

PUBLIC DISCLOSURE

April 29, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

West Michigan Bank & Trust
RSSD# 23045

501 Main Street
Frankfort, MI 49635

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 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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BANK'S CRA RATING

West Michigan Bank & Trust is rated Satisfactory.

West Michigan Bank & Trust provides credit within its assessment area consistent with its size, location, and local economic conditions. The bank's average loan-to-deposit ratio is less than reasonable. A substantial majority of the bank's lending is inside its assessment area and reasonably penetrates borrowers of different income levels and businesses of different revenues. The bank's geographic distribution of loans indicates a reasonable dispersion within the assessment area. In addition, no CRA-related complaints were received by the bank or the Federal Reserve Bank of Chicago since the previous examination.

SCOPE OF EXAMINATION

West Michigan Bank & Trust's CRA performance was evaluated within the context of the institution's assessment area, asset size, financial condition, competition, and economic and social demographics. The bank's assessment area is located on the western border of Michigan and includes the contiguous counties of Benzie and Manistee in their entirety. West Michigan Bank & Trust's Non-Metropolitan Assessment Area is comprised of five census tracts in Benzie County, Michigan and nine census tracts in Manistee County, Michigan. Examiners assessed the bank's level of performance through a review of home mortgage and small business loans made during the period beginning January 1, 2009 and ending December 31, 2012.

Performance in the assessment area was evaluated using streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – Examiners calculated a net average loan-to-deposit (LTD) ratio for West Michigan Bank & Trust based on quarterly LTD activity from December 31, 2008 to December 31, 2012 and compared it to the bank's national peer group and a sample of local competitors.
- ***Lending in the Assessment Area*** – Examiners reviewed the distribution of the bank's home mortgage and small business loans to evaluate the level of the bank's lending within its assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – Examiners analyzed the dispersion of the bank's home mortgage and small business loans to determine its level of lending among assessment area geographies.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – Examiners analyzed the distribution of the bank's home mortgage and small business loans to determine its level of penetration among borrowers of different income levels and businesses of different revenues.

- **Response to Substantiated Complaints** – Neither West Michigan Bank & Trust nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition to the above criteria, two community representatives were interviewed to gain a better perspective of the credit needs of the community.

DESCRIPTION OF INSTITUTION

West Michigan Bank & Trust is an independent financial institution located in Frankfort, Michigan. The bank operates one main office and one full service branch in northwest Michigan. The bank has not opened or closed any branches since the previous evaluation.

West Michigan Bank & Trust serves the local community primarily as a commercial and residential real estate lender. However, the bank does offer other products such as consumer and agricultural loans. In addition, the bank offers standard deposit products, including checking and savings accounts and certificates of deposit.

As of the March 31, 2013 Uniform Bank Performance Report (UBPR), the bank reported total assets of \$41.1 million. The bank's largest loan categories, by dollar amount as a percentage of gross loans and leases, are commercial loans (52.7 percent) and residential real estate loans (36.2 percent), as shown in the table below.

Composition of Loan Portfolio as of March 31, 2013			
(000's)			
Category	Type	\$	%
Real Estate Secured	1-4 Family and Multi-Family Residential	3,089	36.2
	Farmland	610	7.1
	Non-farm, Non-residential	3,962	46.4
	Total Real Estate Secured	7,661	89.7
Agricultural	Agricultural	66	0.8
Commercial	Commercial and Industrial	534	6.3
Consumer	Loans to Individuals	172	2.0
Other	State & Political Subdivisions in the US	107	1.3
	Total	8,540	100.0

Note: Percentages may not total to 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 rated satisfactory under the CRA at its previous evaluation conducted on March 30, 2009.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-METROPOLITAN BENZIE AND MANISTEE COUNTIES

West Michigan Bank & Trust’s assessment area changed since the previous examination. Previously, the bank’s assessment area included only portions of Benzie and Manistee counties. The bank expanded its assessment area to include all 14 census tracts comprising both Benzie and Manistee Counties in their entirety. Benzie County is comprised of five middle-income census tracts. Manistee County consists of one moderate-income and eight middle-income census tracts. None of the tracts are designated as distressed or underserved.

