

PUBLIC DISCLOSURE

November 13, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Isabella Bank
RSSD# 74140

139 East Broadway
Mount Pleasant, Michigan 78858

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

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

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INSTITUTION'S CRA RATING

Isabella Bank Overall CRA Rating: Satisfactory

Performance Test Rating Table

The following table indicates the performance level of Isabella Bank with respect to the lending, investment, and service test.

| Isabella Bank | | | |
|---------------------------|-------------------|-----------------|--------------|
| Performance Levels | Performance Tests | | |
| | Lending Test | Investment Test | Service Test |
| Outstanding | | | |
| High Satisfactory | ✓ | ✓ | ✓ |
| Low Satisfactory | | | |
| Needs to Improve | | | |
| Substantial Noncompliance | | | |

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

Summary of Major Factors that Support the Rating

Lending Test:

- Lending levels reflect excellent responsiveness to credit needs in the bank's assessment area;
- A high percentage of loans were made in the bank's assessment area;
- The geographic distribution of loans reflects adequate penetration throughout the bank's assessment areas;
- The distribution of borrowers reflects, given the product lines offered, adequate penetration among customers of different income levels and businesses and farms of different sizes;

- Lending exhibits a good record of serving credit needs of low-income individuals and areas, and very small businesses and farms;
- The bank makes a relatively high level of community development loans, and
- The bank makes use of innovative and flexible lending practices in serving assessment area credit needs.

Investment Test:

- The bank makes a significant level of qualified community development investments and grants, particularly those not routinely provided by private investors, occasionally in a leadership position;
- There is occasional use of innovative and/or complex investments to support community development initiatives; and
- The bank exhibits good responsiveness to credit and community development needs.

Service Test:

- Delivery systems are accessible to the bank's geographies and individuals of different income levels in the assessment areas;
- The bank's record of opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income (LMI) geographies and/or low- and moderate-income individuals;
- The bank's services do not vary in a way that inconveniences its assessment areas, particularly low- and moderate-income geographies and/or low- and moderate-income individuals; and
- The bank provides a relatively high level of community development services.

ISABELLA BANK

DESCRIPTION OF INSTITUTION

Isabella Bank is a large, intrastate community bank headquartered in Mount Pleasant, Michigan, and is wholly owned by Isabella Bank Corporation (IBC), a financial holding company. IBC holds two nonbank subsidiaries, in addition to Isabella Bank, which do not engage in consumer lending or deposit activities.

According to the Uniform Bank Performance Report, the bank reported total assets of \$1.9 billion and total deposits of \$1.7 billion as of June 30, 2023. The bank offers a full range of loan products with commercial lending representing the majority of the loan portfolio at 50.3 percent, by dollar volume. The portfolio is also comprised of residential real estate loans (28.4 percent), consumer loans (10.3 percent), agricultural loans (7.3 percent) and other loans (3.9 percent) as of June 30, 2023.

The bank offers a variety of standard, non-complex deposit products including checking, savings, money market, and certificate of deposit accounts. The bank offers a number of alternative retail delivery services, including mobile banking, internet banking, and automated teller machines (ATMs). The bank's website, www.isabellabank.com, has transactional capabilities and provides customers with the ability to perform account transfers, bill payments, and apply for mortgage and consumer loans. Additionally, through mobile and internet banking capabilities, customers have the ability to review account balances and brokerage accounts, initiate account transfers, bill pay, remote deposit capture, and conduct peer-to-peer transfers.

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

| Composition of Loan Portfolio as of June 30, 2023 (000's) | | |
|---|-----------|----------|
| Type | \$ | % |
| Commercial | 670,663 | 50.3 |
| Residential Real Estate | 379,025 | 28.4 |
| Consumer | 136,943 | 10.3 |
| Agriculture | 96,761 | 7.3 |
| Other | 51,373 | 3.9 |
| Total | 1,334,765 | 100.0 |

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

Isabella Bank is a large intrastate bank that operates within four individual assessment areas throughout the state of Michigan. The bank’s operations include 30 deposit-taking offices, comprised of its main office, 27 full-service branches, and two drive through branches. All branches have a full-service ATM except one of the drive-through branches which has no ATM. Since the previous evaluation, the bank has opened one branch in Saginaw, Michigan and closed four ATMs, an operations center, and one branch location in Lake, Michigan. The bank is also in the process of opening a loan production office in Bay City, Michigan. Details relative to the bank’s branch operations are outlined in the following table:

| Isabella Bank Branch Locations | | | | | | | |
|-----------------------------------|----------------|---------------------|-------------------|------------------|--------------------|-------|-------|
| Assessment Area | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Unknown -Income | Total | |
| | # | # | # | # | # | # | % |
| Grand Rapids-Kentwood, MI MSA | 0 | 3 | 0 | 0 | 0 | 3 | 10.0 |
| Midland, MI MSA | 0 | 1 | 0 | 1 | 0 | 2 | 6.7 |
| Non MSA MI | 0 | 1 | 18 | 1 | 0 | 20 | 66.7 |
| Saginaw, MI, MSA | 0 | 2 | 0 | 3 | 0 | 5 | 16.7 |
| Total | 0 | 7 | 17 | 5 | 1 | 30 | 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.

At its previous evaluation conducted on June 28, 2021, the bank was rated **Satisfactory** under the Community Reinvestment Act (CRA).

SCOPE OF THE EXAMINATION

Isabella Bank’s CRA performance was evaluated using the Federal Financial Institutions Examination Council’s (FFIEC) Large Institution CRA Examination Procedures. Performance was evaluated in the context of information about the institution and its assessment areas, including the bank’s asset size, financial condition, competition, and the economic and demographic characteristics of the assessment area.

Products reviewed include HMDA-reportable and CRA-reportable small business and small farm loans originated from January 1, 2021, through December 31, 2022. HMDA-reportable loans were used to analyze home mortgage lending activity, and CRA-reportable loans were used to analyze small business and small farm lending activity. The evaluation places equal emphasis on HMDA- and CRA-reportable loans given the bank’s primary lending product is consumer closed-end lending and HMDA-reportable loans and CRA-reportable loan origination rates are comparable overall.

The bank's performance was evaluated using the following performance standards:

- ***Lending Activity*** – HMDA-reportable and CRA-reportable small business and small farm loans were reviewed to determine the bank's responsiveness to credit needs in the bank's assessment area from January 1, 2021, through December 31, 2022.
- ***Lending in the Assessment Area*** – HMDA-reportable and CRA-reportable small business and small farm loans were reviewed to determine the percentage of loans originated in the assessment area from January 1, 2021, through December 31, 2022.
- ***Geographic Distribution of Lending in the Assessment Area*** – HMDA-reportable and CRA-reportable small business and small farm loans were analyzed to determine the extent to which the bank is making loans in census tracts of different income levels, including those designated as low-or moderate-income, from January 1, 2021, through December 31, 2022.
- ***Lending to Borrowers of Different Incomes and Businesses and Farms of Different Sizes*** – HMDA-reportable and CRA-reportable small business and small farm loans were analyzed to determine the loan distribution among borrowers of different incomes and businesses and farms of different revenue sizes from January 1, 2021, through December 31, 2022.
- ***Community Development Lending*** – The number, volume, innovativeness, and complexity of community development loans were reviewed from June 29, 2021, through November 13, 2023.
- ***Innovative or Flexible Lending Practices*** – The degree to which the bank uses innovative and flexible lending practices to address the credit needs of low- and moderate- income individuals, small businesses, small farms, and geographies.
- ***Investments*** – Qualified investments from June 29, 2021, through November 13, 2023, were reviewed to determine the bank's responsiveness to community development needs. Qualified investments were also evaluated to determine the bank's use of innovative or complex investments.
- ***Services*** – The distribution of the bank's branch offices, banking services, hours of operation, availability of loan and deposit products, and the extent of the innovativeness of community development services were reviewed from June 29, 2021, to November 13, 2023.

Full-scope examination procedures were conducted for designated assessment areas, which were selected based on several factors including deposit market share, office and ATM concentration, volume of HMDA- and CRA-reportable lending, economic and demographic characteristics, and community development needs. The following areas received full reviews:

Full Review Assessment Areas

- Non-Metropolitan Michigan
- Grand Rapids – Kentwood, MI Metropolitan Statistical Area (MSA) #24340

Assessment areas under limited review were evaluated for consistency with the bank's overall performance. Performance in assessment areas under limited review does not affect the overall rating. The following assessment areas received limited reviews:

Limited Review Assessment Areas

- Midland, MI MSA #33220
- Saginaw, MI MSA #40980

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: community development and economic development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Isabella Bank's performance relative to the lending test is rated **high satisfactory** based on its performance across the combined assessment area. Factors contributing to the rating include: lending activity that reflects excellent responsiveness to credit needs in the bank's combined assessment area; a high percentage of loans originated in the bank's combined assessment area; an adequate geographic distribution of loans throughout the bank's combined assessment area, including low- and moderate-income geographies; and an adequate distribution of loans among individuals of different income levels and to businesses and farms of different revenue sizes. Further, the bank makes a relatively high level of community development loans and makes use of innovative and/or flexible lending practices in serving assessment area credit needs.

Level of Lending Activity

Isabella Bank's lending levels reflect excellent responsiveness to the credit needs in its combined assessment area, taking into account the number and amount of HMDA-reportable, CRA-reportable small business, and small farm loans in its combined assessment area. The bank made 3,233 HMDA- and CRA-reportable loans for a total of \$586.1 million during the review period. This is a decrease from the previous evaluation, however the previous evaluation was approximately 16 months longer.

The following table presents the bank's level of lending activity across the combined assessment area during the review period.

| Summary of Lending Activity | | | | |
|--|--------------|--------------|-----------------|--------------|
| January 1, 2021 – December 31, 2022 | | | | |
| Loan Type | # | % | \$(000s) | % |
| Home Improvement | 184 | 10.1 | 12,783 | 3.5 |
| Home Purchase | 766 | 41.9 | 151,410 | 41.3 |
| Multi-Family Housing | 71 | 3.9 | 94,016 | 25.6 |
| Refinancing | 806 | 44.1 | 108,607 | 29.6 |
| Total HMDA Reportable | 1,827 | 56.5 | 366,875 | 62.6 |
| Total Small Business Reportable | 1,138 | 35.2 | 191,282 | 32.6 |
| Total Small Farm Reportable | 267 | 8.3 | 28,029 | 4.8 |
| Total Loans | 3,232 | 100.0 | 586,186 | 100.0 |

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

Assessment Area Concentration

Isabella Bank made a high percentage of loans in its combined assessment area. The bank originated 86.1 of its loans by number and 80.1 percent by dollar volume within the bank's combined assessment area. During the review period, 84.8 percent by number and 78.6 percent by dollar volume of the bank's HMDA-reportable loans were originated within the combined assessment area. This was slightly above the HMDA-reportable lending during the previous evaluation. Further, the bank's CRA-reportable small business and small farm lending reflects a higher concentration of lending within the assessment area at 86.9 percent and 91.0 percent by number, respectively. This performance relative to CRA-reportable lending is comparable to the bank's performance at the previous evaluation. The following table summarizes the bank's lending inside and outside its combined assessment area for HMDA-reportable and CRA-reportable small business and small farm loans from January 1, 2021, through December 31, 2022.

| Lending Inside and Outside the Assessment Area | | | | | | | | |
|--|--------------|-------------|----------------|-------------|------------|-------------|----------------|-------------|
| Loan Type | Inside | | | | Outside | | | |
| | # | % | \$(000s) | % | # | % | \$(000s) | % |
| Home Improvement | 162 | 88.0 | 10,757 | 84.2 | 22 | 12.0 | 2,026 | 15.8 |
| Home Purchase – Conventional | 612 | 82.3 | 118,145 | 79.5 | 132 | 17.7 | 30,382 | 20.5 |
| Home Purchase – FHA | 16 | 72.7 | 2,056 | 71.3 | 6 | 27.3 | 827 | 28.7 |
| Loan Purpose Not Applicable | 1 | 100.0 | 59 | 100.0 | 0 | 0.0 | 0 | 0.0 |
| Multi-Family Housing | 60 | 84.5 | 65,644 | 69.8 | 11 | 15.5 | 28,372 | 30.2 |
| Refinancing | 700 | 86.8 | 91,661 | 84.4 | 106 | 13.2 | 16,946 | 15.6 |
| Total HMDA Reportable | 1,551 | 84.8 | 288,322 | 78.6 | 277 | 15.2 | 78,553 | 21.4 |
| Total Small Bus. Reportable | 988 | 86.9 | 155,619 | 81.6 | 149 | 13.1 | 35,163 | 18.4 |
| Total Small Farm Reportable | 243 | 91.0 | 25,199 | 89.9 | 24 | 9.0 | 2,830 | 10.1 |
| Total Loans | 2,782 | 86.1 | 469,140 | 80.1 | 450 | 13.9 | 116,546 | 19.9 |

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

Geographic and Borrower Distribution

Isabella Bank’s lending activities reflect adequate distribution throughout the combined assessment area. The bank’s lending activities reflect adequate distribution, particularly in its assessment areas, of loans among individuals of different income levels and to businesses and farms of different revenue sizes, given the product lines offered by the bank. The bank exhibits a good record of serving the credit needs of low- and moderate-income individuals and businesses and farms with gross annual revenues of \$1 million or less, consistent with safe and sound operations. Additionally, the bank makes use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals and geographies. This is demonstrated through various bank products such as the IB Down Payment Assistance program, Lifeline Loan product, and Genesis Loan product.

Refer to the individual assessment areas for more information regarding the bank’s HMDA- and CRA-reportable lending performance.

Community Development Lending

Isabella Bank makes a relatively high level of community development loans and makes use of innovative and/or flexible lending practices in serving assessment area credit needs. The bank originated 10 loans for \$12.5 million in full-scope assessment areas, with total originations of 17 loans for \$24.8 million. The majority of loan dollars were originated for economic development purposes. The following table presents the bank’s community development loans throughout its combined assessment area during the review period. The bank’s community development loans were often found to be responsive to the assessment area needs with the vast majority of loans being qualified as Economic Development or Revitalization/Stabilization.

| Community Development Loans (\$ in 000s) | | | | | | | | | | |
|---|--------------------|----------|--------------------|----------|----------------------|----------|----------------------------------|----------|---------------|-----------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalization/ Stabilization | | Total | |
| | \$ | # | \$ | # | \$ | # | \$ | # | \$ | # |
| Full Scope | | | | | | | | | | |
| Grand Rapids | 0 | 0 | 0 | 0 | 4,600 | 2 | 0 | 0 | 4,600 | 2 |
| Non-MSA | 0 | 0 | 400 | 4 | 3,649 | 2 | 3,860 | 2 | 7,909 | 8 |
| Total Full Scope | 0 | 0 | 400 | 4 | 8,249 | 4 | 3,860 | 2 | 12,509 | 10 |
| Limited Scope | | | | | | | | | | |
| Midland | 1,108 | 2 | 0 | 0 | 0 | 0 | 2,000 | 1 | 3,108 | 3 |
| Saginaw | 0 | 0 | 0 | 0 | 9,228 | 4 | 0 | 0 | 9,228 | 4 |
| Total Limited Scope | 1,108 | 2 | 0 | 0 | 9,228 | 4 | 2,000 | 1 | 12,336 | 7 |
| Grand Total | 1,108 | 2 | 400 | 4 | 17,476 | 8 | 5,860 | 3 | 24,845 | 17 |

INVESTMENT TEST

Isabella Bank's performance relative to the Investment Test is High Satisfactory. The bank made a significant level of qualified community development investments and grants, particularly those not routinely provided by private investors, occasionally in a leadership position. Isabella Bank makes occasional use of innovative and/or complex investments to support community initiatives and demonstrates good responsiveness to credit and community development needs. Isabella Bank makes occasional use of innovative and/or complex investments to support community initiatives and demonstrates good responsiveness to credit and community development needs.

During the current review period as well as outstanding from the prior review period, the bank's qualified investment total was \$51.5 million. At the previous evaluation, \$53.3 million community development investments were made, however this was over a performance evaluation period of 15.5 months longer than the current evaluation. Because the bank was deemed to have been responsive to community development credit needs of its assessment areas, examiners also considered community development investments outside of its assessment areas.

The following table presents the bank's community development investments throughout its assessment areas, as well as the broader statewide or regional area, during the review period. Additional information on the bank's qualified community development investment activity is provided in the individual assessment area sections.

| Community Development Investments | | | | | | | | | | |
|--|---------------------------|----------|---------------------------|----------|-----------------------------|----------|-------------------------------------|-----------|---------------|-----------|
| (\$ in 000s) | | | | | | | | | | |
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalization/Stabilization | | Total | |
| | \$ | # | \$ | # | \$ | # | \$ | # | \$ | # |
| Full Scope | | | | | | | | | | |
| Grand Rapids | 0 | 0 | 6,300 | 3 | 0 | 0 | 16,424 | 5 | 22,724 | 8 |
| Non-MSA | 0 | 0 | 3,649 | 1 | 0 | 0 | 15,372 | 29 | 19,020 | 30 |
| Total Full Scope | 0 | 0 | 9,949 | 4 | 0 | 0 | 31,796 | 34 | 41,744 | 38 |
| Limited Scope | | | | | | | | | | |
| Midland | 5,000 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 5,000 | 1 |
| Saginaw | 0 | 0 | 3,369 | 2 | 0 | 0 | 959 | 3 | 4,329 | 5 |
| Total Limited Scope | 5,000 | 1 | 3,369 | 2 | 0 | 0 | 959 | 3 | 9,329 | 6 |
| Broader Statewide/Regional Area | 322 | 3 | 0 | 0 | 77 | 1 | 0 | 0 | 399 | 4 |
| Grand Total | 5,322 | 4 | 13,318 | 6 | 77 | 1 | 32,755 | 37 | 51,472 | 48 |

In addition, the bank made a total of \$386,871 in community development grants and donations during the evaluation period. This is a decrease from the \$526,225 in donations from the previous evaluation. However, as explained earlier, the previous evaluation period was approximately 15.5 months longer than in this evaluation. Because the bank was deemed to have been responsive to community development credit needs of its assessment areas, examiners also considered community development grants and donations outside of its assessment areas. Refer to the individual assessment area sections of the performance evaluation for additional detail on community development investments and grants/donations.

The following table presents the bank's community development contributions and donations throughout the assessment areas and the broader statewide or regional area during the review period. Additional information on the bank's community development donations activity is provided in the individual assessment area sections.

| Community Development Donations | | | | | | | | | | |
|--|---------------------------|----------|---------------------------|------------|-----------------------------|-----------|-------------------------------------|----------|----------------|------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalization/Stabilization | | Total | |
| | \$ | # | \$ | # | \$ | # | \$ | # | \$ | # |
| Full Scope | | | | | | | | | | |
| Grand Rapids | 0 | 0 | 50,403 | 18 | 6,532 | 3 | 0 | 0 | 56,935 | 21 |
| Non-MSA | 360 | 1 | 188,571 | 80 | 29,000 | 9 | 10,300 | 3 | 228,231 | 93 |
| Total Full Scope | 360 | 1 | 238,973 | 98 | 35,532 | 12 | 10,300 | 3 | 285,165 | 114 |
| Limited Scope | | | | | | | | | | |
| Midland | 500 | 2 | 6,495 | 11 | 3,000 | 1 | 16,000 | 3 | 25,995 | 17 |
| Saginaw | 50 | 1 | 24,695 | 25 | 3,850 | 2 | 3,500 | 2 | 32,095 | 30 |
| Total Limited Scope | 550 | 3 | 31,190 | 36 | 6,850 | 3 | 19,500 | 5 | 58,090 | 47 |
| Broader Statewide/Regional Area | 0 | 0 | 33,615 | 20 | 10,000 | 2 | 0 | 0 | 43,615 | 22 |
| Grand Total | 910 | 4 | 303,779 | 154 | 52,382 | 17 | 29,800 | 8 | 386,871 | 183 |

SERVICE TEST

Isabella Bank's performance relative to the Service Test is High Satisfactory. The bank's service delivery systems are accessible to geographies and individuals of different income levels in its assessment areas. The bank's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Services and business hours do not vary in a way that inconveniences the needs of its assessment areas, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Finally, the bank provides a relatively high level of community development services.

Retail Services

Isabella Bank's retail delivery services are accessible to geographies and individuals of different income levels in its assessment area. To the extent changes have been made, its record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals. Its services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment areas, particularly low- or moderate-income geographies or low- or moderate-income individuals.

The bank's retail services are provided through its network of the bank's main office, 27 full-service branches, and two drive-through branches. All branches have a full-service ATM except one drive through branch which has no ATM. The bank has no branches in low-income census tracts, but five branches in moderate-income census tracts. Bank hours and services are reasonable and do not vary in a way that inconveniences low- and moderate-income geographies or individuals. Office hours range from 9:00 a.m. to 4:00 or 5:00 p.m., Monday through Friday. Multiple locations also provide drive-up services with extended hours and services on Saturday. In addition to branch hours, appointments with lenders for loan applications at the applicant's convenience and internet, phone, and mobile banking services make the bank's products and services accessible to low- and moderate-income individuals and in low- and moderate-income census tracts.

