across various income levels and geographies for small business loans.

The state rating is based on performance in all bank AAs. Refer to the "Scope" section under each state rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Michigan

CRA rating for the State of Michigan is: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The major factors that support this rating include:

- FNBM demonstrates reasonable responsiveness to AA credit needs, as measured by its LTD ratio.
- The bank originates a substantial majority of its small business loans within its AA.
- The geographic distribution of small loans to businesses demonstrates reasonable distribution throughout the AA.
- FNBM demonstrates a reasonable distribution of small loans to businesses of different sizes.
- The bank demonstrated excellent responsiveness to CD lending, investment, and service needs of the AAs during the evaluation period.

Description of Institution's Operations in Michigan

During the evaluation period, the bank operated six branches throughout its AAs. The bank opened a new branch in Lansing, MI during the evaluation period, increasing their AAs to include the Ingham AA. Three branches are in the Kalamazoo AA, one in the Ingham AA, one in the Holland AA, and one in the Kent AA. No branches were closed during the evaluation period. A loan production office was opened in Traverse City in 2021.

All branch offices are open on the same hours and days and offer the same deposit and lending products. ATMs and night deposit services are available in Kalamazoo, Portage, Grand Rapids, Holland, and Lansing. The Portage and West Kalamazoo branches also offer drive-through services. Additionally, FNBM refunds ATM fees for customers using other ATMs.

According to the University of Michigan's economic outlook for the state, Michigan's economy continues to recover steadily from the pandemic, despite supply chain shortages, high inflation, and high interest rates. While Michigan's economy is expected to continue improving, primary risks to the economy include a national recession and resurgence of inflation. Additionally, housing affordability continues to be an issue given the high mortgage rates and home prices, as well as housing inventory shortages.

Kalamazoo AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: FNB MI - Kalamazoo AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	68	8.8	25.0	33.8	30.9	1.5
Population by Geography	261,670	6.3	21.5	37.6	33.3	1.3
Housing Units by Geography	112,585	6.8	23.2	39.7	28.7	1.6
Owner-Occupied Units by Geography	67,255	2.8	18.4	42.6	36.0	0.1
Occupied Rental Units by Geography	37,023	12.0	31.4	36.1	16.9	3.7
Vacant Units by Geography	8,307	15.9	25.8	31.9	22.5	3.8
Businesses by Geography	17,013	6.6	18.1	40.0	34.8	0.5
Farms by Geography	665	3.2	17.3	42.3	37.1	0.2
Family Distribution by Income Level	62,664	21.5	18.3	19.7	40.5	0.0
Household Distribution by Income Level	104,278	23.3	16.9	17.1	42.7	0.0
Median Family Income MSA - 28020 Kalamazoo-Portage, MI MSA		\$80,439	Median Housing Value			\$165,059
			Median Gross Rent			\$844
			Families Below Poverty Level			8.3%
<i>Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Kalamazoo AA includes all of Kalamazoo County, which is located in southwest Michigan and includes urban and rural areas. Based on the 2015 Census Data, there were 57 census tracts within Kalamazoo County, which included seven low-income census tracts, 11 moderate-income census tracts, 24 middle-income census tracts, and 14 upper-income census tracts. One CT had no income designation. During the evaluation period, the bank operated three branch offices through the Kalamazoo AA, two in the city of Kalamazoo and one in the city of Portage, MI.

Based on the 2020 Census Data represented above there are now 68 census tracts within Kalamazoo County, which include six low-income census tracts, 17 moderate-income census tracts, 23 middle-income census tracts, and 21 upper-income census tracts. One CT has no income designation.

Competition within the AA is significant. Per the June 30, 2022, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, 14 institutions operate within the AA maintaining 49 offices. FNBM ranked third in terms of deposit market share, with 13.78 percent, or \$652.8 million of insured deposits. Major competitors within the AA include PNC Bank, Fifth Third Bank, and Mercantile Bank, which hold a combined 51.3 percent of the deposit market. FNBM's deposit market share continues to remain consistent throughout the evaluation period, with over 79.0 percent of the bank's total deposits being in the Kalamazoo AA.

Significant competition for loans exists in the AA. Based on the 2022 Peer Small Business Data, 81 lenders originated business loans within the AA. The top five competitors include American Express, JP Morgan Chase, Capital One, Citibank, and Synchrony Bank, which hold a combined market share of 61.8 percent.