The following tables present a comparison of the bank’s branch and ATM locations to relevant demographic characteristics in the assessment area. The first table presents the distribution under the 2000 Census definitions. The second table presents the distribution under the 2010 Census definitions.

Distribution of Branches and ATMs in the Assessment Area (2000 Census)						
Tract Income Level	Number of Branches	Percentage of Branches	Number of ATMs	Percentage of ATMs	Percentage of Total Families	Percentage of Businesses
Low-Income	0	0.0	0	0.0	0.0	0.0
Moderate-Income	0	0.0	0	0.0	18.0	18.5
Middle-Income	2	100.0	0	0.0	82.0	81.5
Upper-Income	0	0.0	0	0.0	0.0	0.0
Total	2	100.0	0	0.0	100.0	100.0

Distribution of Branches and ATMs in the Assessment Area (2010 Census)						
Tract Income Level	Number of Branches	Percentage of Branches	Number of ATMs	Percentage of ATMs	Percentage of Total Families	Percentage of Businesses
Low-Income	0	0.0	0	0.0	0.0	0.0
Moderate-Income	0	0.0	0	0.0	4.3	3.4
Middle-Income	2	100.0	0	0.0	95.7	96.6
Upper-Income	0	0.0	0	0.0	0.0	0.0
Total	2	100.0	0	0.0	100.0	100.0

According to the June 30, 2012 FDIC Deposit Market Share Report, the Bank ranked seventh in deposits with 6.4 percent of deposit market share in Benzie and Manistee counties. The largest competitors in the assessment area are Honor Bank, PNC Bank NA, Central State Bank, and Northwestern Bank.

FDIC Deposit Market Share Data as of June 30, 2012			
Institution Name	Number of Offices Inside Market	Deposits Inside Market (\$000)	Deposit Market Share %
Honor Bank	5	126,231	25.2
PNC Bank, National Association	2	64,612	12.9
Central State Bank	2	55,809	11.1
Northwestern Bank	1	55,212	11.0
The Huntington National Bank	3	53,120	10.6
State Savings Bank, Frankfort, MI	1	48,107	9.6
West Michigan Bank & Trust	2	32,083	6.4
West Shore Bank	2	31,328	6.3
mBank	1	16,083	3.2
Lake-Osceola State Bank	1	10,379	2.07
The Selby State Bank	1	7,463	1.5
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>			

For home mortgage and small business loans originated prior to 2012, the point at which new census tract definitions became effective, the 2000 Census demographic data was used in the analysis to define the bank's assessment area. For loans originated in calendar year 2012, the 2010 Census demographic data was used in the analysis of the bank's assessment area. Prior to the new census tract definitions, the Non-Metropolitan Benzie and Manistee Counties assessment area consisted of three moderate-income and 11 middle-income geographies. Currently, the assessment area consists of one moderate-income and 13 middle-income census tracts.

The bank's assessment area demographics indicate that low- to moderate-income families accounted for 37.0 percent of the total families within the assessment area in the 2010 Census and 39.4 percent in 2000 Census. Upper- and middle-income families account for 34.8 percent and 25.8 percent of total families, respectively, in 2012. Similarly, upper- and middle-income families account for 38.4 and 24.5 percent, respectively, in 2011. Additional selected demographic information regarding West Michigan Bank & Trust's assessment area is provided in the two tables below.