Community Development Services

Isabella Bank provides a relatively high level of community development services. The bank provided 3,148 community development service hours to organizations during the evaluation period. This was a decrease from the previous evaluation period when bank employees provided 4,214 hours. Service hours were mostly devoted to community services, representing 82.7 percent of the total. The bank uses community liaisons to adapt to community needs to make services are responsive. The following table displays community development services in the assessment areas

and broader statewide or regional area during the review period. Additional information on the bank's community development services activity is provided in the individual assessment area sections.

| Community Development Services | | | | | |
|--|---------------------------|---------------------------|-----------------------------|-------------------------------------|--------------|
| Assessment Area | Affordable Housing | Community Services | Economic Development | Revitalization/Stabilization | Total |
| | Hours | Hours | Hours | Hours | Hours |
| Full Scope | | | | | |
| Grand Rapids | 2 | 293 | 69 | 62 | 426 |
| Non-MSA | 98 | 1,563 | 105 | 16 | 1,782 |
| Total Full Scope | 100 | 1,856 | 174 | 78 | 2,208 |
| Limited Scope | | | | | |
| Midland | 61 | 79 | 47 | 20 | 207 |
| Saginaw | 22 | 660 | 43 | 0 | 725 |
| Total Limited Scope | 83 | 739 | 90 | 20 | 932 |
| Broader Statewide/Regional Area | 0 | 8 | 0 | 0 | 8 |
| Grand Total | 183 | 2,603 | 264 | 98 | 3,148 |

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

NON-MSA MICHIGAN - Full Review

SCOPE OF THE EXAMINATION

The scope for this assessment area is consistent with the scope presented in the overall section of the Performance Evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON-MSA MICHIGAN¹

The Non-MSA Michigan assessment area remains unchanged since the previous evaluation and is comprised of four contiguous counties in their entirety: Clare, Gratiot, Isabella, and Mecosta. Located within the assessment area are the bank's main office, 19 branch offices, and 19 full-service ATMs. Since the previous evaluation, the bank has closed a branch with an ATM and an operations center with a cash only ATM in moderate-income census tract and closed three cash only ATMs in middle-income census tracts.

In 2021, the Non-MSA Michigan assessment area contained distressed middle-income census tracts in Isabella County due to poverty. Likewise, in 2022, the Non-MSA Michigan assessment area contained distressed middle-income census tracts in Clare County due to unemployment.

In 2021, the assessment area consisted of 47 census tracts, of which one was low-income, 10 census tracts were designated moderate-income, 31 census tracts were considered middle-income, three census tracts were upper-income, and two census tracts were considered unknown-income. While the delineation of the assessment area has not changed, the composition and total number of census tracts has changed, a result of the income designation changes from the 2016 – 2020 American Community Survey for 2022, compared to the income designations for 2021 that used data from the 2011 – 2015 American Community Survey. In 2022, the assessment area was comprised of 53 census tracts: one low-income; 13 moderate-income; 29 middle-income; five upper-income; and five unknown-income. The unknown-income tracts are due to the presence of Central Michigan Correctional Facility and Ferris State University.

Tract Designation Change Data

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

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

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

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

| Census Tract Designation Changes American Community Survey Data (ACS) | | | |
|--|------------------------------|------------------------------|-----------------------|
| Tract Income Designation | 2021 Designations (#) | 2022 Designations (#) | Net Change (#) |
| Low | 1 | 1 | 0 |
| Moderate | 10 | 13 | 3 |
| Middle | 31 | 29 | -2 |
| Upper | 3 | 5 | 2 |
| Unknown | 2 | 5 | 3 |
| Total | 47 | 53 | 6 |
| <small>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020</small> | | | |

The following presentation of key demographics used to help inform the evaluation of bank activity in its assessment area is based on a comparison of two sets of ACS data, 2011-2015 and 2016-2020.

According to the June 30, 2022, FDIC Deposit Market Share Report, Isabella Bank ranks first among nine FDIC-insured financial institutions operating within the same assessment area. The bank held \$1.3 billion in deposits, representing 40.6 percent of the total deposit market share in the assessment area. Comparatively, the second largest shareholder, Mercantile Bank of Michigan, holds 18.2 percent of the assessment area's deposits.

Isabella Bank ranks first out of 266 aggregate lenders in 2022 HMDA-reportable transactions. A total of 528 (527 originated and one purchased) originations were reported by the bank compared to 342 reported by the second largest peer, Rocket Mortgage, LLC. Further, the 2021 CRA Market Peer Report ranks Isabella Bank first out of 67 reporters. The bank originated and purchased 1,123 CRA-reportable loans in 2021; whereas, the second-ranked institution, Mercantile Bank of Michigan, originated or purchased 424 loans in the assessment area. Additional demographic information about the assessment area is provided in the following table.

| 2022 MI Non MSA AA Demographics | | | | | | | | |
|---|---------------------------|-----------------------|------------------------------------|--------------|--|--------------|---------------------------|--------------|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low | 1 | 1.9 | 361 | 0.9 | 108 | 29.9 | 9,778 | 23.4 |
| Moderate | 13 | 24.5 | 9,709 | 23.2 | 1,624 | 16.7 | 8,113 | 19.4 |
| Middle | 29 | 54.7 | 27,417 | 65.5 | 3,092 | 11.3 | 9,231 | 22.1 |
| Upper | 5 | 9.4 | 3,747 | 9.0 | 220 | 5.9 | 14,724 | 35.2 |
| Unknown | 5 | 9.4 | 612 | 1.5 | 268 | 43.8 | 0 | 0.0 |
| Total AA | 53 | 100.0 | 41,846 | 100.0 | 5,312 | 12.7 | 41,846 | 100.0 |
| | Housing Units by Tract | Housing Type by Tract | | | | | | |
| | | Owner-occupied | | | Rental | | Vacant | |
| | | # | % by tract | % by unit | # | % by unit | # | % by unit |
| Low | 1,313 | 89 | 0.2 | 6.8 | 1,073 | 81.7 | 151 | 11.5 |
| Moderate | 24,714 | 11,407 | 23.1 | 46.2 | 5,113 | 20.7 | 8,194 | 33.2 |
| Middle | 54,733 | 33,176 | 67.0 | 60.6 | 9,358 | 17.1 | 12,199 | 22.3 |
| Upper | 7,246 | 4,404 | 8.9 | 60.8 | 1,976 | 27.3 | 866 | 12.0 |
| Unknown | 2,710 | 406 | 0.8 | 15.0 | 1,586 | 58.5 | 718 | 26.5 |
| Total AA | 90,716 | 49,482 | 100.0 | 54.5 | 19,106 | 21.1 | 22,128 | 24.4 |
| | Total Businesses by Tract | | Businesses by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 38 | 0.6 | 31 | 0.6 | 7 | 1.4 | 0 | 0.0 |
| Moderate | 1,257 | 21.3 | 1,130 | 21.2 | 107 | 22.2 | 20 | 19.4 |
| Middle | 3,869 | 65.5 | 3,482 | 65.5 | 315 | 65.2 | 72 | 69.9 |
| Upper | 537 | 9.1 | 491 | 9.2 | 37 | 7.7 | 9 | 8.7 |
| Unknown | 204 | 3.5 | 185 | 3.5 | 17 | 3.5 | 2 | 1.9 |
| Total AA | 5,905 | 100.0 | 5,319 | 100.0 | 483 | 100.0 | 103 | 100.0 |
| Percentage of Total Businesses: | | | | 90.1 | | 8.2 | | 1.7 |
| | Total Farms by Tract | | Farms by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 33 | 6.8 | 33 | 7.0 | 0 | 0.0 | 0 | 0.0 |
| Middle | 386 | 79.9 | 378 | 80.3 | 8 | 66.7 | 0 | 0.0 |
| Upper | 63 | 13.0 | 59 | 12.5 | 4 | 33.3 | 0 | 0.0 |
| Unknown | 1 | 0.2 | 1 | 0.2 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 483 | 100.0 | 471 | 100.0 | 12 | 100.0 | 0 | 0.0 |
| Percentage of Total Farms: | | | | 97.5 | | 2.5 | | 0.0 |
| Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | | |

Population Characteristics

The following table presents the population trends for the assessment area and the state of Michigan from 2015 to 2020. According to the 2020 U.S. Census Bureau demographic data, the assessment area’s population is 176,725. The assessment area experienced a moderate decrease of 5.3 percent in population between 2015 and 2020, which is well below the Total Non MSA Michigan counties (including those not in the bank’s assessment area) and the state of Michigan’s population growth of 1.8 percent during the same time period. Amongst the bank’s assessment area counties, all but Clare County experienced a decrease in population from 2015 – 2022. A community representative confirmed population trends are largely stagnated in most of the assessment area. The representative noted some of the declines are due to broader trends of people moving from rural to urban areas in the state for jobs opportunities.

| Population Change | | | |
|---|-----------------|-----------------|-----------------------|
| Area | 2015 Population | 2020 Population | Percentage Change (%) |
| Non-MSA Michigan | 186,558 | 176,725 | -5.3% |
| Clare County, MI | 30,710 | 30,856 | 0.5% |
| Gratiot County, MI | 41,878 | 41,761 | -0.3% |
| Isabella County, MI | 70,669 | 64,394 | -8.9% |
| Mecosta County, MI | 43,301 | 39,714 | -8.3% |
| Total Non-MSA Michigan | 1,806,007 | 1,807,574 | 0.1% |
| State of Michigan | 9,900,571 | 10,077,331 | 1.8% |
| <i>Source: 2011-2015 – U.S. Census Bureau: American Community Survey 2020 U.S. Census Bureau Decennial Census</i> | | | |

Income Characteristics

According to 2016-2020 ACS data, the median family income (MFI) for the assessment area was \$59,177, increasing 6.5 percent since the 2011-2015 ACS survey. This was lower than the Total Non-MSA Michigan (10.9 percent) and below the rest of the state of Michigan’s growth at 11.0 percent. Amongst the counties that comprise the bank’s assessment area, Clare County outpaced all counties with an increase in MFI of 14.7 percent, while Isabella County experienced the lowest percentage increase at 1.5 percent. A community representative noted a lack of high paying jobs as reason for the lack of growth but noted that worker shortages and inflation have increased incomes in surrounding communities.

Median Family Income Change

| Area | 2015 Median Family Income (\$) | 2020 Median Family Income (\$) | Percent Change (%) |
|------------------------|--------------------------------|--------------------------------|--------------------|
| Non-MSA Michigan | 55,580 | 59,177 | 6.5 |
| Clare County, MI | 43,890 | 50,358 | 14.7 |
| Gratiot County, MI | 56,666 | 59,719 | 5.4 |
| Isabella County, MI | 61,660 | 62,601 | 1.5 |
| Mecosta County, MI | 58,938 | 60,798 | 3.2 |
| Total Non-MSA Michigan | 58,593 | 64,965 | 10.9 |
| State of Michigan | 68,010 | 75,410 | 11.0 |

Source: 2011 - 2015 and 2016 – 2020 U.S. Census Bureau American Community Survey
Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.

Housing Characteristics

According to 2022 FFIEC Census Data, there are a total of 90,716 units in the assessment area. The majority of the housing units in the assessment area are owner-occupied at 54.6 percent, rental units comprise 21.1 percent, while 24.4 percent are vacant.

The following table presents the housing cost burden within the assessment area, the individual counties that comprise the assessment area, the total Non-MSA Michigan counties, and the state of Michigan overall in 2022. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. For renters within the assessment area, 48.3 percent across all income levels experience this cost burden and low- and moderate-income renters experience this burden at 72.6 and 36.0 percent, respectively. These numbers are largely comparable to the rest of the state. For owners, 19.0 percent experience this cost burden across all income levels. Similar to the characteristics for renters, low-income borrowers’ experience this cost burden at a significantly higher rate (61.1 percent) in comparison to moderate-income borrowers (25.1 percent).

According to FFIEC HMDA loan and application records, overall home mortgage trends reflect increases in home mortgage activity in recent years in the assessment area. These trends suggest a continued increase in demand for home purchases, potentially increasing home values and indicating that the housing cost burden for low-and moderate-income borrowers will remain elevated. A community representative noted affordable housing, particularly housing for families as a growing need for the community.

| Housing Cost Burden | | |
|---------------------|---------------------------|--------------------------|
| Area | Cost Burden (%) - Renters | Cost Burden (%) - Owners |

| | Low Income | Moderate Income | All Renters | Low Income | Moderate Income | All Owners |
|---|------------|-----------------|-------------|------------|-----------------|------------|
| Non-MSA Michigan | 72.6 | 36.0 | 48.3 | 61.1 | 25.1 | 19.0 |
| Clare County, MI | 64.5 | 38.2 | 48.0 | 62.7 | 23.6 | 23.4 |
| Gratiot County, MI | 69.8 | 31.8 | 42.7 | 55.7 | 26.2 | 16.7 |
| Isabella County, MI | 78.6 | 38.1 | 51.7 | 64.6 | 26.1 | 18.1 |
| Mecosta County, MI | 66.6 | 34.0 | 45.8 | 60.0 | 24.5 | 18.5 |
| Total Non-MSA Michigan | 67.0 | 27.2 | 39.3 | 58.8 | 25.4 | 18.3 |
| State of Michigan | 74.2 | 31.3 | 43.2 | 61.7 | 26.5 | 18.2 |
| <i>Cost Burden is housing cost that equals 30 percent or more of household income</i> | | | | | | |
| <i>Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy</i> | | | | | | |

Employment Conditions

The following table presents employment characteristics for the assessment area, the Total Non-MSA Michigan counties, and the state of Michigan. Overall, the region experienced low and stable unemployment rates between 2017 and 2019, with a notable increase in 2020 due to the widespread economic downturn caused by the COVID-19 pandemic. In 2021, the unemployment rate within the assessment area fell to 6.0 percent which is comparable to the rest of the state of Michigan at 5.9 percent. Amongst the counties that comprise the bank’s assessment area, Clare County maintained the highest unemployment rate of 8.0 percent while Isabella County maintained the lowest rate at 5.3. percent. A community representative noted that many businesses are experiencing a shortage of workers and unemployment rates have continued to trend lower.

| Unemployment Rates (%) | | | | | |
|---|------|------|------|------|------|
| Area | 2017 | 2018 | 2019 | 2020 | 2021 |
| Non-MSA Michigan | 5.2 | 4.6 | 4.5 | 9.3 | 6.0 |
| Clare County, MI | 6.9 | 6.2 | 6.2 | 12.1 | 8.0 |
| Gratiot County, MI | 5.4 | 4.7 | 4.4 | 8.3 | 5.6 |
| Isabella County, MI | 4.4 | 3.9 | 3.9 | 8.7 | 5.3 |
| Mecosta County, MI | 5.6 | 5.0 | 4.7 | 9.5 | 6.4 |
| Total Non-MSA Michigan | 5.5 | 4.9 | 4.8 | 9.4 | 5.9 |
| State of Michigan | 4.6 | 4.2 | 4.1 | 10.0 | 5.9 |
| <i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i> | | | | | |

Industry Characteristics

According to data maintained by the U.S. Bureau of Labor Statistics, the assessment area has a large number of employees in the fields of manufacturing, retail trade, accommodation and food

services, and health care. A community representative noted that manufacturing jobs were declining slightly but still the largest area of employment for the community.

Community Representatives

One community representative with a focus on economic development was contacted to increase understanding of the credit needs and market conditions within the assessment area. The representative noted that the population in the assessment area was largely stagnate, with a slight trend on people moving to the urban areas in the state. The representative discussed a worker shortage for businesses in various sectors. Finally, the representative noted a need for financial literacy and affordable housing programs from financial institutions in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON-MSA MICHIGAN

LENDING TEST

Geographic Distribution of Loans

For the purposes of this review, loans made in calendar 2021 and prior were analyzed based on the 2011-2015 American Community Survey income designations data². Loans made in calendar years 2022 and after were analyzed based on income designations from the 2016-2020 American Community Survey data.

Isabella Bank's lending activities reflect adequate distribution throughout the assessment area. The bank originated HMDA-reportable loans in 46 (86.8 percent) of the 53 census tracts in the assessment area in 2022. The bank did not originate HMDA-reportable loans in the one low-income tract but did have HMDA lending in 92.3 percent of moderate-income tracts. The bank originated CRA-reportable loans in 48 (90.6 percent) of the 53 census tracts in the assessment area in 2022. This includes originating in the one low-income tract and 76.9 percent of the moderate-income tracts.

A detailed discussion of HMDA-reportable and CRA-Reportable small business and small farm lending in relation to aggregate and census demographics is provided below. Specific to HMDA-reportable lending, multi-family lending will not be discussed as originations were too low for a meaningful analysis to be conducted. When determining performance, the comparison to aggregate of lender data were weighted more heavily than assessment area demographics (i.e., percentage of owner-occupied housing units) as it is a better measure of loan demand.

HMDA-Reportable Loans

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

Home Purchase Loans

Home purchase loans represented 41.7 percent of the bank's HMDA-reportable loans originated in the assessment area in 2022. The bank did not originate any loans in the one low-income census tract which was comparable to the aggregate rate of 0.2 percent and the percentage owner-occupied housing units 0.2 percent. Within moderate-income census tracts, the bank originated 14.7 percent of home purchase loans which was below the aggregate of lenders rate of 24.6 percent and below the percentage owner-occupied housing units (23.1 percent). Within middle-income census tracts, the bank originated 66.0 percent of its home purchase loans. This was comparable to both the aggregate of lenders as well as the percentage owner-occupied housing units (65.5 and 67.0 percent, respectively). The bank originated 18.3 percent of its home purchase loans in upper-income tracts, above the aggregate of lenders at 9.1 percent as well as the percentage owner-occupied housing units located in upper-income tracts at 8.9 percent. The performance of the 2022 lending was comparable to 2021 lending for home purchase loans.

Refinance Loans

In 2022, refinanced home loans represented 35.8 percent of the bank's HMDA-reportable loans located in the assessment area. The bank did not originate any loans in the one low-income census tract which was comparable to the aggregate rate of 0.1 percent and the percentage owner-occupied housing units 0.2 percent. In moderate-income tracts the bank originated 10.1 percent of refinance loans which was below the aggregate of lenders rate of 21.5 percent and below the percentage owner-occupied housing units (23.1 percent). In middle-income tracts, the bank originated 74.6 percent of its refinance loans. This was above both the aggregate of lenders as well as the percentage owner-occupied housing units (68.7 and 67.0 percent, respectively). In upper-income tracts, the bank originated 14.8 percent of its refinance loans, which was above the aggregate of lenders (8.4 percent) as well as the percentage of owner-occupied housing units (8.9 percent). Refinance lending performance in 2022 was consistent with that of 2021.

Home Improvement Loans

In 2022, home improvement loans represented 20.3 percent of the bank's HMDA-reportable loans located in the assessment area. The bank did not originate any loans in the one low-income census tract which was comparable to the aggregate rate of 0.0 percent and the percentage owner-occupied housing units 0.2 percent. In moderate-income tracts, the bank originated 11.5 percent of its home improvement loans, which was below both the aggregate of lenders rate of 17.0 percent and below the percentage owner-occupied housing units (23.1 percent). In middle-income tracts, the bank originated 76.0 percent of home improvement loans, which was above the aggregate of lenders rate of 72.1 percent and percentage owner-occupied housing units of 67.0 percent. In upper-income tracts, the bank originated 12.5 percent of home improvement loans, which was slightly above the aggregate of lenders rate of 9.3 percent and percentage owner-occupied housing units of 8.9 percent. Home improvement lending performance in 2022 was consistent with that of