Top employers within the AA include Pfizer, Western Michigan University, Stryker, and Kalamazoo College. Additionally, the largest industries within the AA include manufacturing, healthcare & social assistance, and educational services. Economic conditions within the AA were generally consistent with economic conditions within the state of Michigan. Unemployment during the evaluation period ranged from 2.9 percent to 16.2 percent for Kalamazoo County.

Examiners conducted one community contact, a non-profit that provides traditional community action services, including supplemental and emergency food programs, minor home repairs, and home weatherization. The non-profit assists individuals in the counties of Barry, Branch, St. Joseph, Calhoun, and Kalamazoo. Challenges include the need for additional quality affordable housing. Additionally, the high cost of rent and mortgage prevents low- and moderate-income individuals from attaining affordable housing. Low and moderate-income residents reported needing repairs done in their homes, which can be a significant additional expense. The contact indicated that financial institutions could contribute by providing general operating support for services not covered by government grants, providing additional funds for the non-profit's staff training, or providing custodial savings accounts for local children.

Kent AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: FNB MI - Kent AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	145	6.2	24.1	44.8	23.4	1.4
Population by Geography	657,974	4.8	22.3	42.4	29.6	0.9
Housing Units by Geography	257,115	4.5	22.6	43.7	28.1	1.1
Owner-Occupied Units by Geography	172,222	2.7	17.1	44.3	35.2	0.7
Occupied Rental Units by Geography	72,573	8.6	33.7	43.5	12.3	1.8
Vacant Units by Geography	12,320	7.1	33.0	36.7	21.9	1.3
Businesses by Geography	50,386	3.0	20.5	38.6	37.4	0.5
Farms by Geography	1,308	1.4	13.8	44.2	40.1	0.6
Family Distribution by Income Level	162,996	19.4	18.2	22.9	39.5	0.0
Household Distribution by Income Level	244,795	23.1	17.1	19.2	40.6	0.0
Median Family Income MSA - 24340 Grand Rapids-Kentwood, MI MSA		\$80,705	Median Housing Value			\$197,026
			Median Gross Rent			\$944
			Families Below Poverty Level			7.0%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Kent AA includes all of Kent County, which is in west Michigan and includes urban and rural areas. Based on the 2015 Census Data, there were 128 census tracts within Kent County, which included 11 low-income census tracts, 31 moderate-income census tracts, 54 middle-income census tracts, and 32 upper-income census tracts. During the evaluation period, the bank operated one branch, which was located in Grand Rapids, MI.

Based on the 2020 Census Data represented above, there are now 145 census tracts within Kent County, which include nine low-income census tracts, 35 moderate-income census tracts, 65 middle-income census tracts, and 34 upper-income census tracts. Two CTs have no income designation.

Competition within the AA is significant. Per the June 30, 2022, FDICA Deposit Market Share Report, 24 institutions operate within the AA maintaining 155 offices. FNBM ranked eighteenth in terms of deposit market share, with 0.43 percent, or \$102.7 million of insured deposits. Major competitors within the AA include Fifth Third Bank, Huntington National Bank, JP Morgan Chase, and Northpointe Bank, which hold a combined 60.6 percent of the deposit market. FNBM's deposit market share continues to remain consistent throughout the evaluation period, with over 12 percent of the bank's total deposits being located in the Kent AA.

Significant competition for loans exists in the AA. Based on the 2022 Peer Small Business Data, 111 lenders originated business loans within the AA. The top five competitors include JP Morgan Chase, American Express, Capital One, US Bank, and Huntington Bank, which hold a combined market share of 59.0 percent.

Top employers within the AA include Spectrum Health, Meijer Inc., Mercy Health Systems, and Gordon Food Services. Additionally, the largest industries within the AA include manufacturing, healthcare & social assistance, and retail services. Economic conditions within the AA fared better than the economic conditions within the state of Michigan. Unemployment during the evaluation period ranged from 3.5 percent to 22.6 percent for Kent County during the evaluation period.

Examiners considered comments from three community organizations serving the Kent County. The community organizations promote residential development, affordable housing, and essential support services for low-income families. Challenges within Kent County include rapid growth in home prices and lack of increases in income. In addition, the lack of available land, as well as the increased labor and material costs for development, impedes the ability of developers to supply new affordable housing. credit and community needs include financing for credit-challenged applicants and increasing financial contributions such as donations, purchasing non-profit's loans, and increasing flexible lending programs for affordable housing needs.