Assessment Area Demographics									
2000 Census									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	1,991	17.7	
Moderate-income	3	21.4	2,029	18.0	208	10.3	2,450	21.7	
Middle-income	11	78.6	9,239	82.0	467	5.1	2,903	25.8	
Upper-income	0	0.0	0	0.0	0	0.0	3,924	34.8	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	14	100.0	11,268	100.0	675	6.0	11,268	100.0	
	Total Housing Units by Tract		Housing Types by Tract						
			Owner-occupied			Rental		Vacant	
	#	%	#	%	%	#	%	#	%
Low-income	0	0.0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	5,193	21.1	2,369	17.5	45.6	819	15.8	2,005	38.6
Middle-income	19,391	78.9	11,188	82.5	57.7	1,984	10.2	6,219	32.1
Upper-income	0	0.0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	24,584	100.0	13,557	100.0	55.1	2,803	11.4	8,224	33.5
	Total Businesses by Tract		Businesses by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	621	18.5	579	18.5	16	18.0	26	19.5	
Middle-income	2,727	81.5	2,547	81.5	73	82.0	107	80.5	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	3,348	100.0	3,126	100.0	89	100.0	133	100.0	
	Percentage of Total Businesses:			93.4		2.7		4.0	
	Total Farms by Tract		Farms by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	23	16.4	23	16.8	0	0.0	0	0.0	
Middle-income	117	83.6	114	83.2	1	100.0	2	100.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	140	100.0	137	100.0	1	100.0	2	100.0	
	Percentage of Total Farms:			97.9		0.7		1.4	

Note: Percentages may not add to 100.0 percent due to rounding.

Assessment Area Demographics 2010 Census									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	1,992	16.8	
Moderate-income	1	7.1	505	4.3	69	13.7	2,403	20.2	
Middle-income	13	92.9	11,363	95.7	869	7.6	2,912	24.5	
Upper-income	0	0.0	0	0.0	0	0.0	4,561	38.4	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	14	100.0	11,868	100.0	938	7.9	11,868	100.0	
	Total Housing Units by Tract		Housing Types by Tract						
			Owner-occupied			Rental		Vacant	
	#	%	#	%	%	#	%	#	%
Low-income	0	0.0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	1,771	6.4	647	4.3	36.5	118	6.7	1,006	56.8
Middle-income	25,948	93.6	14,319	95.7	55.2	3,029	11.7	8,600	33.1
Upper-income	0	0.0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	27,719	100.0	14,966	100.0	54.0	3,147	11.4	9,606	34.7
	Total Businesses by Tract		Businesses by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	99	3.4	94	3.4	1	1.1	4	3.6	
Middle-income	2,836	96.6	2,644	96.6	86	98.9	106	96.4	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	2,935	100.0	2,738	100.0	87	100.0	110	100.0	
	Percentage of Total Businesses:			93.3		3.0		3.7	
	Total Farms by Tract		Farms by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	2	1.5	2	1.5	0	0.0	0	0.0	
Middle-income	131	98.5	131	98.5	0	0.0	0	0.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	133	100.0	133	100.0	0	0.0	0	0.0	
	Percentage of Total Farms:			100.0		0.0		0.0	

Note: Percentages may not add to 100.0 percent due to rounding.

Population Characteristics

Population in the assessment area is 42,258 according to the 2010 U.S. Census Bureau data. The

following table reflects the change in population from 2000 to 2010 within the assessment area compared to the state of Michigan. The assessment area population grew despite that fact that the state of Michigan experienced an overall decline in population.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Assessment Area	40,525	42,258	4.3
Benzie County	15,998	17,525	9.5
Manistee County	24,527	24,733	0.8
Michigan State	9,938,444	9,883,640	-0.6
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2010—U.S. Census Bureau: Decennial Census</i>			