2021. The following tables summarize the bank's 2022 and 2021 HMDA-reportable lending in the assessment area.

| Distribution of 2022 Home Mortgage Lending By Income Level of Geography Assessment Area: MI Non MSA | | | | | | | |
|--|--------------------------|--------------|--------------|---------------|--------------|--------------|-----------------------------------|
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Owner Occupied Units % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | % | % | |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0.0 | 0.2 | 0 | 0.0 | 0.2 | 0.2 |
| Moderate | 29 | 14.7 | 24.6 | 4,902 | 13.7 | 19.8 | 23.1 |
| Middle | 130 | 66.0 | 65.5 | 21,992 | 61.4 | 67.9 | 67.0 |
| Upper | 36 | 18.3 | 9.1 | 8,487 | 23.7 | 11.2 | 8.9 |
| Unknown | 2 | 1.0 | 0.6 | 440 | 1.2 | 0.9 | 0.8 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 197 | 100.0 | 100.0 | 35,821 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 0 | 0.0 | 0.1 | 0 | 0.0 | 0.1 | 0.2 |
| Moderate | 17 | 10.1 | 21.5 | 1,879 | 10.1 | 17.6 | 23.1 |
| Middle | 126 | 74.6 | 68.7 | 13,262 | 71.0 | 70.8 | 67.0 |
| Upper | 25 | 14.8 | 8.4 | 3,512 | 18.8 | 10.3 | 8.9 |
| Unknown | 1 | 0.6 | 1.3 | 26 | 0.1 | 1.2 | 0.8 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 169 | 100.0 | 100.0 | 18,679 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.2 |
| Moderate | 11 | 11.5 | 17.0 | 438 | 7.0 | 15.2 | 23.1 |
| Middle | 73 | 76.0 | 72.1 | 5,036 | 80.1 | 75.3 | 67.0 |
| Upper | 12 | 12.5 | 9.3 | 817 | 13.0 | 8.5 | 8.9 |
| Unknown | 0 | 0.0 | 1.6 | 0 | 0.0 | 1.1 | 0.8 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 96 | 100.0 | 100.0 | 6,291 | 100.0 | 100.0 | 100.0 |
| Multifamily Loans | | | | | | | Multi-family Units % |
| Low | 0 | 0.0 | 5.0 | 0 | 0.0 | 7.6 | 10.4 |
| Moderate | 1 | 11.1 | 25.0 | 140 | 1.1 | 13.9 | 26.3 |
| Middle | 6 | 66.7 | 55.0 | 4,812 | 38.2 | 43.8 | 30.7 |
| Upper | 1 | 11.1 | 10.0 | 400 | 3.2 | 4.3 | 14.4 |
| Unknown | 1 | 11.1 | 5.0 | 7,250 | 57.5 | 30.4 | 18.3 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 9 | 100.0 | 100.0 | 12,602 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | Owner Occupied Units % |
| Low | 0 | 0.0 | 0.2 | 0 | 0.0 | 0.4 | 0.2 |
| Moderate | 59 | 12.5 | 22.8 | 7,418 | 10.1 | 18.8 | 23.1 |
| Middle | 335 | 71.0 | 67.3 | 45,102 | 61.4 | 68.2 | 67.0 |
| Upper | 74 | 15.7 | 8.8 | 13,216 | 18.0 | 10.5 | 8.9 |
| Unknown | 4 | 0.8 | 1.0 | 7,716 | 10.5 | 2.1 | 0.8 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 472 | 100.0 | 100.0 | 73,452 | 100.0 | 100.0 | 100.0 |
| Source: 2022 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey | | | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | |

| Distribution of 2021 Home Mortgage Lending By Income Level of Geography | | | | | | | |
|---|--------------------------|--------------|--------------|----------------|--------------|--------------|-----------------------------------|
| Assessment Area: MI Non MSA | | | | | | | |
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Owner Occupied Units % |
| | Bank | | Agg | Bank | | Agg | |
| | # | #% | #% | \$(000) | % | % | |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0.0 | 0.1 | 0 | 0.0 | 0.1 | 0.1 |
| Moderate | 15 | 6.8 | 19.5 | 2,239 | 5.8 | 16.1 | 18.3 |
| Middle | 176 | 79.3 | 74.2 | 29,806 | 76.7 | 76.4 | 75.8 |
| Upper | 31 | 14.0 | 6.2 | 6,796 | 17.5 | 7.4 | 5.8 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 222 | 100.0 | 100.0 | 38,841 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 2 | 0.6 | 0.2 | 272 | 0.6 | 0.2 | 0.1 |
| Moderate | 24 | 7.0 | 15.3 | 2,941 | 6.3 | 12.8 | 18.3 |
| Middle | 279 | 81.8 | 77.6 | 37,319 | 79.6 | 78.7 | 75.8 |
| Upper | 36 | 10.6 | 6.9 | 6,341 | 13.5 | 8.3 | 5.8 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 341 | 100.0 | 100.0 | 46,873 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.1 |
| Moderate | 2 | 11.1 | 15.4 | 290 | 22.1 | 13.2 | 18.3 |
| Middle | 13 | 72.2 | 78.1 | 869 | 66.3 | 81.1 | 75.8 |
| Upper | 3 | 16.7 | 6.5 | 151 | 11.5 | 5.7 | 5.8 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 18 | 100.0 | 100.0 | 1,310 | 100.0 | 100.0 | 100.0 |
| Multifamily Loans | | | | | | | Multi-family Units % |
| Low | 1 | 6.7 | 6.7 | 2,840 | 18.3 | 22.7 | 22.3 |
| Moderate | 4 | 26.7 | 30.0 | 1,812 | 11.7 | 18.9 | 28.9 |
| Middle | 6 | 40.0 | 50.0 | 6,851 | 44.1 | 50.3 | 37.6 |
| Upper | 4 | 26.7 | 13.3 | 4,025 | 25.9 | 8.1 | 11.2 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 15 | 100.0 | 100.0 | 15,528 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | Owner Occupied Units % |
| Low | 3 | 0.5 | 0.2 | 3,112 | 3.0 | 1.4 | 0.1 |
| Moderate | 45 | 7.6 | 17.3 | 7,282 | 7.1 | 14.7 | 18.3 |
| Middle | 474 | 79.5 | 75.9 | 74,845 | 73.0 | 76.1 | 75.8 |
| Upper | 74 | 12.4 | 6.7 | 17,313 | 16.9 | 7.9 | 5.8 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 596 | 100.0 | 100.0 | 102,552 | 100.0 | 100.0 | 100.0 |
| Source: 2021 FFIEC Census Data | | | | | | | |
| 2011-2015 U.S. Census Bureau: American Community Survey | | | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | |

Small Business Loans

In 2021, the bank originated 225 small business loans in the assessment area. Isabella Bank originated five (2.2 percent), within low-income tracts, which was comparable to both the aggregate of lenders (1.6 percent), and the total businesses in low-income tracts at 2.3 percent. The bank originated 14 (6.2 percent), within moderate-income tracts, which was below both the aggregate of lenders at 13.4 percent and the percentage of total businesses in moderate-income tracts at 17.7 percent. Within middle-income census tracts, the bank originated 78.2 percent of its small business loans, which was above the performance of aggregate of lenders at 74.8 percent and the percentage of small businesses at 71.7 percent. The bank’s distribution of small business loans across geographies of different income levels in 2022 was consistent with the distribution of loans in 2021. Information for both years is provided in the following tables.

| Distribution of 2021 Small Business Lending By Income Level of Geography | | | | | | | |
|--|--------------------------|--------------|--------------|---------------|--------------|--------------|--------------------------|
| Assessment Area: MI Non MSA | | | | | | | |
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Total Businesses % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | \$% | \$% | |
| Low | 5 | 2.2 | 1.6 | 2,705 | 6.8 | 3.5 | 2.3 |
| Moderate | 14 | 6.2 | 13.4 | 3,041 | 7.7 | 13.2 | 17.7 |
| Middle | 176 | 78.2 | 74.8 | 24,884 | 63.0 | 70.5 | 71.7 |
| Upper | 30 | 13.3 | 9.8 | 8,865 | 22.4 | 12.8 | 8.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.2 |
| Tract-Unk | 0 | 0.0 | 0.4 | 0 | 0.0 | 0.0 | |
| Total | 225 | 100.0 | 100.0 | 39,495 | 100.0 | 100.0 | 100.0 |

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey

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

| Distribution of 2022 Small Business Lending By Income Level of Geography | | | | | |
|--|-------------|--------------|---------------|--------------|-----------------------|
| Assessment Area: MI Non MSA | | | | | |
| Geographic Income Level | Bank Loans* | | | | Total Businesses % |
| | # | #% | \$(000) | % | |
| Low | 5 | 1.2 | 711 | 1.2 | 0.6 |
| Moderate | 45 | 10.6 | 6,193 | 10.4 | 21.3 |
| Middle | 311 | 73.3 | 40,002 | 67.4 | 65.5 |
| Upper | 55 | 13.0 | 11,303 | 19.0 | 9.1 |
| Unknown | 8 | 1.9 | 1,146 | 1.9 | 3.5 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 424 | 100.0 | 59,355 | 100.0 | 100.0 |

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.

Small Farm Loans

In 2021, Isabella Bank originated 41 small farm loans. The bank did not originate any loans in low- or moderate-income census tracts. However, 0.0 percent of total farms were located in low-income tracts and only 3.5 percent were located in moderate-income tracts. The bank originated 97.6 percent of its small farm loans in middle-income tracts, which was slightly above the aggregate of lenders (94.2 percent) and the percentage of total farms located in these tracts at 92.8 percent. The bank originated 2.4 percent of its small farm loans in upper-income tracts which was slightly below the aggregate of lenders (4.1 percent) and the percentage of total farms located in upper-income tracts of 3.7 percent. The bank's small farm lending in 2022 for LMI tracts exceeded its lending in 2021. Information for both years is provided in the following tables.

| Distribution of 2021 Small Farm Lending By Income Level of Geography | | | | | | | |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|------------------|
| Assessment Area: MI Non MSA | | | | | | | |
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Total Farms % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | % | % | |
| Low | 0 | 0.0 | 0.8 | 0 | 0.0 | 1.0 | 0.0 |
| Moderate | 0 | 0.0 | 0.8 | 0 | 0.0 | 0.3 | 3.5 |
| Middle | 40 | 97.6 | 94.2 | 3,420 | 99.0 | 92.1 | 92.8 |
| Upper | 1 | 2.4 | 4.1 | 35 | 1.0 | 6.6 | 3.7 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 41 | 100.0 | 100.0 | 3,455 | 100.0 | 100.0 | 100.0 |

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey

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

| Distribution of 2022 Small Farm Lending By Income Level of Geography | | | | | | |
|--|-------------|--------------|---------------|--------------|------------------|--|
| Assessment Area: MI Non MSA | | | | | | |
| Geographic Income Level | Bank Loans* | | | | Total Farms % | |
| | # | % | \$(000) | % | | |
| Low | 4 | 3.0 | 361 | 2.5 | 0.0 | |
| Moderate | 9 | 6.8 | 448 | 3.1 | 6.8 | |
| Middle | 108 | 81.2 | 12,431 | 86.8 | 79.9 | |
| Upper | 12 | 9.0 | 1,082 | 7.6 | 13.0 | |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.2 | |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 133 | 100.0 | 14,322 | 100.0 | 100.0 | |

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.

Due to rounding, certain percentages may reflect 0.0 percent.

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

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

Isabella Bank's lending activities reflect adequate distribution, particularly in this assessment area, of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the bank. A breakdown of the bank's borrower distribution for HMDA- and CRA-reportable lending is discussed in more detail below by individual products. Multifamily loans are not included in the borrower distribution analysis, as borrower income is not required to be reported for this product type and, therefore, were not included in the following applicable percentage calculations.

HMDA-Reportable Lending

Home Purchase Loans

In 2022, the bank originated 8.1 percent of its home purchase loans to low-income borrowers, which was below the aggregate of lenders and the percentage of low-income families located in the assessment area (10.4 and 23.4 percent, respectively). Among moderate-income borrowers, the bank originated 17.3 percent of its home purchase loans, which was below the aggregate of lenders at 23.8 percent and slightly below the percentage of moderate-income families located in the assessment area at 19.4 percent. Home purchase loans to middle-income borrowers at 19.3 percent was below the aggregate lenders at 21.3 percent, as well as the percentage of middle-income families at 22.1 percent. The bank made 37.1 percent of its home purchase loans to upper-income borrowers which was above the aggregate of lenders at 28.3 percent, and slightly above the percentage of upper-income families in the assessment area at 35.2 percent. Lastly, the bank made 18.3 percent of its home purchase loans to unknown-income borrowers which was above the aggregate of lenders at 16.2 percent. The performance of 2022 home purchase lending was comparable to 2021 lending for home purchase loans.

Refinance Loans

In 2022, the bank originated 13.6 percent of its refinance loans to low-income borrowers, which was comparable to the aggregate of lenders (13.7 percent) and below the percentage of low-income families located in the assessment area at 23.4 percent. Among moderate-income borrowers, the bank originated 13.0 percent of its refinance loans, which was below both the aggregate of lenders (25.7 percent) and the percentage of moderate-income families located in the assessment area at

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

19.4 percent. Among middle-income borrowers, the bank originated 13.0 percent of its refinance loans, which was below both the aggregate of lenders (22.3 percent) and the percentage of middle-income families (22.1 percent). Among upper-income borrowers, the bank's performance of 30.8 percent was slightly above the aggregate of lenders, but below the percentage of upper-income families (28.8 percent and 35.2 percent, respectively). Lastly, the bank made 29.6 percent of its refinance loans to unknown-income borrowers which was above the aggregate of lenders at 9.5 percent. The bank's performance of 2022 refinance lending was comparable to 2021 lending.

Home Improvement Loans

In 2022, the bank originated 7.3 percent of its home improvement loans to low-income borrowers, which was comparable to aggregate of lenders (8.5 percent), but below the percentage of low-income families located in the assessment area at 23.4 percent. Among moderate-income borrowers, the bank originated 18.8 percent of its home improvement loans, which was comparable to both the aggregate of lenders (20.2 percent), and the percentage of moderate-income families located in the assessment area at 19.4 percent. Among middle-income borrowers, the bank originated 25.0 percent of its home improvement loans, which was slightly above both the aggregate of lenders (23.9 percent) and the percentage of middle-income families at 22.1 percent. Among upper-income borrowers, the bank's performance of 41.7 percent was comparable to the aggregate of lenders (44.0 percent) and above the percentage of upper-income families 35.2 percent. Lastly, the bank made 7.3 percent of its home improve loans to unknown-income borrowers which was above the aggregate of lenders at 3.4 percent. The performance of the 2022 home improvement lending was comparable to 2021 lending. The following tables summarize the bank's 2022 and 2021 HMDA-reportable lending in the assessment area.

| Distribution of 2022 Home Mortgage Lending By Borrower Income Level | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|--------------|--------------------------------|--------------|
| Assessment Area: MI Non MSA | | | | | | | |
| Borrower Income Level | Bank And Aggregate Loans | | | | | Families by Family Income % | |
| | Bank | | Agg | Bank | | | Agg |
| | # | #% | #% | \$(000) | % | | % |
| Home Purchase Loans | | | | | | | |
| Low | 16 | 8.1 | 10.4 | 1,606 | 4.5 | 5.7 | 23.4 |
| Moderate | 34 | 17.3 | 23.8 | 4,253 | 11.9 | 18.6 | 19.4 |
| Middle | 38 | 19.3 | 21.3 | 6,511 | 18.2 | 20.9 | 22.1 |
| Upper | 73 | 37.1 | 28.3 | 17,637 | 49.2 | 38.9 | 35.2 |
| Unknown | 36 | 18.3 | 16.2 | 5,814 | 16.2 | 16.0 | 0.0 |
| Total | 197 | 100.0 | 100.0 | 35,821 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 23 | 13.6 | 13.7 | 1,685 | 9.0 | 9.0 | 23.4 |
| Moderate | 22 | 13.0 | 25.7 | 1,745 | 9.3 | 21.6 | 19.4 |
| Middle | 22 | 13.0 | 22.3 | 3,095 | 16.6 | 23.0 | 22.1 |
| Upper | 52 | 30.8 | 28.8 | 7,527 | 40.3 | 36.9 | 35.2 |
| Unknown | 50 | 29.6 | 9.5 | 4,627 | 24.8 | 9.6 | 0.0 |
| Total | 169 | 100.0 | 100.0 | 18,679 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 7 | 7.3 | 8.5 | 256 | 4.1 | 5.4 | 23.4 |
| Moderate | 18 | 18.8 | 20.2 | 690 | 11.0 | 13.6 | 19.4 |
| Middle | 24 | 25.0 | 23.9 | 1,258 | 20.0 | 21.1 | 22.1 |
| Upper | 40 | 41.7 | 44.0 | 3,388 | 53.9 | 54.0 | 35.2 |
| Unknown | 7 | 7.3 | 3.4 | 699 | 11.1 | 5.8 | 0.0 |
| Total | 96 | 100.0 | 100.0 | 6,291 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | |
| Low | 46 | 9.9 | 11.1 | 3,547 | 5.8 | 6.5 | 23.4 |
| Moderate | 74 | 16.0 | 23.7 | 6,688 | 11.0 | 19.1 | 19.4 |
| Middle | 84 | 18.1 | 21.8 | 10,864 | 17.9 | 21.4 | 22.1 |
| Upper | 165 | 35.6 | 30.5 | 28,552 | 46.9 | 39.3 | 35.2 |
| Unknown | 94 | 20.3 | 12.9 | 11,199 | 18.4 | 13.8 | 0.0 |
| Total | 463 | 100.0 | 100.0 | 60,850 | 100.0 | 100.0 | 100.0 |
| <p>Source: 2022 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey</p> <p>Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.</p> | | | | | | | |

| Distribution of 2021 Home Mortgage Lending By Borrower Income Level | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|--------------|--------------------------------|--------------|
| Assessment Area: MI Non MSA | | | | | | | |
| Borrower Income Level | Bank And Aggregate Loans | | | | | Families by Family Income % | |
| | Bank | | Agg | Bank | | | Agg |
| | # | #% | #% | \$(000) | % | | % |
| Home Purchase Loans | | | | | | | |
| Low | 13 | 5.9 | 9.3 | 1,166 | 3.0 | 5.6 | 22.7 |
| Moderate | 36 | 16.2 | 23.7 | 4,311 | 11.1 | 17.7 | 19.0 |
| Middle | 51 | 23.0 | 21.3 | 7,988 | 20.6 | 20.6 | 20.0 |
| Upper | 95 | 42.8 | 31.1 | 22,513 | 58.0 | 42.0 | 38.3 |
| Unknown | 27 | 12.2 | 14.6 | 2,863 | 7.4 | 14.1 | 0.0 |
| Total | 222 | 100.0 | 100.0 | 38,841 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 21 | 6.2 | 7.0 | 1,482 | 3.2 | 3.8 | 22.7 |
| Moderate | 57 | 16.7 | 17.7 | 6,063 | 12.9 | 13.5 | 19.0 |
| Middle | 79 | 23.2 | 24.7 | 9,102 | 19.4 | 21.9 | 20.0 |
| Upper | 136 | 39.9 | 37.0 | 24,488 | 52.2 | 45.8 | 38.3 |
| Unknown | 48 | 14.1 | 13.6 | 5,738 | 12.2 | 15.1 | 0.0 |
| Total | 341 | 100.0 | 100.0 | 46,873 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 2 | 11.1 | 9.5 | 125 | 9.5 | 6.2 | 22.7 |
| Moderate | 2 | 11.1 | 16.6 | 150 | 11.5 | 12.5 | 19.0 |
| Middle | 3 | 16.7 | 25.4 | 190 | 14.5 | 26.5 | 20.0 |
| Upper | 8 | 44.4 | 46.2 | 685 | 52.3 | 52.1 | 38.3 |
| Unknown | 3 | 16.7 | 2.4 | 160 | 12.2 | 2.7 | 0.0 |
| Total | 18 | 100.0 | 100.0 | 1,310 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | |
| Low | 36 | 6.2 | 8.2 | 2,773 | 3.2 | 4.8 | 22.7 |
| Moderate | 95 | 16.4 | 20.2 | 10,524 | 12.1 | 15.5 | 19.0 |
| Middle | 133 | 22.9 | 23.1 | 17,280 | 19.9 | 21.3 | 20.0 |
| Upper | 239 | 41.1 | 34.6 | 47,686 | 54.8 | 43.9 | 38.3 |
| Unknown | 78 | 13.4 | 13.9 | 8,761 | 10.1 | 14.5 | 0.0 |
| Total | 581 | 100.0 | 100.0 | 87,024 | 100.0 | 100.0 | 100.0 |
| Source: 2021 FFIEC Census Data | | | | | | | |
| 2011-2015 U.S. Census Bureau: American Community Survey | | | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | |
| Multifamily loans are not included in the borrower distribution analysis. | | | | | | | |

Small Business Loans

In 2021, the bank originated 85 loans or 37.8 percent of small business loans to businesses with revenues of \$1 million or less. This rate was below the aggregate lender rate of 46.6 percent and significantly below the percentage of total businesses with revenues of \$1 million or less in the assessment area at 90.3 percent. Lower dollar loans, particularly those with a loan amount of \$100,000 or less, are the most responsive to the smallest businesses. Of the 85 small business loans, 51.8 percent were made in amounts of \$100,000 or less. The bank's distribution of small business

loans by lending revenue size in 2022 was consistent with the distribution of loans in 2021. Information for both years is provided in the following tables.

| Distribution of 2021 Small Business Lending By Revenue Size of Businesses | | | | | | | |
|--|---------------------------------|----------|------------|----------------|------------|------------|-----------------------------------|
| Assessment Area: MI Non MSA | | | | | | | |
| | Bank And Aggregate Loans | | | | | | Total Businesses % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | \$% | \$% | |
| By Revenue | | | | | | | |
| \$1 Million or Less | 85 | 37.8 | 46.6 | 16,731 | 42.4 | 35.6 | 90.3 |
| Over \$1 Million | 103 | 45.8 | | 19,702 | 49.9 | | 8.0 |
| Revenue Unknown | 37 | 16.4 | | 3,062 | 7.8 | | 1.8 |
| Total | 225 | 100.0 | | 39,495 | 100.0 | | 100.0 |
| By Loan Size | | | | | | | |
| \$100,000 or Less | 139 | 61.8 | 83.7 | 5,972 | 15.1 | 25.6 | |
| \$100,001 - \$250,000 | 43 | 19.1 | 9.3 | 7,500 | 19.0 | 21.9 | |
| \$250,001 - \$1 Million | 43 | 19.1 | 7.0 | 26,023 | 65.9 | 52.6 | |
| Total | 225 | 100.0 | 100.0 | 39,495 | 100.0 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | | | |
| \$100,000 or Less | 44 | 51.8 | | 2,217 | 13.3 | | |
| \$100,001 - \$250,000 | 21 | 24.7 | | 3,487 | 20.8 | | |
| \$250,001 - \$1 Million | 20 | 23.5 | | 11,027 | 65.9 | | |
| Total | 85 | 100.0 | | 16,731 | 100.0 | | |
| <i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i> | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | |

| Distribution of 2022 Small Business Lending By Revenue Size of Businesses | | | | | |
|--|--------------------|-----------|----------------|----------|-------------------------------|
| Assessment Area: MI Non MSA | | | | | |
| | Bank Loans* | | | | Total Businesses % |
| | # | #% | \$(000) | % | |
| By Revenue | | | | | |
| \$1 Million or Less | 198 | 46.7 | 26,935 | 45.4 | 90.1 |
| Over \$1 Million | 176 | 41.5 | 30,142 | 50.8 | 8.2 |
| Revenue Unknown | 50 | 11.8 | 2,278 | 3.8 | 1.7 |
| Total | 424 | 100.0 | 59,355 | 100.0 | 100.0 |
| By Loan Size | | | | | |
| \$100,000 or Less | 280 | 66.0 | 12,329 | 20.8 | |
| \$100,001 - \$250,000 | 82 | 19.3 | 14,800 | 24.9 | |
| \$250,001 - \$1 Million | 62 | 14.6 | 32,226 | 54.3 | |
| Total | 424 | 100.0 | 59,355 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | |
| \$100,000 or Less | 131 | 66.2 | 6,186 | 23.0 | |
| \$100,001 - \$250,000 | 44 | 22.2 | 7,638 | 28.4 | |
| \$250,001 - \$1 Million | 23 | 11.6 | 13,111 | 48.7 | |
| Total | 198 | 100.0 | 26,935 | 100.0 | |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.</i> | | | | | |