Scope of Evaluation in Michigan

OCC Examiners evaluated FNBM's performance in the state of Michigan by analyzing the bank's lending performance and its CD lending, investment, and service performance from January 1, 2020, to December 31, 2022. Examiners selected the Kalamazoo and Kent AAs for full-scope reviews as these areas have a majority of the deposits and branch offices, placing more emphasis on the performance in the Kalamazoo AA. Examiners completed a limited scope review of the Holland AA and Ingham AA, as these represent the bank's smallest AAs based on total deposits. In addition, we considered the newness of the Ingham AA designation. . An analysis of lending in the Ingham AA was not performed for 2022 given the record of originating the primary product was not meaningful.

The procedures used to evaluate lending performance focused on the primary lending product, small business loans. As the bank is not required to report small business lending data, examiners based the lending-related conclusions on a statistical sample of 221 business loans originated during the evaluation period. The CD test evaluated the bank's responsiveness to community needs and opportunities through CD loans, investments, and services. In addition, the OCC utilized supporting information to analyze performance, including the 2015 ACS census data and the 2020 US census data; therefore, the OCC conducted a separate analysis for 2020 to 2021 and 2022.

To develop conclusions, examiners considered factors within the community profile that would impact the ability to lend within the AA, including aggregate lending, demographic, and market share information. In addition, examiners considered the economic impacts of the coronavirus pandemic on community development opportunities and the ability to lend within the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MICHIGAN

LENDING TEST

The bank's performance under the Lending Test in Michigan is rated Satisfactory.

Conclusions for Areas Receiving Full-Scope Reviews

Based on full- and limited-scope reviews, the bank's lending performance in the state of Michigan is reasonable.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the state of Michigan.

Small Loans to Businesses

Refer to Table Q in the state of Michigan section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

Kalamazoo AA

The geographic distribution of small loans to businesses reflects reasonable penetration among low- and moderate-income CTs in the Kalamazoo AA. Examiners considered that most businesses within the Kalamazoo AA were in middle and upper-income geographies at 75 percent of total businesses. In addition, of the 25 percent of remaining businesses, 18 percent are in moderate income CTs.

2020-2021

In 2020 to 2021, the bank's proportion of small business loans in low-income CTs at 3.1 percent was below the percentage of businesses and aggregate small business lending at 8.3 and 8.0 percent, respectively. This is primarily driven by the significant competition from the five large banks holding the majority of the loan market share in the AA. The bank's proportion of small loans to businesses in

moderate income CTs at 34.4 percent significantly exceeded the percentage of businesses and aggregate small business lending at 19.8 percent and 18.0 percent, respectively.

2022

In 2022, the proportion of small business loans in low-income CTs at 6.5 percent was consistent percentage of businesses and aggregate small business lending at 6.6 and 7.8 percent, respectively. The bank's proportion of small loans to businesses in moderate income CTs at 29.0 percent significantly exceeded the percentage of businesses and aggregate small business lending at 18.1 percent and 16.9 percent, respectively.

Kent AA

The geographic distribution of small loans to businesses reflects reasonable penetration among low- and moderate-income CTs in the Kent AA. We considered that only three percent of businesses in the AA are in low-income CTs.

2020-2021

In 2020 to 2021, the bank's proportion of small business loans in low-income CTs at 8.7 percent exceeded the percentage of businesses and aggregate small business lending at 4.4 and 4.8 percent, respectively. The bank's proportion of small loans to businesses in moderate income CTs at 26.1 percent significantly exceeded the percentage of businesses and aggregate small business lending at 18.4 percent and 17.7 percent, respectively.

2022

Based on our statistical sample of small loans to businesses from 2020 to 2022, the bank's proportion of small business loans in low-income CTs at 0.0 percent was below the percentage of businesses and aggregate small business lending at 3.0 and 2.9 percent, respectively. This is primarily driven by the significant competition from the five large banks holding the majority of the loan market share in the AA, though peer lending to low-income CT businesses has declined year-over year as well. The bank's proportion of small loans to businesses in moderate income CTs at 33.0 percent exceeded the percentage of businesses and aggregate small business lending at 20.5 percent and 20.6 percent, respectively.