Income Characteristics

The table below compares income levels for the assessment area to that of the state of Michigan and the individual counties within the assessment area. The assessment area experienced a 22.4 percent increase in median family income compared to the state’s 12.9 percent increase during the same period. Individual counties experienced similar increases of 24.7 and 20.3 percent respectively. According to the 2010 Census data, the assessment area consists of 16.8 percent low-income, 20.3 percent moderate-income, 24.5 percent middle-income, and 38.4 percent upper-income families. Additionally, 7.9 percent of the assessment area’s families are below the poverty line, compared to the state’s 10.6 percent.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income	2006-2010 Median Family Income	Percentage Change
Assessment Area	41,808	51,163	22.4
Benzie County	42,716	53,250	24.7
Manistee County	41,664	50,101	20.3
Michigan State	53,457	60,341	12.9
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>			

According to the Administrative Office of the U.S. Courts, in 2011, Benzie County and Manistee County ranked 36th and 24th out of 83 counties in the State of Michigan for the personal bankruptcy filing rate. The rate per 1,000 in population for 2011 was 4.51 percent for Benzie and 5.00 percent for Manistee, lower than the State of Michigan average of 5.67 percent and higher than the United States average of 4.33 percent. The bankruptcy rate in both counties decreased in 2011, after steadily increasing rates between 2006 and 2010, indicating an improving economy in the assessment area.

Housing Characteristics

According to the 2010 U.S. Census, 54.0 percent of the housing units in the assessment area are owner-occupied; in the moderate-income tract, 36.5 percent of the housing is owner-occupied. The median housing value for the assessment area grew by 57.3 percent while median housing values in the state increased by 23.5 percent over the same time period. Similarly, median gross rent for the assessment area grew by 48.2 percent and 32.4 percent for the state. Please see the table below for further information.

Housing Costs Change 2000 and 2010				
Location	2000 Median Housing Value	2006-2010 Median Housing Value	2000 Median Gross Rent	2006-2010 Median Gross Rent
Assessment Area	88,894	139,846	442	655
Benzie County	104,700	160,200	486	737
Manistee County	79,200	124,000	424	627
Michigan State	110,300	144,200	546	723

*Source: 2000—U.S. Census Bureau: Decennial Census
2006-2010—U.S. Census Bureau: American Community Survey*

A common method to compare the relative affordability of housing across geographic areas is the use of the affordability ratio. The affordability ratio definition can be found in Appendix B. Benzie and Manistee Counties' affordability ratios are .28 and .33, respectively, slightly below the state of Michigan at .34. The ratios indicate housing is slightly less affordable in the assessment area when compared to the state of Michigan.

Foreclosures

The Federal Reserve System conducted a study of the inventory of housing units in some state of the foreclosure process to determine trends; housing units that have completed the foreclosure process and are foreclosed, are not included in this rate. Foreclosure inventory rates for the assessment area continued to increase from 2009 to 2010. The rates peaked in December 2010 before pulling back in 2011 and into 2012. The Benzie County foreclosure inventory rate rose to 3.3 percent before dropping to 2.1 percent in June of 2012, while Manistee County climbed to 3.6 percent before falling to 2.8 percent in the same time period. Similarly, the state of Michigan's foreclosure inventory rate of 3.1 percent peaked in December 2010. Please refer to the Foreclosure Inventory Rates table below for additional information.

Foreclosure Inventory Rates (%)				
Region	2009	2010	2011	June 2012
Benzie County	2.3	3.3	2.3	2.1
Manistee County	1.9	3.6	2.7	2.8
Michigan State	2.7	3.1	2.3	2.1
<i>Source : Federal Reserve Bank of Chicago</i>				

Employment Conditions

Unemployment rates for the assessment area and the state of Michigan increased markedly from 2008 to 2011. Unemployment rates for Benzie and Manistee Counties (12.0 percent and 11.2 percent, respectively) remain higher than the rates for the state of Michigan (10.3 percent) and United States (8.9 percent). While the unemployment rates remain higher in Benzie and Manistee Counties, as well as in the state of Michigan, the rates declined in 2011. Community representatives cited an increase in tourism as the main factor in the improving economic conditions in the assessment area. Please refer to the table below for additional information.