Small Farm Loans

In 2021, Isabella Bank originated 65.9 percent of its farm loans to farms with \$1 million in revenue or less. This performance is above the aggregate performance of 51.3 percent and below the percentage of small farms in the assessment area, at 97.5 percent. Further, 74.1 percent of those were in amounts of \$100,000 or less, which are typically considered the most beneficial to small farms, indicating the bank's willingness to meet the credit needs of small farms. The bank's distribution of lending to farms of different sizes revenue sizes in 2021 was consistent with that in 2022. Information for both years is provided in the following tables.

| Distribution of 2021 Small Farm Lending By Revenue Size of Farms | | | | | | | |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Assessment Area: MI Non MSA | | | | | | | |
| | Bank And Aggregate Loans | | | | | | Total Farms % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | % | % | |
| By Revenue | | | | | | | |
| \$1 Million or Less | 27 | 65.9 | 51.3 | 2,226 | 64.4 | 68.6 | 97.5 |
| Over \$1 Million | 4 | 9.8 | | 984 | 28.5 | | 2.5 |
| Revenue Unknown | 10 | 24.4 | | 245 | 7.1 | | 0.0 |
| Total | 41 | 100.0 | | 3,455 | 100.0 | | 100.0 |
| By Loan Size | | | | | | | |
| \$100,000 or Less | 32 | 78.0 | 88.8 | 1,264 | 36.6 | 42.4 | |
| \$100,001 - \$250,000 | 6 | 14.6 | 7.0 | 989 | 28.6 | 25.2 | |
| \$250,001 - \$500,000 | 3 | 7.3 | 4.1 | 1,202 | 34.8 | 32.4 | |
| Total | 41 | 100.0 | 100.0 | 3,455 | 100.0 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | | | |
| \$100,000 or Less | 20 | 74.1 | | 935 | 42.0 | | |
| \$100,001 - \$250,000 | 6 | 22.2 | | 989 | 44.4 | | |
| \$250,001 - \$500,000 | 1 | 3.7 | | 302 | 13.6 | | |
| Total | 27 | 100.0 | | 2,226 | 100.0 | | |
| <i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i> | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | |

| Distribution of 2022 Small Farm Lending By Revenue Size of Farms | | | | | |
|--|-------------|-------|---------|-------|---------------|
| Assessment Area: MI Non MSA | | | | | |
| | Bank Loans* | | | | Total Farms % |
| | # | % | \$(000) | \$% | |
| By Revenue | | | | | |
| \$1 Million or Less | 99 | 74.4 | 11,861 | 82.8 | 97.5 |
| Over \$1 Million | 12 | 9.0 | 1,840 | 12.8 | 2.5 |
| Revenue Unknown | 22 | 16.5 | 621 | 4.3 | 0.0 |
| Total | 133 | 100.0 | 14,322 | 100.0 | 100.0 |
| By Loan Size | | | | | |
| \$100,000 or Less | 81 | 60.9 | 3,248 | 22.7 | |
| \$100,001 - \$250,000 | 39 | 29.3 | 6,302 | 44.0 | |
| \$250,001 - \$500,000 | 13 | 9.8 | 4,772 | 33.3 | |
| Total | 133 | 100.0 | 14,322 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | |
| \$100,000 or Less | 55 | 55.6 | 2,465 | 20.8 | |
| \$100,001 - \$250,000 | 33 | 33.3 | 5,374 | 45.3 | |
| \$250,001 - \$500,000 | 11 | 11.1 | 4,022 | 33.9 | |
| Total | 99 | 100.0 | 11,861 | 100.0 | |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.</i> | | | | | |

Community Development Lending

Isabella Bank makes a relatively high level community development loans. During the review period, the bank made eight community development loans totaling \$7.9 million in the assessment area. The bank’s lending was primarily in economic development and revitalization and stabilization purposes which were responsive to the community needs of the assessment area. Innovative or flexible lending practices did not impact the bank’s community development performance. Overall, this was lower than the previous evaluation when the bank made \$22.8 million. This was over a time period approximately 16 months longer and was buoyed by the bank’s participation in the Paycheck Protection Program (PPP). The following table presents the bank’s community development loans in the assessment area during the review period.

| Community Development Loans | | | | | | | | | | |
|----------------------------------|--------------------|---|--------------------|---|----------------------|---|----------------------------------|---|-------|---|
| June 29, 2021 –November 13, 2023 | | | | | | | | | | |
| (Dollars in 000s) | | | | | | | | | | |
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalization and Stabilization | | Total | |
| | \$ | # | \$ | # | \$ | # | \$ | # | \$ | # |
| Non-MSA Michigan | 0 | 0 | 400 | 4 | 3,649 | 4 | 3,860 | 2 | 7,909 | 8 |

INVESTMENT TEST

Isabella Bank made a significant level of qualified community development investments and grants, particularly those not routinely provided by private investors, occasionally in a leadership position. The bank makes occasional use of innovative and/or complex investments to support community initiatives. The bank demonstrates excellent responsiveness to credit and community development needs. This was evidenced through the majority of investments being qualified as revitalization and stabilization. The bank made a combined total (current and prior period funding) of approximately \$19.0 million. This was comprised of \$11.6 million in prior period funding and \$7.4 million in new funding. Overall, the volume of qualified investments also represents a decrease from the previous evaluation when the bank made \$34.8 million in qualified investments in the assessment area. The following table presents the bank’s community development investments in the assessment area during the review period.

| Qualified Investments June 29, 2021 –November 13, 2023 (Dollars in 000s) | | | | | | | | | | |
|--|--------------------|----------|----------------------|----------|----------------------------------|----------|--------------------|----------|-------|----------|
| Assessment Area | Affordable Housing | | Economic Development | | Revitalization and Stabilization | | Community Services | | Total | |
| | # | \$ (000) | # | \$ (000) | # | \$ (000) | # | \$ (000) | # | \$ (000) |
| Non-MSA Michigan | 0 | 0 | 0 | 0 | 29 | 15,372 | 1 | 3,648 | 30 | 19,020 |

Isabella Bank also distributed a total of \$228,231 in qualified grants and donations in the current evaluation period. The majority of dollars were to organizations providing community services. The bank’s total qualified grants and donations decreased from the prior period when donations totaled approximately \$342,000. The following table presents the bank’s community development grants and donations in the assessment area during the review period.

| Community Development Grants and Donations June 29, 2021 –November 13, 2023 | | | | | |
|--|--------------------|----------------------------------|--------------------|----------------------|---------|
| Assessment Area | Affordable Housing | Revitalization and Stabilization | Community Services | Economic Development | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Non-MSA Michigan | 0 | 10,300 | 188,571 | 29,000 | 228,231 |

SERVICE TEST

Isabella Bank’s delivery systems are accessible to the bank’s geographies and individuals of different income levels in the assessment area; the bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income geographies and individuals; services do not vary in a way that inconveniences

the needs of its assessment area, particularly low- and moderate-income geographies and/or low- and moderate-income individuals; and the bank provides a relatively high level of community development services.

Retail Services

The distribution of the branch offices and ATMs is performed using current data (2023) and any changes in the median family income level of the geographies where the branches are located.

Isabella Bank retail delivery services are accessible to geographies and individuals of different income levels in its assessment area. To the extent changes have been made, its record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals. Its services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment area, particularly low- or moderate-income geographies or low- or moderate-income individuals. Bank hours are from 9:00 a.m. to 5:00 p.m., Monday through Friday. Most of the locations include drive-up services with extended hours and services on Saturday. The bank closed five locations in this assessment area, including three cash-only ATMs, an operations center with a cash only ATM, and one branch with an ATM, in a moderate-income tract which has not impacted the assessment area. Provided below is a table detailing the bank’s branch operations in the assessment area.

| Branch Location Census Tract Designation | | | | | | | | | | | | |
|--|------------|-----|-----------------|-----|---------------|------|--------------|-----|----------------|---|-------|-------|
| Non-MSA Michigan Assessment Area | Low-Income | | Moderate-Income | | Middle-Income | | Upper-Income | | Unknown-Income | | Total | |
| | # | % | # | % | # | % | # | % | # | % | # | % |
| Branches | 0 | 0.0 | 1 | 5.0 | 18 | 90.0 | 1 | 5.0 | 0 | 0 | 20 | 100.0 |
| ATMs | 0 | 0.0 | 1 | 5.3 | 17 | 89.5 | 1 | 5.3 | 0 | 0 | 19 | 100.0 |

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

Community Development Services

Isabella Bank provides a relatively high level of community development services. Bank employees provided 1,782 hours primarily in community development services. Overall, the bank’s performance decreased from the previous evaluation’s community development service hours, which totaled 2,455 hours. However, as previously stated this evaluation was over a shorter time period which most significantly impacts service hours. Services hours were primarily qualified as community services hours representing 87.7 percent of total hours qualified. The bank volunteered for 98 affordable housing hours which is responsive to the assessment area needs.

| Community Development Services June 29, 2021 –November 13, 2023 | | | | | |
|--|---------------------------|---|---------------------------|-----------------------------|--------------------|
| Assessment Area | Affordable Housing | Revitalization and Stabilization | Community Services | Economic Development | Total Hours |
| Non-MSA Michigan | 98 | 16 | 1,563 | 105 | 1,782 |

GRAND RAPIDS-KENTWOOD, MI MSA #24340 - Full Review

SCOPE OF THE EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Grand Rapids-Kentwood, MI MSA #24340 assessment area. The scope is consistent with the scope of examination described within the institution summary. For further information, refer to the "Scope of the Examination" section for details.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN GRAND RAPIDS-KENTWOOD, MI MSA #24340⁴

Isabella Bank's Grand Rapids-Kentwood, MI MSA #24340 assessment area remains unchanged since the previous evaluation and consists of Montcalm County in its entirety, but excludes Ionia, Kent, and Ottawa Counties. Located within the assessment area are three full-service branch locations with full-service ATMs representing no change in branch operations within the assessment area since the previous evaluation. All three branches are located in moderate-income census tracts.

In 2021, the assessment area consisted of 13 census tracts, of which 10 were moderate-income and three tracts were middle-income. There were no low-income or upper-income census tracts in the assessment area. While the delineation of the assessment area has not changed, the composition and total number of census tracts has changed, a result of the income designation changes from the 2016 – 2020 American Community Survey for 2022, compared to the income designations for 2021 that used data from the 2011 – 2015 American Community Survey. In 2022, the assessment area was comprised of 14 census tracts: 11 moderate-income and three middle-income. There are still no low- or upper-income census tracts in the assessment area.

Tract Designation Change Data

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

⁴ Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 ACS data. For years 2021 and before, the designations are based on 2011-2015 ACS data. For examinations that include performance before and after 2022, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

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

| Census Tract Designation Changes American Community Survey Data (ACS) | | | |
|---|------------------------------|------------------------------|-----------------------|
| Tract Income Designation | 2021 Designations (#) | 2022 Designations (#) | Net Change (#) |
| Low | 0 | 0 | 0 |
| Moderate | 10 | 11 | 1 |
| Middle | 3 | 3 | 0 |
| Upper | 0 | 0 | 0 |
| Unknown | 0 | 0 | 0 |
| Total | 13 | 14 | 1 |
| <i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S. Census Bureau: Decennial Census: American Community Survey Data: 2016-2020</i> | | | |

According to the June 30, 2022, FDIC Deposit Market Share Report, Isabella Bank ranks second among seven FDIC-insured financial institutions operating within the assessment area. The bank held \$210.8 million in deposits, representing 24.1 percent of the total deposit market share in the assessment area. In comparison, the first ranked institution, The Huntington National Bank held \$223.5 million in deposits, representing 25.6 percent of the deposit market share. The third ranked institution, Sidney State Bank, held \$110.1 million in deposits, representing 12.6 percent of the deposit market share.

Isabella Bank ranks eighth out of 192 aggregate lenders in 2022 HMDA-reportable transactions. A total of 69 originations and purchase transactions were reported by the bank compared to 138 reported by market leader, The Huntington National Bank. The 2021 CRA Market Peer Report ranks the bank first out of 46 reporters. The bank originated or purchased 130 CRA-reportable loans in 2021; whereas the second-ranked institution, JPMorgan Chase Bank, N.A., originated or purchased 110 loans in the assessment area. The data is indicative of a saturated market with respect to both HMDA and CRA reporters. Isabella Bank is competitive in the market with large national leaders, especially for CRA-reportable loans.

The following presentation of key demographics in the following two tables were used to help inform the evaluation of the bank's activity in its assessment area and are based on a comparison of two sets of ACS data, 2011-2015 and 2016-2020.

| 2022 Grand Rapids-Kentwood, MI MSA 24340 AA Demographics | | | | | | | | |
|--|---------------------------|-----------------------|------------------------------------|--------------|--|--------------|---------------------------|--------------|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 4,370 | 26.7 |
| Moderate | 11 | 78.6 | 12,245 | 74.7 | 1,143 | 9.3 | 4,374 | 26.7 |
| Middle | 3 | 21.4 | 4,142 | 25.3 | 288 | 7.0 | 3,833 | 23.4 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 3,810 | 23.3 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 14 | 100.0 | 16,387 | 100.0 | 1,431 | 8.7 | 16,387 | 100.0 |
| | Housing Units by Tract | Housing Type by Tract | | | | | | |
| | | Owner-occupied | | | Rental | | Vacant | |
| | | # | % by tract | % by unit | # | % by unit | # | % by unit |
| Low | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 21,723 | 14,291 | 74.2 | 65.8 | 3,971 | 18.3 | 3,461 | 15.9 |
| Middle | 6,952 | 4,957 | 25.8 | 71.3 | 924 | 13.3 | 1,071 | 15.4 |
| Upper | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 28,675 | 19,248 | 100.0 | 67.1 | 4,895 | 17.1 | 4,532 | 15.8 |
| | Total Businesses by Tract | | Businesses by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 1,539 | 79.7 | 1,398 | 79.6 | 110 | 84.0 | 31 | 68.9 |
| Middle | 393 | 20.3 | 358 | 20.4 | 21 | 16.0 | 14 | 31.1 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 1,932 | 100.0 | 1,756 | 100.0 | 131 | 100.0 | 45 | 100.0 |
| Percentage of Total Businesses: | | | | 90.9 | | 6.8 | | 2.3 |
| | Total Farms by Tract | | Farms by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 135 | 78.5 | 130 | 79.3 | 5 | 62.5 | 0 | 0.0 |
| Middle | 37 | 21.5 | 34 | 20.7 | 3 | 37.5 | 0 | 0.0 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 172 | 100.0 | 164 | 100.0 | 8 | 100.0 | 0 | 0.0 |
| Percentage of Total Farms: | | | | 95.3 | | 4.7 | | 0.0 |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | | |

| 2021 Grand Rapids-Kentwood, MI MSA 24340 AA Demographics | | | | | | | | |
|---|---------------------------|-----------------------|------------------------------------|--------------|--|--------------|---------------------------|--------------|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 4,577 | 28.1 |
| Moderate | 10 | 76.9 | 11,739 | 72.2 | 1,591 | 13.6 | 3,919 | 24.1 |
| Middle | 3 | 23.1 | 4,522 | 27.8 | 492 | 10.9 | 3,932 | 24.2 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 3,833 | 23.6 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 13 | 100.0 | 16,261 | 100.0 | 2,083 | 12.8 | 16,261 | 100.0 |
| | Housing Units by Tract | Housing Type by Tract | | | | | | |
| | | Owner-occupied | | | Rental | | Vacant | |
| | | # | % by tract | % by unit | # | % by unit | # | % by unit |
| Low | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 20,130 | 13,251 | 72.0 | 65.8 | 3,340 | 16.6 | 3,539 | 17.6 |
| Middle | 7,997 | 5,157 | 28.0 | 64.5 | 1,536 | 19.2 | 1,304 | 16.3 |
| Upper | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 28,127 | 18,408 | 100.0 | 65.4 | 4,876 | 17.3 | 4,843 | 17.2 |
| | Total Businesses by Tract | | Businesses by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 1,363 | 69.5 | 1,241 | 69.6 | 95 | 71.4 | 27 | 62.8 |
| Middle | 597 | 30.5 | 543 | 30.4 | 38 | 28.6 | 16 | 37.2 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 1,960 | 100.0 | 1,784 | 100.0 | 133 | 100.0 | 43 | 100.0 |
| Percentage of Total Businesses: | | | | 91.0 | | 6.8 | | 2.2 |
| | Total Farms by Tract | | Farms by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 128 | 73.1 | 122 | 73.1 | 6 | 75.0 | 0 | 0.0 |
| Middle | 47 | 26.9 | 45 | 26.9 | 2 | 25.0 | 0 | 0.0 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 175 | 100.0 | 167 | 100.0 | 8 | 100.0 | 0 | 0.0 |
| Percentage of Total Farms: | | | | 95.4 | | 4.6 | | 0.0 |
| <i>Source: 2021 FFIEC Census Data 2021 Dori & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i> | | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | | |

Population Characteristics

The following table presents the population trends for the assessment area, the Grand Rapids MSA in its entirety, and the state of Michigan. Between the 2011-2015 American Community Survey (ACS) and 2020 U.S. Census Bureau, the assessment area’s population increased by 5.7 percent, which was comparable to the Grand Rapids MSA increase of 6.3 percent, and significantly outpaced the rest of the state of Michigan’s growth of 1.8 percent. A community representative noted a large number of businesses and high paying job opportunities as one of the major reasons the community has seen population growth.

| Population Change | | | |
|---|-----------------|-----------------|-----------------------|
| Area | 2015 Population | 2020 Population | Percentage Change (%) |
| Assessment Area | 63,004 | 66,614 | 5.7 |
| Grand Rapids-Kentwood, MI MSA | 1,022,794 | 1,087,592 | 6.3 |
| State of Michigan | 9,900,571 | 10,077,331 | 1.8 |
| <i>Source: 2011-2015 – U.S. Census Bureau: American Community Survey 2020 U.S. Census Bureau Decennial Census</i> | | | |

Income Characteristics

According to 2016-2020 ACS data, the median family income (MFI) for the assessment area was \$60,545, increasing 12.1 percent since the 2011-2015 ACS survey. This was slightly lower than the Grand Rapids MSA (14.5 percent), but slightly above the rest of the state of Michigan (11.0 percent). A community representative noted a continued influx of high paying jobs to the MSA such as engineering roles and medical positions.

| Median Family Income Change | | | |
|---|--------------------------------|--------------------------------|--------------------|
| Area | 2015 Median Family Income (\$) | 2020 Median Family Income (\$) | Percent Change (%) |
| Assessment Area | 54,019 | 60,545 | 12.1 |
| Grand Rapids-Kentwood, MI MSA | 70,467 | 80,705 | 14.5 |
| State of Michigan | 68,010 | 75,470 | 11.0 |
| <i>Source: 2011 - 2015 and 2016 – 2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i> | | | |

Housing Characteristics

According to 2022 FFIEC Census Data, there are a total of 28,675 housing units in the assessment area and 421,432 units in the entire Grand Rapids MSA. The majority of the housing units in the assessment area are owner-occupied at 67.1 percent, rental units comprise 17.1 percent, while 15.8 percent are vacant.

The following table presents the housing cost burden within the assessment area, the entire Grand Rapids MSA, and the state of Michigan in 2022. The housing cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. For renters within the assessment area, 43.7 percent across all income levels experience this cost burden and low- and moderate-income renters experience this burden at 73.4 and 32.5 percent, respectively. These numbers are largely comparable to the rest of the state and the entire Grand Rapids MSA. For owners, 17.6 percent of borrowers across all income levels in the assessment area experience this cost burden. Similar to the characteristics for renters, low-income borrowers' experience this cost burden at a significantly higher rate (61.1 percent) in comparison to moderate-income borrowers (24.1 percent).

According to FFIEC HMDA loan and application records, overall home mortgage trends reflect increases in home mortgage activity in recent years in the assessment area. These trends suggest a continued increase in demand for home purchases, potentially increasing home values and indicating that the housing cost burden for low-and moderate-income borrowers will remain elevated. A community representative noted the supply of housing is not keeping pace with the growing population, increasing housing costs for residents.

| Housing Cost Burden | | | | | | |
|---|----------------------------------|------------------------|--------------------|---------------------------------|------------------------|-------------------|
| Area | Cost Burden (%) - Renters | | | Cost Burden (%) - Owners | | |
| | Low Income | Moderate Income | All Renters | Low Income | Moderate Income | All Owners |
| Assessment Area | 73.4 | 32.5 | 43.7 | 61.1 | 24.1 | 17.6 |
| Grand Rapids-Kentwood, MI MSA | 75.9 | 28.6 | 41.7 | 59.1 | 24.5 | 15.4 |
| State of Michigan | 74.2 | 31.3 | 43.2 | 61.7 | 26.5 | 18.2 |
| <i>Cost Burden is housing cost that equals 30 percent or more of household income</i> | | | | | | |
| <i>Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy</i> | | | | | | |

Employment Conditions

The following table presents employment data between 2017 and 2021 in the assessment area, the

entire Grand Rapids MSA, and the state of Michigan. Overall, the region experienced low and stable unemployment rates between 2017 and 2019, with a notable increase in 2020 due to the widespread economic downturn caused by the COVID-19 pandemic. A community representative confirmed the economy in the region has been doing well and has continued to recover in the years following the initial spike of unemployment with the pandemic. The representative noted a continued need for more workers and staff shortages in the area.

| Unemployment Rates (%) | | | | | |
|-------------------------------|------|------|------|------|------|
| Area | 2017 | 2018 | 2019 | 2020 | 2021 |
| Assessment Area | 4.9 | 4.3 | 4.2 | 9.5 | 5.6 |
| Grand Rapids-Kentwood, MI MSA | 3.5 | 3.0 | 3.0 | 7.8 | 4.6 |
| State of Michigan | 4.6 | 4.2 | 4.1 | 10.0 | 5.9 |

Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics

Industry Characteristics

According to data maintained by the U.S. Bureau of Labor Statistics, the assessment area has a large number of employees in the fields of manufacturing, retail trade, and health care and social assistance. A community representative noted that health care and engineering jobs were growing the assessment area as well.