Distribution of Loans by Income Level of the Borrower

The bank exhibits reasonable distribution of loans to businesses sizes, given the product lines offered by the bank.

In evaluating the borrower distribution of loans to businesses of different sizes, examiners considered the level of competition and economic conditions within the AA.

Small Loans to Businesses

Refer to Table R in the state of Michigan section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

Kalamazoo AA

FNBM's borrower distribution of small loans to businesses reflects a reasonable penetration among businesses of different sizes within the Kalamazoo AA.

2020-2021

Based on the statistical sample of small loans to businesses from 2020 to 2021, the bank's percentage of small loans to businesses originated at 53.1 percent was below the percentage of small businesses in the AA that report revenues of \$1 million or less at 82.6 percent. However, the bank's percentage of small loans to businesses exceeded the aggregate percentage of small businesses at 47.8 percent.

2022

Based on our statistical sample of small loans in 2022, the bank's percentage of small loans to businesses originated at 54.8 percent was below the percentage of small businesses in the AA that report revenues of \$1 million or less at 82.7 percent. However, the bank's percentage of small loans to businesses slightly exceeded the aggregate percentage of small businesses at 50.0 percent.

Kent AA

FNBM's borrower distribution of small loans to businesses reflects excellent penetration among businesses of different sizes within the Kent AA.

2020-2021

Based on our statistical sample of small loans to businesses from 2020 to 2021, the bank's percentage of small loans to businesses originated at 73.9 percent was below the percentage of small businesses in the AA that report revenues of \$1 million or less at 83.3 percent. However, the bank's percentage of small loans to businesses significantly exceeded the aggregate percentage of small businesses at 43.6 percent.

2022

Based on our statistical sample of small loans to businesses from 2022, the bank's percentage of small loans to businesses originated at 61.9 percent was below the percentage of small businesses in the AA that report revenues of \$1 million or less at 83.3 percent. However, the bank's percentage of small loans to businesses significantly exceeded the aggregate percentage of small businesses at 46.9 percent.

Responses to Complaints

There were no CRA complaints received by the bank or the agency during the evaluation period.

Conclusions for Areas Receiving Limited Scope Reviews

Based on limited scope reviews, the bank's performance under the Lending Test in the Holland and Ingham AAs is consistent with the bank's overall performance under the Lending Test in the full scope area(s).

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the state of Michigan is rated Outstanding.

Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope and limited-scope reviews, the bank exhibits excellent responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area(s).

Number and Amount of Community Development Loans

The Community Development Loans Table, shown below, sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Kalamazoo AA	4	44.4	\$3,129	29.8
Kent AA	0	0.0	\$0	0.0
Holland AA	0	0.0	\$0	0.0
Ingham AA	0	0.0	\$0	0.0
Statewide/Regional with Direct Benefit to AA	5	55.6	\$7,357	70.2

CD loan activity in the state of Michigan was reasonable during the evaluation period, consisting of nine loans totaling \$10.5 million, which benefited the bank's AAs. There were no qualifying loans made in the Kent, Holland, or Ingham AAs. In drawing conclusions, examiners considered the economic impact of the coronavirus pandemic, which reduced the number of opportunities for the bank to engage in CD lending activities.

Kalamazoo AA

FNBM's CD lending within the Kalamazoo AA was reasonable. The bank originated four qualifying CD loans totaling \$3.1 million during the evaluation period. The bank originated two loans, totaling \$605,000, to entities for the development and purchase of low-income housing. The bank also originated two loans totaling \$2.5 million through the SBA 504 Economic Development Program.

Statewide/Regional

FNBM originated five loans totaling \$7.4 million that benefited the broader state-wide area during the evaluation period. The bank originated three loans totaling \$6.4 million through the SBA 504 Economic Development Program.. The bank also originated two loans through the Rural Development Rental Assistance Program.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Kalamazoo AA	4	685	11	2,730	15	57.7	3,415	24.6	0	0
Kent AA	1	400	5	6,870	6	23.1	7,270	52.3	0	0
Holland AA	1	220	0	0	1	3.8	220	1.6	0	0
Ingham AA	0	0	0	0	0	0.0	0	0.0	0	0
Statewide/Regional with Direct Benefit to AA	1	500	3	2,500	4	15.4	3,000	21.6	0	0

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The qualified CD investment activity during evaluation period included the funding of various CD investments, primarily for affordable housing or economic development purposes. Qualified investments include prior period investments that were outstanding during the evaluation period. Based on full-scope reviews, the bank's CD investment performance is outstanding.