Unemployment Rates (%)				
Region	2008	2009	2010	2011
Benzie County	9.0	13.4	14.8	12.0
Manistee County	8.8	12.6	12.7	11.2
Michigan State	8.3	13.3	12.5	10.3
United States	5.8	9.3	9.6	8.9
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i>				

As of 2011, the largest industries in the assessment area were primarily gambling, manufacturing, public order and safety, and healthcare. The table below lists the largest employers in the assessment area by number of employees.

Largest Employers in the Assessment Area

Company	Number of Employees	Industry
Little River Casino Resort	1,000	Other Gambling Industries
Pactiv Corp	1,000	Sawmill, Woodworking, Paper Machinery
Oaks Maximum Correctional	400	Correctional Institutions
Packaging Corp of America	375	Corrugated & Solid Fiber Box Manufacturing
West Shore Medical Center	340	General Medical & Surgical Hospitals
Crystal Mountain Resort & Spa	301	All Other Traveler Accommodation
Paul Oliver Memorial Hospital	200	General Medical & Surgical Hospitals
Manistee County Med Care Facility	170	Nursing Care Facilities (Skilled Nursing)
Morton Salt	170	All Other Specialty Food Stores

Source: America's Labor Market Information System (ALMIS) - A United States Department of Labor employment and training initiative.

Community Contacts

Two community representatives, one from each county, were contacted during the evaluation to better understand the credit needs of the assessment area. In Manistee County, needs include credit counseling and refinancing awareness. In Benzie County, awareness of resources for small businesses is needed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

West Michigan Bank & Trust's performance relative to the lending test is rated satisfactory. While the average loan-to-deposit ratio is less than reasonable, a substantial majority of the loans were made in the assessment area, and lending reflects a reasonable penetration among geographies in the assessment area and among borrowers of different income levels and businesses of different sizes.

Loan-to-Deposit Ratio

West Michigan Bank & Trust's Loan-to-Deposit (LTD) ratio is less than reasonable given the bank's size, financial condition and the credit needs of the assessment area. As of December 31, 2012, the bank's LTD ratio was 26.9 percent, and its 16-quarter average was 25.5 percent. The bank's LTD ratio is lower than its national peer group and local competitors. The bank's national peer group 16-quarter average LTD ratio is 67.5 percent, and the competitors range from 69.1 percent to 93.3 percent. The bank's LTD ratio is 42.0 percentage points lower than the national peer group LTD ratio, indicating less than reasonable lending activity in relation to the Bank's deposit share.

Various factors within the economic environment may adversely affect the bank's LTD ratio. A few large depositors account for a large portion of the bank's deposit portfolio, skewing the LTD ratio. Loan demand is low, as the assessment area's unemployment rate is higher than the both

national and state rates. The bank’s competitive local banking environment may also contribute to the low LTD ratio.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
West Michigan Bank & Trust	25.5
National Peer Group 13	67.5
Competitors	
Central State Bank	70.3
Honor Bank	82.8
Huntington National Bank	88.3
Lake Osceola State Bank	90.1
M Bank	93.3
Northwestern Bank	85.0
PNC Bank NA	80.1
Shelby State Bank	69.1
State Savings Bank	79.6
West Shore Bank	84.3

Assessment Area Concentration

A substantial majority of the bank’s home mortgage and small business loans were originated within the assessment area. The table below summarizes the bank’s lending inside and outside of the assessment area by product. The distribution of loans illustrates that 96.9 percent of loans by dollar volume and 90.0 percent of loans were originated inside the assessment area, indicating the bank actively serves the credit needs of the bank’s assessment area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$	%	#	%	\$	%
Home Purchase Loans	6	85.7	791	92.4	1	14.3	65	7.6
Refinanced Loans	7	100.0	763	100.0	0	0.0	0	0.0
Home Improvement Loans	3	75.0	24	28.6	1	25.0	60	71.4
Commercial Loans	29	90.6	4,091	98.6	3	9.4	59	1.4
Total Loans	45	90.0	5,669	96.9	5	10.0	184	3.1

Note: Percentages may not add to 100.0 percent due to rounding.