Community Representatives

One community representative with a focus on economic development was contacted to increase understanding of the credit needs and market conditions within the assessment area. The representative noted that community is growing rapidly due to a strong job environment and investments in quality-of-life improvements by the city. The representative further noted a need for affordable housing in the assessment area to keep pace with the growing population. Overall, the representative commented that the area has a strong banking community who are engaged and committed to assisting the community with their banking needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN GRAND RAPIDS-KENTWOOD, MI MSA #24340

LENDING TEST

Geographic Distribution of Loans

For the purposes of this review, loans made in calendar 2021 and prior were analyzed based on the 2011-2015 American Community Survey income designations data⁵. Loans made in calendar years 2022 and after were analyzed based on income designations from the 2016-2020 American Community Survey data.

Isabella Bank's lending activities reflect good distribution throughout the assessment area. The bank originated HMDA-reportable loans in 12 (85.7 percent) of the 14 census tracts in the assessment area in 2022. This included 100.0 percent of the moderate-income census tracts. The bank originated CRA-reportable loans in 14 (100.0 percent) of the 14 census tracts in the assessment area in 2022.

A detailed discussion of HMDA-reportable and CRA-Reportable small business and small farm lending in relation to aggregate and census demographics is provided below. Specific to HMDA-reportable lending, multi-family lending will not be discussed as originations were too low for a meaningful analysis to be conducted. When determining performance, the comparison to aggregate of lender data were weighted more heavily than assessment area demographics (i.e., percentage of owner-occupied housing units) as it is a better measure of loan demand.

HMDA-Reportable Loans

Home Purchase Loans

Home purchase loans represented 26.9 percent of the bank's HMDA-reportable loans originated in the assessment area in 2022. Within moderate-income census tracts, the bank originated 83.3 percent of home purchase loans which was above the aggregate of lenders rate of 73.6 percent and the percentage owner-occupied housing units (74.2 percent). Within middle-income census tracts, the bank originated 16.7 percent of its home purchase loans. This was below both the aggregate of lenders as well as the percentage owner-occupied housing units (26.4 and 25.8 percent, respectively). The performance of the 2022 lending was comparable to 2021 lending.

Refinance Loans

In 2022, refinanced home loans represented 34.3 percent of the bank's HMDA-reportable loans

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

located in the assessment area. In moderate-income census tracts, the bank originated 91.3 percent of refinance loans, which was significantly above the aggregate of lenders rate of 72.7 percent and the percentage owner-occupied housing units (74.2 percent). In middle-income tracts, the bank originated 8.7 percent of its refinance loans. This was well below both the aggregate of lenders as well as the percentage owner-occupied housing units (27.3 and 25.8 percent, respectively). Refinance lending performance in 2022 was consistent with that of 2021.

Home Improvement Loans

In 2022, home improvement loans represented 38.8 percent of the bank's HMDA-reportable loans located in the assessment area. In moderate-income census tracts, the bank originated 92.3 percent of its home improvement loans, which was significantly above the aggregate of lenders rate of 73.4 percent and the percentage owner-occupied housing units (74.2 percent). In middle-income census tracts, the bank originated 7.7 percent of home improvement loans, which was below the aggregate of lenders rate of 26.6 percent and the percentage of owner-occupied housing units of 25.8 percent. Home improvement lending performance in 2022 was consistent with that of 2021. The following tables summarize the bank's 2022 and 2021 HMDA-reportable lending in the assessment area.

| Distribution of 2022 Home Mortgage Lending By Income Level of Geography | | | | | | | |
|---|--------------------------|--------------|--------------|--------------|--------------|--------------|-----------------------------------|
| Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | |
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Owner Occupied Units % |
| | Bank | | Agg | Bank | | Agg | |
| | # | #% | #% | \$(000) | % | % | |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 15 | 83.3 | 73.6 | 2,929 | 82.4 | 72.1 | 74.2 |
| Middle | 3 | 16.7 | 26.4 | 627 | 17.6 | 27.9 | 25.8 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 18 | 100.0 | 100.0 | 3,556 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 21 | 91.3 | 72.7 | 2,760 | 96.8 | 71.0 | 74.2 |
| Middle | 2 | 8.7 | 27.3 | 92 | 3.2 | 29.0 | 25.8 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 23 | 100.0 | 100.0 | 2,852 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 24 | 92.3 | 73.4 | 1,572 | 91.2 | 74.1 | 74.2 |
| Middle | 2 | 7.7 | 26.6 | 152 | 8.8 | 25.9 | 25.8 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 26 | 100.0 | 100.0 | 1,724 | 100.0 | 100.0 | 100.0 |
| Multifamily Loans | | | | | | | Multi-family Units % |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 | 90.7 |
| Middle | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 9.3 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | Owner Occupied Units % |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 60 | 89.6 | 73.5 | 7,261 | 89.3 | 74.2 | 74.2 |
| Middle | 7 | 10.4 | 26.5 | 871 | 10.7 | 25.8 | 25.8 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 67 | 100.0 | 100.0 | 8,132 | 100.0 | 100.0 | 100.0 |
| Source: 2022 FFIEC Census Data | | | | | | | |
| 2016-2020 U.S. Census Bureau: American Community Survey | | | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | |

| Distribution of 2021 Home Mortgage Lending By Income Level of Geography Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|--------------|--------------|-----------------------------------|
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Owner Occupied Units % |
| | Bank | | Agg | Bank | | Agg | |
| | # | #% | #% | \$(000) | % | % | |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 18 | 90.0 | 68.1 | 3,159 | 93.2 | 66.3 | 72.0 |
| Middle | 2 | 10.0 | 31.9 | 232 | 6.8 | 33.7 | 28.0 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 20 | 100.0 | 100.0 | 3,391 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 54 | 84.4 | 65.8 | 6,847 | 79.3 | 63.1 | 72.0 |
| Middle | 10 | 15.6 | 34.2 | 1,791 | 20.7 | 36.9 | 28.0 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 64 | 100.0 | 100.0 | 8,638 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 2 | 100.0 | 53.1 | 135 | 100.0 | 52.0 | 72.0 |
| Middle | 0 | 0.0 | 46.9 | 0 | 0.0 | 48.0 | 28.0 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 2 | 100.0 | 100.0 | 135 | 100.0 | 100.0 | 100.0 |
| Multifamily Loans | | | | | | | Multi-family Units % |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 4 | 80.0 | 75.0 | 1,020 | 81.9 | 85.1 | 48.7 |
| Middle | 1 | 20.0 | 25.0 | 226 | 18.1 | 14.9 | 51.3 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 5 | 100.0 | 100.0 | 1,246 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | Owner Occupied Units % |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 78 | 85.7 | 66.1 | 11,161 | 83.2 | 64.4 | 72.0 |
| Middle | 13 | 14.3 | 33.9 | 2,249 | 16.8 | 35.6 | 28.0 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 91 | 100.0 | 100.0 | 13,410 | 100.0 | 100.0 | 100.0 |
| Source: 2021 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey | | | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | |

Small Business Loans

In 2021, the bank originated 34 small business loans in the assessment area. The bank originated 27 (79.4 percent), within moderate-income census tracts, which was above both the aggregate of lenders at 65.2 percent and the percentage of total businesses in moderate-income census tracts at 69.5 percent. Within middle-income census tracts, the bank originated 20.6 percent of its small business loans, which was below the performance of aggregate lenders at 34.2 percent and the percentage of small businesses at 30.5 percent.

The bank’s distribution of small business loans across geographies of different income levels in 2022 exceeded the distribution of loans in 2021, with an even higher percentage of lending in moderate-income census tracts (93.0 percent). Information for both years is provided in the following tables.

| Distribution of 2021 Small Business Lending By Income Level of Geography | | | | | | | |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------------------|
| Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | |
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Total Businesses % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | % | % | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 27 | 79.4 | 65.2 | 3,055 | 57.0 | 65.6 | 69.5 |
| Middle | 7 | 20.6 | 34.2 | 2,305 | 43.0 | 34.4 | 30.5 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.6 | 0 | 0.0 | 0.1 | |
| Total | 34 | 100.0 | 100.0 | 5,360 | 100.0 | 100.0 | 100.0 |

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey

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

| Distribution of 2022 Small Business Lending By Income Level of Geography | | | | | |
|---|--------------------|-----------|----------------|------------|-------------------------------|
| Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | |
| Geographic Income Level | Bank Loans* | | | | Total Businesses % |
| | # | #% | \$(000) | \$% | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Moderate | 66 | 93.0 | 13,076 | 98.8 | 79.7 |
| Middle | 5 | 7.0 | 165 | 1.2 | 20.3 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 71 | 100.0 | 13,241 | 100.0 | 100.0 |

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.

Small Farm Loans

In 2021, Isabella Bank originated one small farm loan which was in a moderate-income census tract (100.0 percent). This was above the aggregate of lenders rate of 78.1 percent and the percentage of total farms located in moderate-income census tracts (73.1 percent). In 2022, the bank originated 90.0 percent of its small farm loans in moderate-income census tracts which also was above the percentage of total farms located in moderate-income census tracts (78.5 percent). In middle-income census tracts the bank originated 10.0 percent of small farm loans, which was below the percentage of total farms located in middle-income census tracts (21.5 percent). Information for both years is provided in the following tables.

| Distribution of 2021 Small Farm Lending By Income Level of Geography | | | | | | | |
|--|--------------------------|--------------|--------------|------------|--------------|--------------|------------------|
| Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | |
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Total Farms % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | % | % | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 1 | 100.0 | 78.1 | 279 | 100.0 | 67.0 | 73.1 |
| Middle | 0 | 0.0 | 21.9 | 0 | 0.0 | 33.0 | 26.9 |
| Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 1 | 100.0 | 100.0 | 279 | 100.0 | 100.0 | 100.0 |

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

| Distribution of 2022 Small Farm Lending By Income Level of Geography | | | | | |
|--|-------------|--------------|------------|--------------|------------------|
| Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | |
| Geographic Income Level | Bank Loans* | | | | Total Farms % |
| | # | % | \$(000) | % | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Moderate | 9 | 90.0 | 319 | 61.5 | 78.5 |
| Middle | 1 | 10.0 | 200 | 38.5 | 21.5 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 10 | 100.0 | 519 | 100.0 | 100.0 |

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.

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

For the purposes of this review, loans made in calendar year 2021 or prior were analyzed based on 2011-2015 American Community Survey income designations for individuals⁶. Loans made in calendar year 2022 or after were analyzed based on 2016-2020 American Community Survey income designations for individuals.

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

Isabella Bank's lending activities reflect good distribution in this assessment area, of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the bank.

A breakdown of the bank's borrower distribution for HMDA- and CRA-reportable lending is discussed in more detail below by individual products. Multifamily loans are not included in the borrower distribution analysis, as borrower income is not required to be reported for this product type and, therefore, were not included in the applicable percentage calculations below.

HMDA – Reportable Lending

Home Purchase Loans

In 2022, the bank originated 11.1 percent of its home purchase loans to low-income borrowers, which was below the aggregate of lenders and the percentage of low-income families located in the assessment area (18.7 and 26.7 percent, respectively). Among moderate-income borrowers, the bank originated 44.4 percent of its home purchase loans, which was significantly above the aggregate of lenders at 29.1 percent and the percentage of moderate-income families located in the assessment area at 26.7 percent. Home purchase loans to middle-income borrowers at 11.1 percent was below the aggregate lenders at 19.5 percent, as well as the percentage of middle-income families at 23.4 percent. The bank made 33.3 percent of its home purchase loans to upper-income borrowers which was above the aggregate of lenders at 16.7 percent, and above the percentage of upper-income families in the assessment area at 23.3 percent. The performance of the 2022 home purchase lending was comparable to 2021 lending.

Refinance Loans

In 2022, the bank originated 13.0 percent of its refinance loans to low-income borrowers, which was below both the aggregate of lenders (24.2 percent) and the percentage of low-income families located in the assessment area at 26.7 percent. Among moderate-income borrowers, the bank originated 34.8 percent of its refinance loans, which was above the aggregate of lenders (31.1 percent) and the percentage of moderate-income families located in the assessment area at 26.7 percent. Among middle-income borrowers, the bank originated 4.3 percent of its refinance loans, which was well below both the aggregate of lenders (22.7 percent) and the percentage of middle-income families (23.4 percent). Among upper-income borrowers, the bank's performance of 26.1 percent was above both the aggregate of lenders and the percentage of upper-income families (14.4 percent and 23.3 percent, respectively). The performance of the bank's 2022 refinance lending was comparable to 2021 lending.

Home Improvement Loans

In 2022, the bank originated 23.1 percent of its home improvement loans to low-income borrowers, which was above the aggregate of lenders (17.1 percent), but slightly below the percentage of low-income families located in the assessment area at 26.7 percent. Among moderate-income borrowers, the bank originated 34.6 percent of its home improvement loans, which was above both the aggregate of lenders (29.1 percent) and the percentage of moderate-income families located in the assessment area at 26.7 percent. Among middle-income borrowers, the bank originated 19.2 percent of its home improvement loans, which was below both the aggregate of lenders (25.1 percent) and the percentage of middle-income families at 23.4 percent. Among upper-income borrowers, the bank's performance of 23.1 percent was below the aggregate of lenders (25.1 percent) and comparable to the percentage of upper-income families 23.3 percent. The bank's home improvement lending in 2021 was minimal (two loans), therefore 2022 lending was weighted more heavily. In 2021 neither of the home improvement loans were to low- or moderate-income borrowers. The following tables summarize the bank's 2022 and 2021 HMDA-reportable lending in the assessment area.

| Distribution of 2022 Home Mortgage Lending By Borrower Income Level | | | | | | | |
|---|--------------------------|--------------|--------------|--------------|--------------|--------------------------------|--------------|
| Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | |
| Borrower Income Level | Bank And Aggregate Loans | | | | | Families by Family Income % | |
| | Bank | | Agg | Bank | | | Agg |
| | # | #% | #% | \$(000) | % | | % |
| Home Purchase Loans | | | | | | | |
| Low | 2 | 11.1 | 18.7 | 219 | 6.2 | 12.2 | 26.7 |
| Moderate | 8 | 44.4 | 29.1 | 1,127 | 31.7 | 25.5 | 26.7 |
| Middle | 2 | 11.1 | 19.5 | 445 | 12.5 | 21.7 | 23.4 |
| Upper | 6 | 33.3 | 16.7 | 1,765 | 49.6 | 24.4 | 23.3 |
| Unknown | 0 | 0.0 | 16.1 | 0 | 0.0 | 16.2 | 0.0 |
| Total | 18 | 100.0 | 100.0 | 3,556 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 3 | 13.0 | 24.2 | 187 | 6.6 | 16.6 | 26.7 |
| Moderate | 8 | 34.8 | 31.1 | 851 | 29.8 | 29.4 | 26.7 |
| Middle | 1 | 4.3 | 22.7 | 120 | 4.2 | 25.2 | 23.4 |
| Upper | 6 | 26.1 | 14.4 | 1,286 | 45.1 | 20.1 | 23.3 |
| Unknown | 5 | 21.7 | 7.6 | 408 | 14.3 | 8.6 | 0.0 |
| Total | 23 | 100.0 | 100.0 | 2,852 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 6 | 23.1 | 17.1 | 276 | 16.0 | 13.5 | 26.7 |
| Moderate | 9 | 34.6 | 29.1 | 518 | 30.0 | 26.7 | 26.7 |
| Middle | 5 | 19.2 | 25.1 | 245 | 14.2 | 22.9 | 23.4 |
| Upper | 6 | 23.1 | 25.1 | 685 | 39.7 | 34.0 | 23.3 |
| Unknown | 0 | 0.0 | 3.5 | 0 | 0.0 | 2.9 | 0.0 |
| Total | 26 | 100.0 | 100.0 | 1,724 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | |
| Low | 11 | 16.4 | 20.2 | 682 | 8.4 | 13.5 | 26.7 |
| Moderate | 25 | 37.3 | 29.2 | 2,496 | 30.7 | 26.4 | 26.7 |
| Middle | 8 | 11.9 | 21.4 | 810 | 10.0 | 22.7 | 23.4 |
| Upper | 18 | 26.9 | 17.1 | 3,736 | 45.9 | 23.9 | 23.3 |
| Unknown | 5 | 7.5 | 12.1 | 408 | 5.0 | 13.4 | 0.0 |
| Total | 67 | 100.0 | 100.0 | 8,132 | 100.0 | 100.0 | 100.0 |
| <p>Source: 2022 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey</p> <p>Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.</p> | | | | | | | |

| Distribution of 2021 Home Mortgage Lending By Borrower Income Level | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|--------------|--------------|--------------------------------|
| Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | |
| Borrower Income Level | Bank And Aggregate Loans | | | | | | Families by Family Income % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$ (000) | % | % | |
| Home Purchase Loans | | | | | | | |
| Low | 3 | 15.0 | 17.1 | 211 | 6.2 | 11.3 | 28.1 |
| Moderate | 4 | 20.0 | 29.2 | 646 | 19.1 | 25.2 | 24.1 |
| Middle | 4 | 20.0 | 19.8 | 816 | 24.1 | 22.1 | 24.2 |
| Upper | 4 | 20.0 | 18.9 | 999 | 29.5 | 26.7 | 23.6 |
| Unknown | 5 | 25.0 | 15.0 | 719 | 21.2 | 14.7 | 0.0 |
| Total | 20 | 100.0 | 100.0 | 3,391 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 13 | 20.3 | 15.3 | 1,205 | 13.9 | 9.7 | 28.1 |
| Moderate | 16 | 25.0 | 26.3 | 1,840 | 21.3 | 21.6 | 24.1 |
| Middle | 13 | 20.3 | 23.3 | 1,526 | 17.7 | 23.4 | 24.2 |
| Upper | 19 | 29.7 | 22.0 | 3,665 | 42.4 | 29.8 | 23.6 |
| Unknown | 3 | 4.7 | 13.1 | 402 | 4.7 | 15.4 | 0.0 |
| Total | 64 | 100.0 | 100.0 | 8,638 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 12.2 | 0 | 0.0 | 11.1 | 28.1 |
| Moderate | 0 | 0.0 | 24.5 | 0 | 0.0 | 23.5 | 24.1 |
| Middle | 1 | 50.0 | 31.6 | 100 | 74.1 | 26.2 | 24.2 |
| Upper | 1 | 50.0 | 28.6 | 35 | 25.9 | 33.2 | 23.6 |
| Unknown | 0 | 0.0 | 3.1 | 0 | 0.0 | 6.0 | 0.0 |
| Total | 2 | 100.0 | 100.0 | 135 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | |
| Low | 16 | 18.6 | 16.0 | 1,416 | 11.6 | 10.5 | 28.1 |
| Moderate | 20 | 23.3 | 27.5 | 2,486 | 20.4 | 23.4 | 24.1 |
| Middle | 18 | 20.9 | 21.8 | 2,442 | 20.1 | 22.6 | 24.2 |
| Upper | 24 | 27.9 | 20.9 | 4,699 | 38.6 | 28.4 | 23.6 |
| Unknown | 8 | 9.3 | 13.8 | 1,121 | 9.2 | 15.0 | 0.0 |
| Total | 86 | 100.0 | 100.0 | 12,164 | 100.0 | 100.0 | 100.0 |
| Source: 2021 FFIEC Census Data | | | | | | | |
| 2011-2015 U.S. Census Bureau: American Community Survey | | | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | |
| Multifamily loans are not included in the borrower distribution analysis. | | | | | | | |

Small Business Loans

In 2021, the bank originated 17 loans or 50.0 percent of small business loans to businesses with revenues of \$1 million or less. This rate was above the aggregate lender rate of 46.4 percent but significantly below the percentage of total businesses with revenues of \$1 million or less in the assessment area at 91.0 percent. Lower dollar loans, particularly those with a loan amount of \$100,000 or less, are the most responsive to the smallest businesses. Of the 17 small business loans, 70.6 percent were made in amounts of \$100,000 or less. The bank's distribution of small business

loans by lending revenue size in 2022 was consistent with the distribution of loans in 2021. Information for both years is provided in the following tables.

| Distribution of 2021 Small Business Lending By Revenue Size of Businesses | | | | | | | |
|--|---------------------------------|-----------|------------|----------------|------------|------------|-----------------------------------|
| Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | |
| | Bank And Aggregate Loans | | | | | | Total Businesses % |
| | Bank | | Agg | Bank | | Agg | |
| | # | #% | #% | \$(000) | \$% | \$% | |
| By Revenue | | | | | | | |
| \$1 Million or Less | 17 | 50.0 | 46.4 | 2,224 | 41.5 | 28.6 | 91.0 |
| Over \$1 Million | 11 | 32.4 | | 2,868 | 53.5 | | 6.8 |
| Revenue Unknown | 6 | 17.6 | | 268 | 5.0 | | 2.2 |
| Total | 34 | 100.0 | | 5,360 | 100.0 | | 100.0 |
| By Loan Size | | | | | | | |
| \$100,000 or Less | 23 | 67.6 | 87.6 | 1,128 | 21.0 | 27.8 | |
| \$100,001 - \$250,000 | 4 | 11.8 | 6.4 | 686 | 12.8 | 17.8 | |
| \$250,001 - \$1 Million | 7 | 20.6 | 6.0 | 3,546 | 66.2 | 54.4 | |
| Total | 34 | 100.0 | 100.0 | 5,360 | 100.0 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | | | |
| \$100,000 or Less | 12 | 70.6 | | 612 | 27.5 | | |
| \$100,001 - \$250,000 | 2 | 11.8 | | 266 | 12.0 | | |
| \$250,001 - \$1 Million | 3 | 17.6 | | 1,346 | 60.5 | | |
| Total | 17 | 100.0 | | 2,224 | 100.0 | | |
| <i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i> | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | |

| Distribution of 2022 Small Business Lending By Revenue Size of Businesses | | | | | |
|--|--------------------|-----------|----------------|----------|-------------------------------|
| Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | |
| | Bank Loans* | | | | Total Businesses % |
| | # | #% | \$(000) | % | |
| By Revenue | | | | | |
| \$1 Million or Less | 31 | 43.7 | 3,800 | 28.7 | 90.9 |
| Over \$1 Million | 36 | 50.7 | 9,230 | 69.7 | 6.8 |
| Revenue Unknown | 4 | 5.6 | 211 | 1.6 | 2.3 |
| Total | 71 | 100.0 | 13,241 | 100.0 | 100.0 |
| By Loan Size | | | | | |
| \$100,000 or Less | 42 | 59.2 | 1,852 | 14.0 | |
| \$100,001 - \$250,000 | 12 | 16.9 | 1,794 | 13.5 | |
| \$250,001 - \$1 Million | 17 | 23.9 | 9,595 | 72.5 | |
| Total | 71 | 100.0 | 13,241 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | |
| \$100,000 or Less | 20 | 64.5 | 763 | 20.1 | |
| \$100,001 - \$250,000 | 6 | 19.4 | 807 | 21.2 | |
| \$250,001 - \$1 Million | 5 | 16.1 | 2,230 | 58.7 | |
| Total | 31 | 100.0 | 3,800 | 100.0 | |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.</i> | | | | | |

Small Farm Loans

In 2021, Isabella Bank originated one small farm loan in the assessment area. The bank's lending rate (100.0 percent) of its small farm loans to farms with \$1 million in revenue or less is significantly above the aggregate performance of 51.6 percent and slightly above the percentage of total farms rate of 95.4 percent.