Qualified investments benefiting the bank's AA during the period totaled \$13.9 million across 26 investments. This equates to 17.8 percent of tier 1 capital, as of December 31, 2022.

Kalamazoo AA

FNBM's qualified investment activity represents excellent responsiveness to the CD needs of the AA. The bank made 11 qualified investments totaling \$2.7 million during the evaluation period. Qualified investments made during the evaluation period included the following:

- A \$2 million collateralized mortgage obligation (CMO) bond through Freddie Mac to assist in providing a \$19 million loan to a multi-family apartment complex targeted at low- and moderate-income individuals.
- Ten municipal bond investments totaling \$730,000 to the Oshtemo Township to revitalize the area.

Kent AA

FNBM's qualified investment activity represents excellent responsiveness to the CD needs of the AA. The bank made five qualified investments totaling \$6.9 million during the evaluation period. Qualified investments made during the evaluation period included the following:

- \$2.15 million in Uniform Mortgage-Backed Securities to provide financial assistance to low- and moderate-income individuals to obtain affordable housing.
- A \$1.0 million investment through Freddie Mac to a multi-family manufactured housing complex located in a moderate-income census tract.
- A \$470,000 investment through Freddie Mac to assist in providing a total of \$3.5 million in loans to a multi-family apartment complex targeted to low-income individuals.
- A \$2.0 million investment through Freddie Mac to a multi-family manufactured housing complex located in a moderate-income census tract.
- A \$1.25 million investment through Freddie Mac to a multi-family apartment complex targeted to low-income individuals.

Statewide/Regional

FNBM funded \$2.5 million in investments that benefit the statewide area, including the bank's AA. Two investments totaling \$2.0 million were Low-Income Housing Tax Credits (LIHTC). The investments helped create affordable housing units state-wide to benefit low- and moderate-income individuals and geographies. One investment totaling \$500,000 was to Grow Michigan, LLC, a fund that provides growth capital to Michigan businesses who do not have the required capital to grow their businesses.

Community Development Services

FNBM's overall performance in providing qualified CD services in Michigan is Outstanding. The services provided are primarily focused on community services targeted to low- and moderate-income individuals. Bank representatives provided CD services primarily through holding board member positions in community organizations. In addition, bank employees participated in non-qualifying volunteer activity with community organizations that provide services targeting low- and moderate-income individuals.

Kalamazoo AA

The bank's officers and staff participated in thirteen organizations within the AA during the evaluation period, which included:

- Six employees served on the board or loan committee for nine organizations focused on general social services to low- and moderate-income individuals, including those that offer emergency provisions to those in need, youth programs, post-purchase support for low-income homeowners, and food assistance.
- One employee served on the loan committee for an organization that promotes job creation, financial independence, and neighborhood revitalization.

- Two employees served on the board or finance committee for two organizations that provide affordable housing opportunities for low- and moderate-income individuals.

Kent AA

The bank's officers and staff participated in three organizations within the AA during the evaluation period, which included:

- One employee reviewed applications for the Kent Small Business Recovery Program, a COVID-19 recovery program that delivers short term-financial support to small businesses with up to 25 employees.
- One employee served on the finance committee of an organization that works to reduce poverty in West Michigan.
- One employee served on the board of an organization that provides youth services to low- and moderate-income individuals.

Conclusions for Areas Receiving Limited Scope Reviews

Based on limited scope reviews, the bank's performance under the CD Test in the Holland and Ingham AAs is weaker than the bank's overall performance under the CD Test in the full scope area(s). FNBM's performance under the CD test in the Holland and Ingham AAs was weaker due to the lack of qualified CD loans and investments made during the evaluation period. The lack of qualified CD loans and investments was attributed to the COVID-19 pandemic, as well as the newness of the Ingham AA, the level of competition for CD opportunities, and the small percentage of bank deposits in the AA. Performance in the Holland and Ingham AAs did not materially impact the bank's overall CD test rating.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	January 1, 2020, to December 31, 2022	
Bank Products Reviewed:	Small Business Community Development Loans, Qualified Investments, Community Development Services	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Michigan		
Kalamazoo AA	Full-Scope	Kalamazoo County
Kent AA	Full-Scope	Kent County
Holland AA	Limited-Scope	Holland County
Ingham AA	Limited-Scope	Ingham County