Geographic Distribution of Loans

An analysis of the geographical distribution of loans was conducted to determine the dispersion of loans among the different census tracts by income levels within the assessment area, with a focus on loan penetration in moderate-income census tracts. There are no low-income census tracts in the bank’s assessment area.

For the purposes of this review, loans originated in calendar years 2009, 2010, and 2011 were analyzed based on 2000 Census demographic characteristics. Loans originated in calendar year 2012 were analyzed based on 2010 Census demographic characteristics.

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. In 2009 through 2011, West Michigan Bank & Trust originated 30.0 percent of its home mortgage loans by number and 38.1 percent by dollar in moderate-income census tracts. The bank's lending volume is low; however, lending levels in moderate-income census tracts exceeds the percentage of housing units.

Home Mortgage Lending, 2009-2011 Geographic Distribution (000's)					
Census Tract Income Level	Bank Loans		Bank Loans		Owner- Occupied Housing %
	#	%	\$	%	
Home Purchase Loans					
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	17.5
Middle	1	100.0	96	100.0	82.5
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Total	1	100.0	96	100.0	100.0
Refinanced Loans					
Low	0	0.0	0	0.0	
Moderate	2	33.3	307	43.9	
Middle	4	66.7	392	56.1	
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	6	100.0	699	100.0	
Home Improvement Loans					
Low	0	0.0	0	0.0	
Moderate	1	33.3	5	20.8	
Middle	2	66.7	19	79.2	
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	3	100.0	24	100.0	
Total Home Mortgage Loans					
Low	0	0.0	0	0.0	
Moderate	3	30.0	312	38.1	
Middle	7	70.0	507	61.9	
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	10	100.0	819	100.0	
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>					

In 2012, West Michigan Bank & Trust originated no loans in moderate-income census tracts. However, the assessment area demographics changed with the new census information. Two of the three moderate-income tracts changed to middle-income tracts. The remaining moderate-income tract accounts for only 4.3 percent of the owner-occupied housing in the assessment area indicating limited home mortgage lending opportunities in the moderate-income tract. In addition, overall lending levels were below the volume of the previous year limiting the ability to distribute lending across all census tracts.

Home Mortgage Lending, 2012 Geographic Distribution (000's)					
Census Tract Income Level	Bank Loans		Bank Loans		Owner- Occupied Housing
	#	%	\$	%	%
Home Purchase Loans					
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	4.3
Middle	5	100.0	696	100.0	95.7
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Total	5	100.0	696	100.0	100.0
Refinanced Loans					
Low	0	0.0	0	0.0	
Moderate	0	0.0	0	0.0	
Middle	1	100.0	64	100.0	
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	1	100.0	64	100.0	
Home Improvement Loans					
Low	0	0.0	0	0.0	
Moderate	0	0.0	0	0.0	
Middle	0	0.0	0	0.0	
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	0	0.0	0	0.0	
Total Home Mortgage Loans					
Low	0	0.0	0	0.0	
Moderate	0	0.0	0	0.0	
Middle	6	100.0	760	100.0	
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	6	100.0	760	100.0	

Note: Percentages may not add to 100.0 percent due to rounding.

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the table below, from 2009 through 2011 the bank originated 16.7 percent of its small business loans are comparable to the demographics in the moderate-income tracts.

Small Business Lending, 2009-2011					
Geographic Distribution					
(000's)					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	0.0
Moderate	2	16.7	160	14.9	18.5
Middle	10	83.3	915	85.1	81.5
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Total	12	100.0	1,075	100.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

In 2012, the bank originated no small business loans in moderate-income tracts. Performance in the moderate-income tracts was below demographics. The number of moderate income tracts in 2012 was reduced due to the change of two moderate-income tracts to middle-income from the 2000 Census to the 2010 Census. The percentage of businesses in moderate-income tracts decreased from 18.5% in 2011 to 3.4% in 2012.