In 2022, the bank increased small farm lending, but its overall distribution was consistent with strong lending to farms of different sizes revenue sizes. Information for both years is provided in the following tables.

| Distribution of 2021 Small Farm Lending By Revenue Size of Farms | | | | | | | |
|--|--------------------------|--------------|--------------|------------|--------------|--------------|---------------|
| Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | |
| | Bank And Aggregate Loans | | | | | | Total Farms % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | % | % | |
| By Revenue | | | | | | | |
| \$1 Million or Less | 1 | 100.0 | 51.6 | 279 | 100.0 | 52.2 | 95.4 |
| Over \$1 Million | 0 | 0.0 | | 0 | 0.0 | | 4.6 |
| Revenue Unknown | 0 | 0.0 | | 0 | 0.0 | | 0.0 |
| Total | 1 | 100.0 | | 279 | 100.0 | | 100.0 |
| By Loan Size | | | | | | | |
| \$100,000 or Less | 0 | 0.0 | 95.3 | 0 | 0.0 | 59.0 | |
| \$100,001 - \$250,000 | 0 | 0.0 | 1.6 | 0 | 0.0 | 6.2 | |
| \$250,001 - \$500,000 | 1 | 100.0 | 3.1 | 279 | 100.0 | 34.9 | |
| Total | 1 | 100.0 | 100.0 | 279 | 100.0 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | | | |
| \$100,000 or Less | 0 | 0.0 | | 0 | 0.0 | | |
| \$100,001 - \$250,000 | 0 | 0.0 | | 0 | 0.0 | | |
| \$250,001 - \$500,000 | 1 | 100.0 | | 279 | 100.0 | | |
| Total | 1 | 100.0 | | 279 | 100.0 | | |
| <i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i> | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | |

| Distribution of 2022 Small Farm Lending By Revenue Size of Farms | | | | | |
|---|-------------|--------------|------------|--------------|---------------|
| Assessment Area: Grand Rapids-Kentwood, MI MSA 24340 | | | | | |
| | Bank Loans* | | | | Total Farms % |
| | # | % | \$(000) | \$% | |
| By Revenue | | | | | |
| \$1 Million or Less | 6 | 60.0 | 405 | 78.0 | 95.3 |
| Over \$1 Million | 0 | 0.0 | 0 | 0.0 | 4.7 |
| Revenue Unknown | 4 | 40.0 | 114 | 22.0 | 0.0 |
| Total | 10 | 100.0 | 519 | 100.0 | 100.0 |
| By Loan Size | | | | | |
| \$100,000 or Less | 8 | 80.0 | 199 | 38.3 | |
| \$100,001 - \$250,000 | 2 | 20.0 | 320 | 61.7 | |
| \$250,001 - \$500,000 | 0 | 0.0 | 0 | 0.0 | |
| Total | 10 | 100.0 | 519 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | |
| \$100,000 or Less | 4 | 66.7 | 85 | 21.0 | |
| \$100,001 - \$250,000 | 2 | 33.3 | 320 | 79.0 | |
| \$250,001 - \$500,000 | 0 | 0.0 | 0 | 0.0 | |
| Total | 6 | 100.0 | 405 | 100.0 | |
| Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available. | | | | | |

Community Development Lending

Isabella Bank makes an adequate level of community development loans. During the review period, the bank made two community development loans totaling \$4.6 million in the assessment area. Overall, this grew from the previous evaluation when the bank made \$4.0 million over a longer evaluation period. Innovative or flexible lending practices did not impact the bank’s community development performance. The following table presents the bank’s community development loans in the assessment area during the review period.

| Community Development Loans | | | | | | | | | | |
|----------------------------------|--------------------|---|--------------------|---|----------------------|---|----------------------------------|---|-------|---|
| June 29, 2021 –November 13, 2023 | | | | | | | | | | |
| (Dollars in 000s) | | | | | | | | | | |
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalization and Stabilization | | Total | |
| | \$ | # | \$ | # | \$ | # | \$ | # | \$ | # |
| Grand Rapids-Kentwood MSA | 0 | 0 | 0 | 0 | 4,600 | 2 | 0 | 0 | 4,600 | 2 |

INVESTMENT TEST

Isabella Bank made a significant level of qualified community development investments and grants, particularly those not routinely provided by private investors, occasionally in a leadership position. The bank makes occasional use of innovative and/or complex investments to support community initiatives. The bank made a combined total (current and prior period funding) of \$22.7 million in qualified community development investments. This was comprised of \$3.3 million in prior period funding and \$19.4 million in new funding. The bank’s qualified investments were qualified primarily under revitalization and stabilization which are particularly responsive to the assessment area needs. Overall, the volume of qualified investments also represents a significant increase over the prior evaluation period when the bank invested a combined total of \$7.4 million in the assessment area.

The table below presents the bank’s community development investments in the assessment area during the review period.

| Qualified Investments June 29, 2021 –November 13, 2023 (Dollars in 000s) | | | | | | | | | | |
|--|--------------------|----------|----------------------|----------|----------------------------------|----------|--------------------|----------|-------|----------|
| Assessment Area | Affordable Housing | | Economic Development | | Revitalization and Stabilization | | Community Services | | Total | |
| | # | \$ (000) | # | \$ (000) | # | \$ (000) | # | \$ (000) | # | \$ (000) |
| Grand Rapids-Kentwood MSA | 0 | 0 | 0 | 0 | 5 | 16,424 | 3 | 6,300 | 8 | 22,724 |

Isabella Bank also distributed a total of \$56,935 in qualified grants and donations in the current evaluation period. The majority of dollars were to organizations providing community services. The bank’s total qualified grants and donations decreased from the prior period when donations totaled approximately \$45,000.

The following table presents the bank’s community development grants and donations in the assessment area during the review period.

| Community Development Grants and Donations June 29, 2021 –November 13, 2023 | | | | | |
|--|--------------------|----------------------------------|--------------------|----------------------|--------|
| Assessment Area | Affordable Housing | Revitalization and Stabilization | Community Services | Economic Development | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Grand Rapids-Kentwood MSA | 0 | 0 | 50,403 | 6,532 | 56,935 |

SERVICE TEST

Retail Services

The distribution of the branch offices and ATMs is performed using current data (2023) and any changes in the median family income level of the geographies where the branches are located.

Isabella Bank retail delivery services are accessible to geographies and individuals of different income levels in its assessment area. To the extent changes have been made, its record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals. Its services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment area, particularly low- or moderate-income geographies or low- or moderate-income individuals. Bank hours are from 8:30 or 9:00 a.m. to 5:00 p.m., Monday through Friday. All three locations provide drive-up services with extended hours and services on Saturday. All locations have a loan officer present. Provided below is a table detailing the bank's branch operations in the assessment area.

| Branch Location Census Tract Designation | | | | | | | | | | | | |
|--|------------|-----|-----------------|-------|---------------|---|--------------|---|----------------|---|-------|-------|
| Grand Rapids Assessment Area | Low-Income | | Moderate-Income | | Middle-Income | | Upper-Income | | Unknown-Income | | Total | |
| | # | % | # | % | # | % | # | % | # | % | # | % |
| Branches | 0 | 0.0 | 3 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 100.0 |
| ATMs | 0 | 0.0 | 3 | 100.0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 100.0 |

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

Community Development Services

Isabella Bank provides a relatively high level of community development services. Bank employees provided 426 hours primarily in community development services representing 68.8 percent of qualified services in the assessment area. Services helped address a variety of community needs. Overall, the bank's performance decreased from the previous evaluation's community development service hours, which totaled 727 hours. However, as previously stated this evaluation was over a shorter time period which most significantly impacts service hours.

| Community Development Services June 29, 2021 –November 13, 2023 | | | | | |
|--|--------------------|----------------------------------|--------------------|----------------------|-------------|
| Assessment Area | Affordable Housing | Revitalization and Stabilization | Community Services | Economic Development | Total Hours |
| Grand Rapids- Kentwood MSA | 2 | 62 | 293 | 69 | 426 |

MIDLAND, MI MSA #33220– Limited Review

SCOPE OF THE EXAMINATION

The scope for this assessment area is consistent with the scope presented in the overall section of the Performance Evaluation.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MIDLAND, MI MSA #33220

The Midland, MI MSA #33220 (Midland MSA) consists of Midland County in its entirety. The bank operates two branches and two full-service ATMs within the assessment area. There have been no changes to the assessment area since the previous evaluation. One branch is located in a moderate-income census tract and the other is located in an upper-income census tract. Since the previous evaluation, the bank has not opened or closed any branches or ATM locations in this assessment area.

In 2021, the assessment area consisted of 19 census tracts, of which one census tract was low-income, four census tracts were moderate-income, nine census tracts were middle-income, and five census tracts were upper-income census tracts. While the delineation of the assessment area has not changed, the composition and total number of census tracts has changed, as a result of the income designation changes from the 2016 – 2020 American Community Survey for 2022, compared to the income designations for 2021 that used data from the 2011 – 2015 American Community Survey. In 2022, the Midland MSA consisted of 21 census tracts including one low- and four moderate-income census tracts. Additionally, middle-income census tracts increased to 12, and upper-income census tracts decreased to four. The following table summarizes the changes between the two years.

Tract Designation Change Data

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

| Census Tract Designation Changes American Community Survey Data (ACS) | | | |
|--|------------------------------|------------------------------|-----------------------|
| Tract Income Designation | 2021 Designations (#) | 2022 Designations (#) | Net Change (#) |
| Low | 1 | 1 | 0 |
| Moderate | 4 | 4 | 0 |
| Middle | 9 | 12 | 3 |
| Upper | 5 | 4 | -1 |
| Unknown | 0 | 0 | 0 |
| Total | 19 | 21 | 2 |
| <i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020</i> | | | |

According to the June 30, 2022, FDIC Market Share Report, Isabella Bank ranks fourth out of seven FDIC-insured institutions operating in the assessment area with 8.9 percent of the deposit market share. Additionally, in 2022, the bank ranked sixth of 195 HMDA reporters. Top HMDA reporting institutions in the assessment area include Dow Chemical Employees, Rocket Mortgage, and The Huntington National Bank. In 2021, the bank ranked first out of 50 CRA reporters in the assessment area. Top CRA reporting institutions in the assessment area ranked behind Isabella Bank were American Express National Bank and JP Morgan Chase Bank. Overall, while Isabella has the financial capacity to lend in the assessment area, it also operates in a competitive market with large national lenders and credit unions.

The following presentation of key demographics in the following tables were used to help inform the evaluation of the bank’s activity in its assessment area and are based on a comparison of two sets of ACS data, 2011-2015 and 2016-2020.

| 2022 Midland, MI MSA 33220 AA Demographics | | | | | | | | |
|--|---------------------------|-----------------------|------------------------------------|--------------|--|--------------|---------------------------|--------------|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low | 1 | 4.8 | 491 | 2.1 | 101 | 20.6 | 4,561 | 19.8 |
| Moderate | 4 | 19.0 | 3,812 | 16.5 | 568 | 14.9 | 4,183 | 18.1 |
| Middle | 12 | 57.1 | 12,940 | 56.1 | 730 | 5.6 | 5,081 | 22.0 |
| Upper | 4 | 19.0 | 5,814 | 25.2 | 267 | 4.6 | 9,232 | 40.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 21 | 100.0 | 23,057 | 100.0 | 1,666 | 7.2 | 23,057 | 100.0 |
| | Housing Units by Tract | Housing Type by Tract | | | | | | |
| | | Owner-occupied | | | Rental | | Vacant | |
| | | # | % by tract | % by unit | # | % by unit | # | % by unit |
| Low | 1,029 | 573 | 2.2 | 55.7 | 346 | 33.6 | 110 | 10.7 |
| Moderate | 7,637 | 4,362 | 16.5 | 57.1 | 2,403 | 31.5 | 872 | 11.4 |
| Middle | 19,870 | 15,590 | 58.9 | 78.5 | 2,829 | 14.2 | 1,451 | 7.3 |
| Upper | 8,529 | 5,941 | 22.4 | 69.7 | 2,209 | 25.9 | 379 | 4.4 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 37,065 | 26,466 | 100.0 | 71.4 | 7,787 | 21.0 | 2,812 | 7.6 |
| | Total Businesses by Tract | | Businesses by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 184 | 5.8 | 131 | 4.6 | 52 | 19.7 | 1 | 2.9 |
| Moderate | 663 | 20.9 | 600 | 20.8 | 53 | 20.1 | 10 | 28.6 |
| Middle | 1,439 | 45.3 | 1,317 | 45.7 | 103 | 39.0 | 19 | 54.3 |
| Upper | 892 | 28.1 | 831 | 28.9 | 56 | 21.2 | 5 | 14.3 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 3,178 | 100.0 | 2,879 | 100.0 | 264 | 100.0 | 35 | 100.0 |
| Percentage of Total Businesses: | | | | 90.6 | | 8.3 | | 1.1 |
| | Total Farms by Tract | | Farms by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 1 | 1.1 | 1 | 1.1 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 17 | 18.7 | 17 | 19.1 | 0 | 0.0 | 0 | 0.0 |
| Middle | 59 | 64.8 | 57 | 64.0 | 2 | 100.0 | 0 | 0.0 |
| Upper | 14 | 15.4 | 14 | 15.7 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 91 | 100.0 | 89 | 100.0 | 2 | 100.0 | 0 | 0.0 |
| Percentage of Total Farms: | | | | 97.8 | | 2.2 | | 0.0 |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | | |

| 2021 Midland, MI MSA 33220 AA Demographics | | | | | | | | |
|---|---------------------------|-----------------------|------------------------------------|--------------|--|--------------|---------------------------|--------------|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low | 1 | 5.3 | 599 | 2.6 | 182 | 30.4 | 4,635 | 20.1 |
| Moderate | 4 | 21.1 | 4,364 | 18.9 | 620 | 14.2 | 4,073 | 17.7 |
| Middle | 9 | 47.4 | 9,968 | 43.2 | 831 | 8.3 | 4,782 | 20.7 |
| Upper | 5 | 26.3 | 8,135 | 35.3 | 469 | 5.8 | 9,576 | 41.5 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 19 | 100.0 | 23,066 | 100.0 | 2,102 | 9.1 | 23,066 | 100.0 |
| | Housing Units by Tract | Housing Type by Tract | | | | | | |
| | | Owner-occupied | | | Rental | | Vacant | |
| | | # | % by tract | % by unit | # | % by unit | # | % by unit |
| Low | 1,089 | 436 | 1.7 | 40.0 | 597 | 54.8 | 56 | 5.1 |
| Moderate | 7,588 | 4,423 | 17.5 | 58.3 | 2,571 | 33.9 | 594 | 7.8 |
| Middle | 15,259 | 11,325 | 44.7 | 74.2 | 2,607 | 17.1 | 1,327 | 8.7 |
| Upper | 12,259 | 9,153 | 36.1 | 74.7 | 2,505 | 20.4 | 601 | 4.9 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 36,195 | 25,337 | 100.0 | 70.0 | 8,280 | 22.9 | 2,578 | 7.1 |
| | Total Businesses by Tract | | Businesses by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 185 | 5.7 | 132 | 4.5 | 51 | 19.5 | 2 | 5.1 |
| Moderate | 703 | 21.7 | 634 | 21.6 | 58 | 22.1 | 11 | 28.2 |
| Middle | 996 | 30.8 | 915 | 31.2 | 64 | 24.4 | 17 | 43.6 |
| Upper | 1,352 | 41.8 | 1,254 | 42.7 | 89 | 34.0 | 9 | 23.1 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 3,236 | 100.0 | 2,935 | 100.0 | 262 | 100.0 | 39 | 100.0 |
| Percentage of Total Businesses: | | | | 90.7 | | 8.1 | | 1.2 |
| | Total Farms by Tract | | Farms by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 17 | 18.3 | 17 | 18.7 | 0 | 0.0 | 0 | 0.0 |
| Middle | 56 | 60.2 | 54 | 59.3 | 2 | 100.0 | 0 | 0.0 |
| Upper | 20 | 21.5 | 20 | 22.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 93 | 100.0 | 91 | 100.0 | 2 | 100.0 | 0 | 0.0 |
| Percentage of Total Farms: | | | | 97.8 | | 2.2 | | 0.0 |
| Source: 2021 FFIEC Census Data 2021 Data & Breakdown Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | | |

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

| Assessment Area | Lending Test | Investment Test | Service Test |
|-----------------|--------------|-----------------|--------------|
| Midland, MI MSA | Consistent | Consistent | Consistent |

The institution's lending, investment, and service performance in the area is consistent with the institution's lending, investment, and service performance overall. The following tables present the bank's geographic and borrower distribution of HMDA-and CRA-reportable lending in 2022 and 2021, as well as qualified community development loans, investments and donations, and services during the review period.