Appendix B: Summary of MMSA and State Ratings

RATINGS – First National Bank of Michigan			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
First National Bank of Michigan	Satisfactory	Outstanding	Satisfactory
State:			
Michigan	Satisfactory	Outstanding	Satisfactory

(*) The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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

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

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

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

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

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

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

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

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

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: 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 geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography 2020-21

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
FNB MI - Holland AA	25	12,052	24.8	2,457	0.0	0.0	0.0	11.8	12.0	13.5	74.6	88.0	75.2	13.6	0.0	11.3	0.0	0.0	0.0
FNB MI - Ingham AA	21	42,500	20.8	4,620	9.7	38.1	9.8	23.7	33.3	21.9	23.3	4.8	22.4	39.5	23.8	43.8	3.8	0.0	2.2
FNB MI - Kalamazoo AA	32	40,425	31.7	4,057	8.3	3.1	8.0	19.8	34.4	18.0	45.1	43.8	45.8	26.2	18.8	28.0	0.6	0.0	0.2
FNB MI - Kent AA	23	11,828	22.8	14,366	4.4	8.7	4.8	18.4	26.1	17.7	37.5	30.4	38.0	39.7	34.8	39.4	0.0	0.0	0.0
Total	101	106,805	100	25,500	6.0	10.9	5.8	19.3	26.7	18.1	38.6	43.6	40.0	35.1	18.8	35.7	1.0	0.0	0.4

Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography **2022**

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
FNB MI - Holland AA	21	12,456	26.0	2,299	0.0	0.0	0.0	15.5	4.8	14.1	65.9	52.4	66.6	18.6	42.9	19.2	0.0	0.0	0.0
FNB MI - Ingham AA	6	12,261	7.4	4,662	6.8	16.7	6.7	24.2	50.0	20.1	33.4	16.7	33.3	30.8	16.7	37.3	4.9	0.0	2.5
FNB MI - Kalamazoo AA	31	17,280	38.3	3,963	6.6	6.5	7.8	18.1	29.0	16.9	40.0	38.7	38.9	34.9	25.8	36.3	0.5	0.0	0.2
FNB MI - Kent AA	21	32,447	28.3	13,385	3.0	0.0	2.9	20.5	33.0	20.6	38.6	14.3	37.5	37.4	52.4	38.6	0.5	0.0	0.4
Total	79	73,077	100.0	24,309	4.3	3.8	4.1	20.5	25.3	19.3	40.0	34.2	39.7	33.8	36.7	36.1	1.5	0.0	0.7

Source: 2022 D&B Data; 01/01/2022 - 12/31/2022 Bank Data; 2022 CRA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											
2020-21											
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
FNB MI - Holland AA	25	12,052	24.8	2,457	81.4	68.0	43.6	7.5	32.0	11.1	0.0
FNB MI - Ingham AA	21	42,500	20.8	4,620	81.8	66.7	47.9	5.4	33.3	12.8	0.0
FNB MI - Kalamazoo AA	32	40,840	31.7	4,057	82.6	53.1	47.8	6.0	34.4	11.4	12.5
FNB MI - Kent AA	23	11,828	22.8	14,366	83.3	73.9	43.6	6.5	26.1	10.2	0.00
Total	101	106,805	100	25,500	82.7	64.4	45.1	6.2	31.7	11.1	4.0
<i>Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>											

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2022
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
FNB MI - Holland AA	21	12,456	26.6	2,299	81.9	42.9	49.5	7.1	52.4	11.1	4.8	
FNB MI - Ingham AA	6	12,261	7.6	4,662	82.0	0.0	48.8	5.2	100.0	12.8	0.0	
FNB MI - Kalamazoo AA	31	17,280	39.2	3,963	82.7	54.8	50.0	5.8	45.2	11.5	0.0	
FNB MI - Kent AA	21	31,080	26.6	13,385	83.3	61.9	46.9	6.2	38.1	10.5	0.0	
Total	79	73,077	100	24,309	82.8	49.4	48.0	6.0	49.4	11.3	1.2	
<i>Source: 2022 D&B Data; 01/01/2022 - 12/31/2022 Bank Data; 2022 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>												