Small Business Lending, 2012					
Geographic Distribution					
(000's)					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	3.4
Middle	17	100.0	3,016	100.0	96.6
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Total	17	100.0	3,016	100.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

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

An analysis of home mortgage and small business loans was conducted to determine the level of lending to borrowers of different income levels and businesses of different sizes. Loan distribution reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals, and businesses of different sizes.

West Michigan Bank & Trust originated 60.0 percent of its home mortgage loans by number to low- and moderate-income borrowers between 2009 and 2011. The bank's performance is reasonable when compared to the proportion of low- and moderate-income families (39.4 percent).

For the purposes of this review, loans made in calendar year 2011 or before were analyzed based on 2000 Census demographic characteristics. Loans made in calendar year 2012 were analyzed based on 2010 Census demographic characteristics.

Home Mortgage Lending, 2009-2011 Borrower Distribution (000's)					
Income Level of the Borrower	Bank Loans		Bank Loans		Families by Family Income Level
	#	%	\$	%	%
Home Purchase Loans					
Low	0	0.0	0	0.0	17.7
Moderate	1	100.0	96	100.0	21.7
Middle	0	0.0	0	0.0	25.8
Upper	0	0.0	0	0.0	34.8
Unknown	0	0.0	0	0.0	0.0
Total	1	100.0	96	100.0	100.0
Refinanced Loans					
Low	1	16.7	29	4.1	
Moderate	1	16.7	35	5.0	
Middle	1	16.7	44	6.3	
Upper	3	50.0	591	84.5	
Unknown	0	0.0	0	0.0	
Total	6	100.0	699	100.0	
Home Improvement Loans					
Low	3	100.0	24	100.0	
Moderate	0	0.0	0	0.0	
Middle	0	0.0	0	0.0	
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	3	100.0	24	100.0	
Total Home Mortgage Loans					
Low	4	40.0	53	6.5	
Moderate	2	20.0	131	16.0	
Middle	1	10.0	44	5.4	
Upper	3	30.0	591	72.2	
Unknown	0	0.0	0	0.0	
Total	10	100.0	819	100.0	
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>					

As indicated in the table below, West Michigan Bank & Trust originated 16.7 percent of its home mortgage loans, by number, to low- and moderate-income borrowers. The bank's performance is less than reasonable when compared to the proportion of families by family income level who are low- and moderate-income individuals (37.0 percent). However, the overall number of loans originated by the bank was low, which impacts the potential distribution among borrowers of different income levels.

Home Mortgage Lending, 2012 Borrower Distribution (000's)					
Income Level of the Borrower	Bank Loans		Bank Loans		Families by Family Income Level
	#	%	\$	%	%
Home Purchase Loans					
Low	0	0.0	0	0.0	16.8
Moderate	0	0.0	0	0.0	20.2
Middle	2	40.0	90	12.9	24.5
Upper	3	60.0	606	87.1	38.4
Unknown	0	0.0	0	0.0	0.0
Total	5	100.0	696	100.0	100.0
Refinanced Loans					
Low	0	0.0	0	0.0	
Moderate	1	100.0	19	100.0	
Middle	0	0.0	0	0.0	
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	1	100.0	19	100.0	
Home Improvement Loans					
Low	0	0.0	0	0.0	
Moderate	0	0.0	0	0.0	
Middle	0	0.0	0	0.0	
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	0	0.0	0	0.0	
Total Home Mortgage Loans					
Low	0	0.0	0	0	
Moderate	1	16.7	19	2.7	
Middle	2	33.3	90	12.6	
Upper	3	50.0	606	84.8	
Unknown	0	0.0	0	0.0	
Total	6	100.0	715	100.0	

Note: Percentages may not add to 100.0 percent due to rounding.