| Distribution of 2022 Home Mortgage Lending By Income Level of Geography | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|--------------|--------------|-----------------------------------|
| Assessment Area: Midland, MI MSA 33220 | | | | | | | |
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Owner Occupied Units % |
| | Bank | | Agg | Bank | | Agg | |
| | # | #% | #% | \$(000) | % | % | |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0.0 | 2.8 | 0 | 0.0 | 1.4 | 2.2 |
| Moderate | 13 | 24.5 | 19.0 | 1,319 | 11.1 | 13.0 | 16.5 |
| Middle | 26 | 49.1 | 53.2 | 5,636 | 47.6 | 52.6 | 58.9 |
| Upper | 14 | 26.4 | 25.0 | 4,895 | 41.3 | 33.1 | 22.4 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 53 | 100.0 | 100.0 | 11,850 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 1 | 4.3 | 1.7 | 88 | 2.8 | 1.1 | 2.2 |
| Moderate | 6 | 26.1 | 20.2 | 731 | 22.9 | 15.6 | 16.5 |
| Middle | 9 | 39.1 | 59.8 | 1,434 | 44.9 | 61.4 | 58.9 |
| Upper | 7 | 30.4 | 18.3 | 942 | 29.5 | 22.0 | 22.4 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 23 | 100.0 | 100.0 | 3,195 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 2.8 | 0 | 0.0 | 1.1 | 2.2 |
| Moderate | 5 | 35.7 | 10.5 | 310 | 30.1 | 8.8 | 16.5 |
| Middle | 6 | 42.9 | 57.5 | 443 | 43.0 | 56.9 | 58.9 |
| Upper | 3 | 21.4 | 29.3 | 277 | 26.9 | 33.1 | 22.4 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 14 | 100.0 | 100.0 | 1,030 | 100.0 | 100.0 | 100.0 |
| Multifamily Loans | | | | | | | Multi-family Units % |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 3.5 |
| Moderate | 4 | 57.1 | 23.5 | 3,943 | 63.6 | 22.5 | 29.3 |
| Middle | 2 | 28.6 | 47.1 | 258 | 4.2 | 35.4 | 27.5 |
| Upper | 1 | 14.3 | 29.4 | 2,000 | 32.3 | 42.1 | 39.6 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 7 | 100.0 | 100.0 | 6,201 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | Owner Occupied Units % |
| Low | 1 | 1.0 | 2.3 | 88 | 0.4 | 1.2 | 2.2 |
| Moderate | 28 | 28.9 | 18.6 | 6,303 | 28.3 | 13.7 | 16.5 |
| Middle | 43 | 44.3 | 55.7 | 7,771 | 34.9 | 54.2 | 58.9 |
| Upper | 25 | 25.8 | 23.5 | 8,114 | 36.4 | 30.8 | 22.4 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 97 | 100.0 | 100.0 | 22,276 | 100.0 | 100.0 | 100.0 |
| Source: 2022 FFIEC Census Data | | | | | | | |
| 2016-2020 U.S. Census Bureau: American Community Survey | | | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | |

| Distribution of 2021 Home Mortgage Lending By Income Level of Geography Assessment Area: Midland, MI MSA 33220 | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|--------------|--------------|-----------------------------------|
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Owner Occupied Units % |
| | Bank | | Agg | Bank | | Agg | |
| | # | #% | #% | \$(000) | % | % | |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0.0 | 2.0 | 0 | 0.0 | 1.1 | 1.7 |
| Moderate | 13 | 27.1 | 17.0 | 1,628 | 13.2 | 11.2 | 17.5 |
| Middle | 15 | 31.3 | 40.6 | 4,907 | 39.8 | 39.0 | 44.7 |
| Upper | 20 | 41.7 | 40.4 | 5,799 | 47.0 | 48.8 | 36.1 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 48 | 100.0 | 100.0 | 12,334 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 1 | 2.1 | 1.3 | 143 | 2.1 | 0.7 | 1.7 |
| Moderate | 11 | 22.9 | 13.8 | 1,251 | 18.4 | 9.7 | 17.5 |
| Middle | 24 | 50.0 | 43.2 | 3,318 | 48.7 | 41.5 | 44.7 |
| Upper | 12 | 25.0 | 41.7 | 2,100 | 30.8 | 48.1 | 36.1 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 48 | 100.0 | 100.0 | 6,812 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 1.7 |
| Moderate | 0 | 0.0 | 19.7 | 0 | 0.0 | 12.9 | 17.5 |
| Middle | 0 | 0.0 | 35.5 | 0 | 0.0 | 38.8 | 44.7 |
| Upper | 0 | 0.0 | 44.7 | 0 | 0.0 | 48.4 | 36.1 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 | 100.0 |
| Multifamily Loans | | | | | | | Multi-family Units % |
| Low | 0 | 0.0 | 18.2 | 0 | 0.0 | 5.0 | 3.3 |
| Moderate | 4 | 66.7 | 45.5 | 2,482 | 38.2 | 24.4 | 31.1 |
| Middle | 1 | 16.7 | 9.1 | 1,020 | 15.7 | 9.8 | 25.5 |
| Upper | 1 | 16.7 | 27.3 | 3,000 | 46.1 | 60.8 | 40.1 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 6 | 100.0 | 100.0 | 6,502 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | Owner Occupied Units % |
| Low | 1 | 1.0 | 1.6 | 143 | 0.6 | 0.9 | 1.7 |
| Moderate | 28 | 27.5 | 15.3 | 5,361 | 20.9 | 10.7 | 17.5 |
| Middle | 40 | 39.2 | 41.8 | 9,245 | 36.0 | 39.8 | 44.7 |
| Upper | 33 | 32.4 | 41.2 | 10,899 | 42.5 | 48.6 | 36.1 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 102 | 100.0 | 100.0 | 25,648 | 100.0 | 100.0 | 100.0 |
| Source: 2021 FFIEC Census Data | | | | | | | |
| 2011-2015 U.S. Census Bureau: American Community Survey | | | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | |

| Distribution of 2021 Small Business Lending By Income Level of Geography | | | | | | | |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------------------|
| Assessment Area: Midland, MI MSA 33220 | | | | | | | |
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Total Businesses % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | \$% | \$% | |
| Low | 5 | 12.5 | 6.8 | 2,234 | 34.8 | 18.9 | 5.7 |
| Moderate | 12 | 30.0 | 22.2 | 680 | 10.6 | 20.5 | 21.7 |
| Middle | 7 | 17.5 | 31.9 | 1,050 | 16.4 | 26.3 | 30.8 |
| Upper | 16 | 40.0 | 38.7 | 2,456 | 38.3 | 34.2 | 41.8 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.4 | 0 | 0.0 | 0.1 | |
| Total | 40 | 100.0 | 100.0 | 6,420 | 100.0 | 100.0 | 100.0 |

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

| Distribution of 2022 Small Business Lending By Income Level of Geography | | | | | |
|--|-------------|--------------|--------------|--------------|-----------------------|
| Assessment Area: Midland, MI MSA 33220 | | | | | |
| Geographic Income Level | Bank Loans* | | | | Total Businesses % |
| | # | % | \$(000) | \$% | |
| Low | 3 | 5.7 | 617 | 8.0 | 5.8 |
| Moderate | 16 | 30.2 | 1,943 | 25.1 | 20.9 |
| Middle | 15 | 28.3 | 2,048 | 26.5 | 45.3 |
| Upper | 19 | 35.8 | 3,127 | 40.4 | 28.1 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 53 | 100.0 | 7,735 | 100.0 | 100.0 |

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.

| Distribution of 2021 Small Farm Lending By Income Level of Geography | | | | | | | |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|------------------|
| Assessment Area: Midland, MI MSA 33220 | | | | | | | |
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Total Farms % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | % | % | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 1 | 7.1 | 17.2 | 20 | 1.5 | 7.1 | 18.3 |
| Middle | 13 | 92.9 | 78.1 | 1,305 | 98.5 | 91.9 | 60.2 |
| Upper | 0 | 0.0 | 4.7 | 0 | 0.0 | 1.0 | 21.5 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 14 | 100.0 | 100.0 | 1,325 | 100.0 | 100.0 | 100.0 |

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey

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

| Distribution of 2022 Small Farm Lending By Income Level of Geography | | | | | |
|--|-------------|--------------|--------------|--------------|------------------|
| Assessment Area: Midland, MI MSA 33220 | | | | | |
| Geographic Income Level | Bank Loans* | | | | Total Farms % |
| | # | % | \$(000) | % | |
| Low | 0 | 0.0 | 0 | 0.0 | 1.1 |
| Moderate | 3 | 14.3 | 190 | 10.2 | 18.7 |
| Middle | 18 | 85.7 | 1,680 | 89.8 | 64.8 |
| Upper | 0 | 0.0 | 0 | 0.0 | 15.4 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 21 | 100.0 | 1,870 | 100.0 | 100.0 |

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.

| Distribution of 2022 Home Mortgage Lending By Borrower Income Level | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|--------------|--------------------------------|--------------|
| Assessment Area: Midland, MI MSA 33220 | | | | | | | |
| Borrower Income Level | Bank And Aggregate Loans | | | | | Families by Family Income % | |
| | Bank | | Agg | Bank | | | Agg |
| | # | #% | #% | \$(000) | % | | % |
| Home Purchase Loans | | | | | | | |
| Low | 2 | 3.8 | 15.0 | 284 | 2.4 | 8.0 | 19.8 |
| Moderate | 8 | 15.1 | 24.7 | 988 | 8.3 | 18.4 | 18.1 |
| Middle | 14 | 26.4 | 21.0 | 2,757 | 23.3 | 21.4 | 22.0 |
| Upper | 12 | 22.6 | 24.6 | 5,116 | 43.2 | 39.2 | 40.0 |
| Unknown | 17 | 32.1 | 14.7 | 2,705 | 22.8 | 13.1 | 0.0 |
| Total | 53 | 100.0 | 100.0 | 11,850 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 3 | 13.0 | 18.9 | 374 | 11.7 | 11.8 | 19.8 |
| Moderate | 2 | 8.7 | 24.0 | 137 | 4.3 | 21.1 | 18.1 |
| Middle | 3 | 13.0 | 23.6 | 514 | 16.1 | 23.4 | 22.0 |
| Upper | 9 | 39.1 | 24.5 | 1,617 | 50.6 | 35.0 | 40.0 |
| Unknown | 6 | 26.1 | 9.1 | 553 | 17.3 | 8.7 | 0.0 |
| Total | 23 | 100.0 | 100.0 | 3,195 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 2 | 14.3 | 14.4 | 168 | 16.3 | 9.9 | 19.8 |
| Moderate | 1 | 7.1 | 17.7 | 15 | 1.5 | 14.8 | 18.1 |
| Middle | 4 | 28.6 | 21.0 | 249 | 24.2 | 19.7 | 22.0 |
| Upper | 5 | 35.7 | 45.3 | 551 | 53.5 | 54.9 | 40.0 |
| Unknown | 2 | 14.3 | 1.7 | 47 | 4.6 | 0.7 | 0.0 |
| Total | 14 | 100.0 | 100.0 | 1,030 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | |
| Low | 7 | 7.8 | 15.7 | 826 | 5.1 | 8.9 | 19.8 |
| Moderate | 11 | 12.2 | 23.7 | 1,140 | 7.1 | 18.8 | 18.1 |
| Middle | 21 | 23.3 | 22.1 | 3,520 | 21.9 | 21.8 | 22.0 |
| Upper | 26 | 28.9 | 26.6 | 7,284 | 45.3 | 38.9 | 40.0 |
| Unknown | 25 | 27.8 | 11.9 | 3,305 | 20.6 | 11.5 | 0.0 |
| Total | 90 | 100.0 | 100.0 | 16,075 | 100.0 | 100.0 | 100.0 |
| <p>Source: 2022 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey</p> <p>Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.</p> | | | | | | | |

| Distribution of 2021 Home Mortgage Lending By Borrower Income Level | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|--------------|--------------------------------|--------------|
| Assessment Area: Midland, MI MSA 33220 | | | | | | | |
| Borrower Income Level | Bank And Aggregate Loans | | | | | Families by Family Income % | |
| | Bank | | Agg | Bank | | | Agg |
| | # | % | % | \$(000) | % | | % |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0.0 | 11.0 | 0 | 0.0 | 5.6 | 20.1 |
| Moderate | 4 | 8.3 | 19.2 | 396 | 3.2 | 13.6 | 17.7 |
| Middle | 11 | 22.9 | 23.1 | 1,627 | 13.2 | 20.6 | 20.7 |
| Upper | 23 | 47.9 | 34.9 | 9,065 | 73.5 | 49.6 | 41.5 |
| Unknown | 10 | 20.8 | 11.8 | 1,246 | 10.1 | 10.6 | 0.0 |
| Total | 48 | 100.0 | 100.0 | 12,334 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 5 | 10.4 | 7.8 | 420 | 6.2 | 4.2 | 20.1 |
| Moderate | 11 | 22.9 | 15.9 | 1,412 | 20.7 | 10.8 | 17.7 |
| Middle | 10 | 20.8 | 22.4 | 1,292 | 19.0 | 18.9 | 20.7 |
| Upper | 14 | 29.2 | 41.2 | 2,814 | 41.3 | 52.6 | 41.5 |
| Unknown | 8 | 16.7 | 12.7 | 874 | 12.8 | 13.4 | 0.0 |
| Total | 48 | 100.0 | 100.0 | 6,812 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 6.6 | 0 | 0.0 | 4.9 | 20.1 |
| Moderate | 0 | 0.0 | 17.1 | 0 | 0.0 | 13.1 | 17.7 |
| Middle | 0 | 0.0 | 25.0 | 0 | 0.0 | 23.8 | 20.7 |
| Upper | 0 | 0.0 | 51.3 | 0 | 0.0 | 58.2 | 41.5 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Total | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | |
| Low | 5 | 5.2 | 9.1 | 420 | 2.2 | 4.9 | 20.1 |
| Moderate | 15 | 15.6 | 17.3 | 1,808 | 9.4 | 12.2 | 17.7 |
| Middle | 21 | 21.9 | 22.6 | 2,919 | 15.2 | 19.7 | 20.7 |
| Upper | 37 | 38.5 | 38.5 | 11,879 | 62.0 | 51.0 | 41.5 |
| Unknown | 18 | 18.8 | 12.5 | 2,120 | 11.1 | 12.2 | 0.0 |
| Total | 96 | 100.0 | 100.0 | 19,146 | 100.0 | 100.0 | 100.0 |
| <p>Source: 2021 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey</p> <p>Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.</p> | | | | | | | |

| Distribution of 2021 Small Business Lending By Revenue Size of Businesses | | | | | | | |
|--|---------------------------------|----------|------------|----------------|------------|------------|-----------------------------------|
| Assessment Area: Midland, MI MSA 33220 | | | | | | | |
| | Bank And Aggregate Loans | | | | | | Total Businesses % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | \$% | \$% | |
| By Revenue | | | | | | | |
| \$1 Million or Less | 26 | 65.0 | 56.8 | 3,358 | 52.3 | 44.8 | 90.7 |
| Over \$1 Million | 8 | 20.0 | | 2,884 | 44.9 | | 8.1 |
| Revenue Unknown | 6 | 15.0 | | 178 | 2.8 | | 1.2 |
| Total | 40 | 100.0 | | 6,420 | 100.0 | | 100.0 |
| By Loan Size | | | | | | | |
| \$100,000 or Less | 24 | 60.0 | 88.4 | 1,055 | 16.4 | 32.2 | |
| \$100,001 - \$250,000 | 10 | 25.0 | 6.7 | 1,715 | 26.7 | 20.7 | |
| \$250,001 - \$1 Million | 6 | 15.0 | 4.9 | 3,650 | 56.9 | 47.1 | |
| Total | 40 | 100.0 | 100.0 | 6,420 | 100.0 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | | | |
| \$100,000 or Less | 16 | 61.5 | | 810 | 24.1 | | |
| \$100,001 - \$250,000 | 7 | 26.9 | | 1,148 | 34.2 | | |
| \$250,001 - \$1 Million | 3 | 11.5 | | 1,400 | 41.7 | | |
| Total | 26 | 100.0 | | 3,358 | 100.0 | | |
| <i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i> | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | |

| Distribution of 2022 Small Business Lending By Revenue Size of Businesses | | | | | |
|--|--------------------|-----------|----------------|----------|-------------------------------|
| Assessment Area: Midland, MI MSA 33220 | | | | | |
| | Bank Loans* | | | | Total Businesses % |
| | # | #% | \$(000) | % | |
| By Revenue | | | | | |
| \$1 Million or Less | 28 | 52.8 | 3,550 | 45.9 | 90.6 |
| Over \$1 Million | 21 | 39.6 | 4,061 | 52.5 | 8.3 |
| Revenue Unknown | 4 | 7.5 | 124 | 1.6 | 1.1 |
| Total | 53 | 100.0 | 7,735 | 100.0 | 100.0 |
| By Loan Size | | | | | |
| \$100,000 or Less | 30 | 56.6 | 1,474 | 19.1 | |
| \$100,001 - \$250,000 | 15 | 28.3 | 2,560 | 33.1 | |
| \$250,001 - \$1 Million | 8 | 15.1 | 3,701 | 47.8 | |
| Total | 53 | 100.0 | 7,735 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | |
| \$100,000 or Less | 14 | 50.0 | 686 | 19.3 | |
| \$100,001 - \$250,000 | 11 | 39.3 | 1,916 | 54.0 | |
| \$250,001 - \$1 Million | 3 | 10.7 | 948 | 26.7 | |
| Total | 28 | 100.0 | 3,550 | 100.0 | |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.</i> | | | | | |

| Distribution of 2021 Small Farm Lending By Revenue Size of Farms | | | | | | | |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Assessment Area: Midland, MI MSA 33220 | | | | | | | |
| | Bank And Aggregate Loans | | | | | | Total Farms % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | % | % | |
| By Revenue | | | | | | | |
| \$1 Million or Less | 11 | 78.6 | 70.3 | 1,290 | 97.4 | 92.2 | 97.8 |
| Over \$1 Million | 0 | 0.0 | | 0 | 0.0 | | 2.2 |
| Revenue Unknown | 3 | 21.4 | | 35 | 2.6 | | 0.0 |
| Total | 14 | 100.0 | | 1,325 | 100.0 | | 100.0 |
| By Loan Size | | | | | | | |
| \$100,000 or Less | 9 | 64.3 | 84.4 | 268 | 20.2 | 33.1 | |
| \$100,001 - \$250,000 | 4 | 28.6 | 9.4 | 557 | 42.0 | 23.3 | |
| \$250,001 - \$500,000 | 1 | 7.1 | 6.3 | 500 | 37.7 | 43.6 | |
| Total | 14 | 100.0 | 100.0 | 1,325 | 100.0 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | | | |
| \$100,000 or Less | 6 | 54.5 | | 233 | 18.1 | | |
| \$100,001 - \$250,000 | 4 | 36.4 | | 557 | 43.2 | | |
| \$250,001 - \$500,000 | 1 | 9.1 | | 500 | 38.8 | | |
| Total | 11 | 100.0 | | 1,290 | 100.0 | | |
| <i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i> | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | |

| Distribution of 2022 Small Farm Lending By Revenue Size of Farms | | | | | |
|---|-------------|--------------|--------------|--------------|---------------|
| Assessment Area: Midland, MI MSA 33220 | | | | | |
| | Bank Loans* | | | | Total Farms % |
| | # | #% | \$(000) | % | |
| By Revenue | | | | | |
| \$1 Million or Less | 18 | 85.7 | 1,487 | 79.5 | 97.8 |
| Over \$1 Million | 2 | 9.5 | 378 | 20.2 | 2.2 |
| Revenue Unknown | 1 | 4.8 | 5 | 0.3 | 0.0 |
| Total | 21 | 100.0 | 1,870 | 100.0 | 100.0 |
| By Loan Size | | | | | |
| \$100,000 or Less | 15 | 71.4 | 592 | 31.7 | |
| \$100,001 - \$250,000 | 4 | 19.0 | 500 | 26.7 | |
| \$250,001 - \$500,000 | 2 | 9.5 | 778 | 41.6 | |
| Total | 21 | 100.0 | 1,870 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | |
| \$100,000 or Less | 13 | 72.2 | 487 | 32.8 | |
| \$100,001 - \$250,000 | 4 | 22.2 | 500 | 33.6 | |
| \$250,001 - \$500,000 | 1 | 5.6 | 500 | 33.6 | |
| Total | 18 | 100.0 | 1,487 | 100.0 | |
| Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available. | | | | | |

| Community Development Loans | | | | | | | | | | |
|----------------------------------|--------------------|---|--------------------|---|----------------------|---|----------------------------------|---|-------|---|
| June 29, 2021 –November 13, 2023 | | | | | | | | | | |
| (Dollars in 000s) | | | | | | | | | | |
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalization and Stabilization | | Total | |
| | \$ | # | \$ | # | \$ | # | \$ | # | \$ | # |
| Midland MSA | 1,108 | 2 | 0 | 0 | 0 | 0 | 2,000 | 1 | 3,108 | 3 |

| Qualified Investments | | | | | | | | | | |
|----------------------------------|--------------------|----------|----------------------|----------|----------------------------------|----------|--------------------|----------|-------|----------|
| June 29, 2021 –November 13, 2023 | | | | | | | | | | |
| (Dollars in 000s) | | | | | | | | | | |
| Assessment Area | Affordable Housing | | Economic Development | | Revitalization and Stabilization | | Community Services | | Total | |
| | # | \$ (000) | # | \$ (000) | # | \$ (000) | # | \$ (000) | # | \$ (000) |
| Midland MSA | 1 | 5,000 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 5,000 |

| Community Development Grants and Donations | | | | | |
|---|---------------------------|---|---------------------------|-----------------------------|--------------|
| June 29, 2021 –November 13, 2023 | | | | | |
| Assessment Area | Affordable Housing | Revitalization and Stabilization | Community Services | Economic Development | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Midland MSA | 500 | 16,000 | 6,495 | 3,000 | 25,995 |

| Community Development Services | | | | | |
|---|---------------------------|---|---------------------------|-----------------------------|--------------------|
| June 29, 2021 –November 13, 2023 | | | | | |
| Assessment Area | Affordable Housing | Revitalization and Stabilization | Community Services | Economic Development | Total Hours |
| Midland MSA | 61 | 20 | 79 | 47 | 119 |

SAGINAW, MI MSA #40980 – Limited Review

SCOPE OF THE EXAMINATION

The scope for this assessment area is consistent with the scope presented in the overall section of the Performance Evaluation.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN SAGINAW, MI MSA #40980

The Saginaw, MI MSA is comprised of Saginaw County in its entirety. There have been no changes to the assessment area since the previous evaluation. The bank operates five branches and five full-service ATMs with the assessment area. The bank opened one full-service ATM and branch in Saginaw since the previous evaluation. Two branches are located in moderate-income census tracts and the remaining three are located in upper-income census tracts.

In 2021, the assessment area consisted of 56 census tracts, of which eight census tracts were low-income, 10 census tracts were designated moderate-income, 27 census tracts were considered middle-income, and 11 census tracts were upper-income. While the delineation of the assessment area has not changed, the composition and total number of census tracts has changed, a result of the income designation changes from the 2016 – 2020 American Community Survey for 2022, compared to the income designations for 2021 that used data from the 2011 – 2015 American Community Survey. In 2022, the Saginaw MSA consisted of 61 census tracts, including five low- and 18 moderate-income tracts. Additionally, middle-income census tracts decreased to 18, and upper-income tracts increased to 20. The following table summarizes the changes between the two years.

Tract Designation Change Data

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

| Census Tract Designation Changes American Community Survey Data (ACS) | | | |
|--|------------------------------|------------------------------|-----------------------|
| Tract Income Designation | 2021 Designations (#) | 2022 Designations (#) | Net Change (#) |
| Low | 8 | 5 | -3 |
| Moderate | 10 | 18 | 8 |
| Middle | 27 | 18 | -9 |
| Upper | 11 | 20 | 9 |
| Unknown | 0 | 0 | 0 |
| Total | 56 | 61 | 5 |
| <i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020</i> | | | |

According to the June 30, 2022, FDIC Market Share Report, Isabella Bank ranks seventh out of 12 FDIC-insured institutions operating in the assessment area with 5.7 percent of the deposit market share. Additionally, in 2022, the bank ranked 20 of 213 HMDA reporters. Top HMDA reporting institutions in the assessment area include Frankenmuth Credit Union, Rocket Mortgage, LLC, and The Huntington National Bank. Overall, while Isabella has the financial capacity to lend in the assessment area, it also operates in a competitive market with large national lenders and credit unions.