Small business lending reflects reasonable penetration among businesses of different revenues. As indicated in the table below, businesses with \$1 million or less in revenue make up 93.4 percent of businesses in the assessment area. Similarly, based on dollar volume, 75.0 percent of the bank's business loans were originated to small businesses with revenues \$1 million or less between 2009 and 2011. The majority of loans, 66.7 percent, were in the amount of \$100,000 or less to small businesses indicating the bank's responsiveness to the needs of very small businesses.

Small Business Loan Distribution, 2009-2011 By Revenue and Loan Size (000's)						
Category	Bank Loans				Businesses By Annual Revenues	
	#	%	\$	%	#	%
By Revenue						
\$1 Million or Less	9	75.0	825	76.7	3,126	93.4
Over \$1 Million	3	25.0	250	23.3	89	2.7
Not Known	0	0.0	0	0.0	133	4.0
Total	12	100.0	1,075	100.0	3,348	100.0
By Loan Size						
\$100,000 or less	8	66.7	363	33.8		
\$101,000 - \$250,000	3	25.0	395	36.7		
\$251,000 - \$1 Million	1	8.3	317	29.5		
Total	12	100.0	1,075	100.0		
By Loan Size and Revenue \$1 Million or Less						
\$100,000 or less	6	66.7	263	31.9		
\$101,000 - \$250,000	2	22.2	245	29.7		
\$251,000 - \$1 Million	1	11.1	317	38.4		
Total	9	100.0	825	100.0		

Note: Percentages may not add to 100.0 percent due to rounding.

Small business lending reflects reasonable penetration among businesses of different revenues in 2012 as well. As indicated in the table below, businesses with \$1 million or less in revenue make up 93.3 percent of businesses in the assessment area. Similarly, based on number of loans, 94.1 percent of the bank's business loans were originated to small businesses with revenues of \$1 million or less. The majority of loans, 56.3 percent, were in the amount of \$100,000 or less to small businesses indicating the bank's responsiveness to the credit needs of very small businesses.

Small Business Loan Distribution, 2012 By Revenue and Loan Size (000's)						
Category	Bank Loans				Businesses By Annual Revenues	
	#	%	\$	%	#	%
By Revenue						
\$1 Million or Less	16	94.1	2,983	98.9	2,738	93.3
Over \$1 Million	1	5.9	33	1.1	87	3.0
Not Known	0	0.0	0	0.0	110	3.7
Total	17	100.0	3,016	100.0	2,935	100.0
By Loan Size						
\$100,000 or less	10	58.8	270	9.0		
\$101,000 - \$250,000	2	11.8	325	10.8		
\$251,000 - \$1 Million	5	29.4	2,421	80.3		
Total	17	100.0	3,016	100.0		
By Loan Size and Revenue \$1 Million or Less						
\$100,000 or less	9	56.3	237	7.9		
\$101,000 - \$250,000	2	12.5	325	10.9		
\$251,000 - \$1 Million	5	31.3	2,421	81.2		
Total	16	100.0	2,983	100.0		

Note: Percentages may not add to 100.0 percent due to rounding.

Response to Complaints

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

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX A – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Loan-to-Deposit Ratio reviewed from December 31, 2008 to December 31, 2012; Residential real estate loans and small business loans reviewed from January 1, 2009 through December 31, 2012		
FINANCIAL INSTITUTION West Michigan Bank & Trust			PRODUCTS REVIEWED • Small Business Loans • Home Mortgage Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-Metropolitan Benzie and Manistee Counties	Full scope review	None	None

APPENDIX B - 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.

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.

Consumer loan: A loan 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, home equity, other secured loan, and other unsecured loan.

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.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

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

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

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

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/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 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 (MMSA). Performance within

each MMSA is analyzed separately as a full-scope review and receives its own ratings under the Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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.

Small loans to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: 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 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.

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