The following presentation of key demographics in the following tables were used to help inform the evaluation of the bank’s activity in its assessment area and are based on a comparison of two sets of ACS data, 2011-2015 and 2016-2020.

| 2022 Saginaw, MI MSA 40980 AA Demographics | | | | | | | | |
|--|---------------------------|-----------------------|------------------------------------|--------------|--|--------------|---------------------------|--------------|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low | 5 | 8.2 | 2,444 | 5.0 | 1,212 | 49.6 | 10,198 | 20.7 |
| Moderate | 18 | 29.5 | 11,835 | 24.0 | 2,943 | 24.9 | 8,704 | 17.7 |
| Middle | 18 | 29.5 | 15,844 | 32.2 | 1,123 | 7.1 | 10,470 | 21.2 |
| Upper | 20 | 32.8 | 19,151 | 38.9 | 681 | 3.6 | 19,902 | 40.4 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 61 | 100.0 | 49,274 | 100.0 | 5,959 | 12.1 | 49,274 | 100.0 |
| | Housing Units by Tract | Housing Type by Tract | | | | | | |
| | | Owner-occupied | | | Rental | | Vacant | |
| | | # | % by tract | % by unit | # | % by unit | # | % by unit |
| Low | 4,999 | 1,585 | 2.8 | 31.7 | 2,347 | 46.9 | 1,067 | 21.3 |
| Moderate | 25,141 | 12,019 | 21.3 | 47.8 | 9,708 | 38.6 | 3,414 | 13.6 |
| Middle | 26,514 | 19,361 | 34.3 | 73.0 | 5,091 | 19.2 | 2,062 | 7.8 |
| Upper | 31,135 | 23,544 | 41.7 | 75.6 | 5,325 | 17.1 | 2,266 | 7.3 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 87,789 | 56,509 | 100.0 | 64.4 | 22,471 | 25.6 | 8,809 | 10.0 |
| | Total Businesses by Tract | | Businesses by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 254 | 3.9 | 224 | 3.9 | 29 | 4.4 | 1 | 1.5 |
| Moderate | 1,826 | 28.0 | 1,601 | 27.6 | 214 | 32.6 | 11 | 16.2 |
| Middle | 1,975 | 30.3 | 1,726 | 29.8 | 217 | 33.1 | 32 | 47.1 |
| Upper | 2,465 | 37.8 | 2,245 | 38.7 | 196 | 29.9 | 24 | 35.3 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 6,520 | 100.0 | 5,796 | 100.0 | 656 | 100.0 | 68 | 100.0 |
| Percentage of Total Businesses: | | | | 88.9 | | 10.1 | | 1.0 |
| | Total Farms by Tract | | Farms by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 3 | 1.1 | 3 | 1.1 | 0 | 0.0 | 0 | 0.0 |
| Middle | 154 | 54.2 | 152 | 54.3 | 1 | 33.3 | 1 | 100.0 |
| Upper | 127 | 44.7 | 125 | 44.6 | 2 | 66.7 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 284 | 100.0 | 280 | 100.0 | 3 | 100.0 | 1 | 100.0 |
| Percentage of Total Farms: | | | | 98.6 | | 1.1 | | 0.4 |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | | |

| 2021 Saginaw, MIMSA 40980 AA Demographics | | | | | | | | |
|--|---------------------------|-----------------------|------------------------------------|--------------|--|--------------|---------------------------|--------------|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low | 8 | 14.3 | 5,057 | 10.2 | 2,171 | 42.9 | 10,528 | 21.2 |
| Moderate | 10 | 17.9 | 5,406 | 10.9 | 1,601 | 29.6 | 8,487 | 17.1 |
| Middle | 27 | 48.2 | 26,132 | 52.6 | 2,497 | 9.6 | 10,283 | 20.7 |
| Upper | 11 | 19.6 | 13,094 | 26.4 | 427 | 3.3 | 20,391 | 41.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 56 | 100.0 | 49,689 | 100.0 | 6,696 | 13.5 | 49,689 | 100.0 |
| | Housing Units by Tract | Housing Type by Tract | | | | | | |
| | | Owner-occupied | | Rental | | Vacant | | |
| | | # | % by tract | % by unit | # | % by unit | # | % by unit |
| Low | 10,651 | 4,369 | 7.8 | 41.0 | 4,079 | 38.3 | 2,203 | 20.7 |
| Moderate | 12,190 | 5,425 | 9.6 | 44.5 | 4,181 | 34.3 | 2,584 | 21.2 |
| Middle | 44,135 | 30,848 | 54.8 | 69.9 | 10,188 | 23.1 | 3,099 | 7.0 |
| Upper | 19,847 | 15,628 | 27.8 | 78.7 | 3,207 | 16.2 | 1,012 | 5.1 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 86,823 | 56,270 | 100.0 | 64.8 | 21,655 | 24.9 | 8,898 | 10.2 |
| | Total Businesses by Tract | | Businesses by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 428 | 6.5 | 387 | 6.7 | 39 | 5.9 | 2 | 3.0 |
| Moderate | 804 | 12.3 | 698 | 12.0 | 102 | 15.4 | 4 | 6.1 |
| Middle | 3,431 | 52.5 | 3,048 | 52.5 | 340 | 51.2 | 43 | 65.2 |
| Upper | 1,872 | 28.6 | 1,672 | 28.8 | 183 | 27.6 | 17 | 25.8 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 6,535 | 100.0 | 5,805 | 100.0 | 664 | 100.0 | 66 | 100.0 |
| Percentage of Total Businesses: | | | | 88.8 | | 10.2 | | 1.0 |
| | Total Farms by Tract | | Farms by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle | 180 | 63.4 | 176 | 63.1 | 2 | 66.7 | 2 | 100.0 |
| Upper | 104 | 36.6 | 103 | 36.9 | 1 | 33.3 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 284 | 100.0 | 279 | 100.0 | 3 | 100.0 | 2 | 100.0 |
| Percentage of Total Farms: | | | | 98.2 | | 1.1 | | 0.7 |
| <i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i> | | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | | |

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

| Assessment Area | Lending Test | Investment Test | Service Test |
|-----------------|--------------|-----------------|--------------|
| Saginaw MSA | Consistent | Consistent | Consistent |

The institution's lending, investment, and service performance in the area is consistent with the institution's lending, investment, and service performance overall. The following tables present the bank's geographic and borrower distribution of HMDA-and CRA-reportable lending in 2022 and 2021, as well as qualified community development loans, investments and donations, and services.

| Distribution of 2022 Home Mortgage Lending By Income Level of Geography Assessment Area: Saginaw, MI MSA 40980 | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|--------------|--------------|-----------------------------------|
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Owner Occupied Units % |
| | Bank | | Agg | Bank | | Agg | |
| | # | #% | #% | \$(000) | % | % | |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0.0 | 1.0 | 0 | 0.0 | 0.3 | 2.8 |
| Moderate | 3 | 11.5 | 20.6 | 222 | 3.4 | 12.1 | 21.3 |
| Middle | 5 | 19.2 | 33.0 | 630 | 9.7 | 30.4 | 34.3 |
| Upper | 18 | 69.2 | 45.3 | 5,660 | 86.9 | 57.1 | 41.7 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 26 | 100.0 | 100.0 | 6,512 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 0 | 0.0 | 1.0 | 0 | 0.0 | 0.4 | 2.8 |
| Moderate | 2 | 22.2 | 15.7 | 188 | 17.3 | 9.5 | 21.3 |
| Middle | 3 | 33.3 | 36.9 | 414 | 38.2 | 34.0 | 34.3 |
| Upper | 4 | 44.4 | 46.4 | 483 | 44.5 | 56.2 | 41.7 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 9 | 100.0 | 100.0 | 1,085 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 1.3 | 0 | 0.0 | 0.5 | 2.8 |
| Moderate | 0 | 0.0 | 13.3 | 0 | 0.0 | 9.4 | 21.3 |
| Middle | 3 | 50.0 | 34.7 | 102 | 38.2 | 31.5 | 34.3 |
| Upper | 3 | 50.0 | 50.7 | 165 | 61.8 | 58.6 | 41.7 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 6 | 100.0 | 100.0 | 267 | 100.0 | 100.0 | 100.0 |
| Multifamily Loans | | | | | | | Multi-family Units % |
| Low | 0 | 0.0 | 2.4 | 0 | 0.0 | 0.3 | 7.3 |
| Moderate | 1 | 8.3 | 24.4 | 267 | 1.8 | 22.7 | 34.6 |
| Middle | 7 | 58.3 | 39.0 | 11,902 | 80.5 | 24.0 | 24.2 |
| Upper | 4 | 33.3 | 34.1 | 2,624 | 17.7 | 53.1 | 33.9 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 12 | 100.0 | 100.0 | 14,793 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | Owner Occupied Units % |
| Low | 0 | 0.0 | 1.1 | 0 | 0.0 | 0.4 | 2.8 |
| Moderate | 6 | 11.3 | 18.7 | 677 | 3.0 | 13.0 | 21.3 |
| Middle | 18 | 34.0 | 34.3 | 13,048 | 57.6 | 30.2 | 34.3 |
| Upper | 29 | 54.7 | 45.9 | 8,932 | 39.4 | 56.5 | 41.7 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 53 | 100.0 | 100.0 | 22,657 | 100.0 | 100.0 | 100.0 |
| Source: 2022 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey | | | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | |

| Distribution of 2021 Home Mortgage Lending By Income Level of Geography Assessment Area: Saginaw, MI MSA 40980 | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|--------------|--------------|-----------------------------------|
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Owner Occupied Units % |
| | Bank | | Agg | Bank | | Agg | |
| | # | #% | #% | \$(000) | % | % | |
| Home Purchase Loans | | | | | | | |
| Low | 1 | 2.3 | 2.2 | 33 | 0.4 | 1.0 | 7.8 |
| Moderate | 1 | 2.3 | 5.0 | 33 | 0.4 | 2.3 | 9.6 |
| Middle | 22 | 50.0 | 60.2 | 2,046 | 25.9 | 51.0 | 54.8 |
| Upper | 20 | 45.5 | 32.6 | 5,784 | 73.3 | 45.8 | 27.8 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 44 | 100.0 | 100.0 | 7,896 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 0 | 0.0 | 0.5 | 0 | 0.0 | 0.2 | 7.8 |
| Moderate | 0 | 0.0 | 2.5 | 0 | 0.0 | 1.4 | 9.6 |
| Middle | 16 | 69.6 | 57.0 | 1,748 | 49.6 | 49.6 | 54.8 |
| Upper | 7 | 30.4 | 39.9 | 1,779 | 50.4 | 48.8 | 27.8 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 23 | 100.0 | 100.0 | 3,527 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 4.3 | 0 | 0.0 | 1.6 | 7.8 |
| Moderate | 0 | 0.0 | 5.6 | 0 | 0.0 | 2.8 | 9.6 |
| Middle | 0 | 0.0 | 55.9 | 0 | 0.0 | 50.0 | 54.8 |
| Upper | 0 | 0.0 | 34.2 | 0 | 0.0 | 45.6 | 27.8 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 | 100.0 |
| Multifamily Loans | | | | | | | Multi-family Units % |
| Low | 0 | 0.0 | 8.3 | 0 | 0.0 | 8.7 | 15.6 |
| Moderate | 0 | 0.0 | 4.2 | 0 | 0.0 | 11.0 | 15.7 |
| Middle | 4 | 66.7 | 62.5 | 1,905 | 21.7 | 42.8 | 52.9 |
| Upper | 2 | 33.3 | 25.0 | 6,867 | 78.3 | 37.5 | 15.8 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 6 | 100.0 | 100.0 | 8,772 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | Owner Occupied Units % |
| Low | 1 | 1.4 | 1.4 | 33 | 0.2 | 1.4 | 7.8 |
| Moderate | 1 | 1.4 | 3.8 | 33 | 0.2 | 2.8 | 9.6 |
| Middle | 42 | 57.5 | 58.5 | 5,699 | 28.2 | 49.5 | 54.8 |
| Upper | 29 | 39.7 | 36.3 | 14,430 | 71.5 | 46.3 | 27.8 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 73 | 100.0 | 100.0 | 20,195 | 100.0 | 100.0 | 100.0 |
| Source: 2021 FFIEC Census Data | | | | | | | |
| 2011-2015 U.S. Census Bureau: American Community Survey | | | | | | | |
| Note: Percentages may not total 100.0 percent due to rounding. | | | | | | | |

| Distribution of 2021 Small Business Lending By Income Level of Geography | | | | | | | |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------------------|
| Assessment Area: Saginaw, MI MSA 40980 | | | | | | | |
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Total Businesses % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | % | % | |
| Low | 1 | 2.6 | 6.7 | 76 | 0.9 | 6.2 | 6.5 |
| Moderate | 2 | 5.1 | 9.8 | 51 | 0.6 | 11.1 | 12.3 |
| Middle | 23 | 59.0 | 53.3 | 5,652 | 66.5 | 54.3 | 52.5 |
| Upper | 13 | 33.3 | 29.6 | 2,725 | 32.0 | 27.7 | 28.6 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.6 | 0 | 0.0 | 0.7 | |
| Total | 39 | 100.0 | 100.0 | 8,504 | 100.0 | 100.0 | 100.0 |

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey

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

| Distribution of 2022 Small Business Lending By Income Level of Geography | | | | | |
|--|-------------|--------------|---------------|--------------|-----------------------|
| Assessment Area: Saginaw, MI MSA 40980 | | | | | |
| Geographic Income Level | Bank Loans* | | | | Total Businesses % |
| | # | % | \$(000) | % | |
| Low | 2 | 2.7 | 60 | 0.4 | 3.9 |
| Moderate | 21 | 28.8 | 4,814 | 31.9 | 28.0 |
| Middle | 26 | 35.6 | 5,142 | 34.1 | 30.3 |
| Upper | 24 | 32.9 | 5,079 | 33.6 | 37.8 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 73 | 100.0 | 15,095 | 100.0 | 100.0 |

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.

| Distribution of 2021 Small Farm Lending By Income Level of Geography | | | | | | | |
|--|--------------------------|--------------|--------------|------------|--------------|--------------|------------------|
| Assessment Area: Saginaw, MI MSA 40980 | | | | | | | |
| Geographic Income Level | Bank And Aggregate Loans | | | | | | Total Farms % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | % | % | |
| Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Moderate | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Middle | 5 | 62.5 | 59.0 | 375 | 82.4 | 51.0 | 63.4 |
| Upper | 3 | 37.5 | 41.0 | 80 | 17.6 | 49.0 | 36.6 |
| Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | |
| Total | 8 | 100.0 | 100.0 | 455 | 100.0 | 100.0 | 100.0 |

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey

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

| Distribution of 2022 Small Farm Lending By Income Level of Geography | | | | | |
|--|-------------|--------------|--------------|--------------|------------------|
| Assessment Area: Saginaw, MI MSA 40980 | | | | | |
| Geographic Income Level | Bank Loans* | | | | Total Farms % |
| | # | % | \$(000) | % | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 1.1 |
| Middle | 10 | 66.7 | 1,838 | 61.8 | 54.2 |
| Upper | 5 | 33.3 | 1,136 | 38.2 | 44.7 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 15 | 100.0 | 2,974 | 100.0 | 100.0 |

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.

| Distribution of 2022 Home Mortgage Lending By Borrower Income Level | | | | | | | |
|---|--------------------------|--------------|--------------|--------------|--------------|--------------------------------|--------------|
| Assessment Area: Saginaw, MI MSA 40980 | | | | | | | |
| Borrower Income Level | Bank And Aggregate Loans | | | | | Families by Family Income % | |
| | Bank | | Agg | Bank | | | Agg |
| | # | #% | #% | \$(000) | % | | % |
| Home Purchase Loans | | | | | | | |
| Low | 1 | 3.8 | 10.2 | 71 | 1.1 | 4.9 | 20.7 |
| Moderate | 2 | 7.7 | 23.5 | 237 | 3.6 | 16.1 | 17.7 |
| Middle | 4 | 15.4 | 22.9 | 553 | 8.5 | 21.8 | 21.2 |
| Upper | 15 | 57.7 | 29.2 | 5,203 | 79.9 | 44.5 | 40.4 |
| Unknown | 4 | 15.4 | 14.2 | 448 | 6.9 | 12.7 | 0.0 |
| Total | 26 | 100.0 | 100.0 | 6,512 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 0 | 0.0 | 10.7 | 0 | 0.0 | 6.0 | 20.7 |
| Moderate | 1 | 11.1 | 24.3 | 112 | 10.3 | 18.8 | 17.7 |
| Middle | 2 | 22.2 | 25.4 | 215 | 19.8 | 23.6 | 21.2 |
| Upper | 2 | 22.2 | 32.1 | 462 | 42.6 | 43.5 | 40.4 |
| Unknown | 4 | 44.4 | 7.5 | 296 | 27.3 | 8.1 | 0.0 |
| Total | 9 | 100.0 | 100.0 | 1,085 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 1 | 16.7 | 8.0 | 20 | 7.5 | 4.4 | 20.7 |
| Moderate | 2 | 33.3 | 19.9 | 70 | 26.2 | 18.9 | 17.7 |
| Middle | 1 | 16.7 | 23.9 | 62 | 23.2 | 20.9 | 21.2 |
| Upper | 2 | 33.3 | 46.4 | 115 | 43.1 | 53.9 | 40.4 |
| Unknown | 0 | 0.0 | 1.9 | 0 | 0.0 | 1.8 | 0.0 |
| Total | 6 | 100.0 | 100.0 | 267 | 100.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | |
| Low | 2 | 4.9 | 10.2 | 91 | 1.2 | 5.3 | 20.7 |
| Moderate | 5 | 12.2 | 22.6 | 419 | 5.3 | 16.6 | 17.7 |
| Middle | 7 | 17.1 | 23.6 | 830 | 10.6 | 22.2 | 21.2 |
| Upper | 19 | 46.3 | 31.9 | 5,780 | 73.5 | 44.6 | 40.4 |
| Unknown | 8 | 19.5 | 11.7 | 744 | 9.5 | 11.3 | 0.0 |
| Total | 41 | 100.0 | 100.0 | 7,864 | 100.0 | 100.0 | 100.0 |
| <p>Source: 2022 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey</p> <p>Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.</p> | | | | | | | |

| Distribution of 2021 Home Mortgage Lending By Borrower Income Level | | | | | | | |
|---|--------------------------|--------------|--------------|---------------|--------------|--------------------------------|--------------|
| Assessment Area: Saginaw, MI MSA 40980 | | | | | | | |
| Borrower Income Level | Bank And Aggregate Loans | | | | | Families by Family Income % | |
| | Bank | | Agg | Bank | | | Agg |
| | # | % | % | \$(000) | % | | % |
| Home Purchase Loans | | | | | | | |
| Low | 4 | 9.1 | 10.9 | 285 | 3.6 | 5.4 | 21.2 |
| Moderate | 7 | 15.9 | 25.4 | 740 | 9.4 | 17.7 | 17.1 |
| Middle | 7 | 15.9 | 23.0 | 971 | 12.3 | 21.7 | 20.7 |
| Upper | 16 | 36.4 | 30.7 | 4,670 | 59.1 | 45.3 | 41.0 |
| Unknown | 10 | 22.7 | 10.1 | 1,230 | 15.6 | 9.8 | 0.0 |
| Total | 44 | 100.0 | 100.0 | 7,896 | 100.0 | 100.0 | 100.0 |
| Refinance Loans | | | | | | | |
| Low | 2 | 8.7 | 6.0 | 95 | 2.7 | 3.1 | 21.2 |
| Moderate | 2 | 8.7 | 18.9 | 204 | 5.8 | 12.7 | 17.1 |
| Middle | 6 | 26.1 | 24.2 | 681 | 19.3 | 21.6 | 20.7 |
| Upper | 10 | 43.5 | 40.0 | 2,119 | 60.1 | 50.9 | 41.0 |
| Unknown | 3 | 13.0 | 10.9 | 428 | 12.1 | 11.5 | 0.0 |
| Total | 23 | 100.0 | 100.0 | 3,527 | 100.0 | 100.0 | 100.0 |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 8.1 | 0 | 0.0 | 6.0 | 21.2 |
| Moderate | 0 | 0.0 | 21.7 | 0 | 0.0 | 18.6 | 17.1 |
| Middle | 0 | 0.0 | 26.7 | 0 | 0.0 | 28.0 | 20.7 |
| Upper | 0 | 0.0 | 42.2 | 0 | 0.0 | 46.8 | 41.0 |
| Unknown | 0 | 0.0 | 1.2 | 0 | 0.0 | 0.6 | 0.0 |
| Total | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 | 100.0 |
| Total Home Mortgage Loans | | | | | | | |
| Low | 6 | 9.0 | 8.1 | 380 | 3.3 | 4.2 | 21.2 |
| Moderate | 9 | 13.4 | 21.5 | 944 | 8.3 | 15.0 | 17.1 |
| Middle | 13 | 19.4 | 23.6 | 1,652 | 14.5 | 21.7 | 20.7 |
| Upper | 26 | 38.8 | 35.8 | 6,789 | 59.4 | 48.1 | 41.0 |
| Unknown | 13 | 19.4 | 11.0 | 1,658 | 14.5 | 11.0 | 0.0 |
| Total | 67 | 100.0 | 100.0 | 11,423 | 100.0 | 100.0 | 100.0 |
| <p>Source: 2021 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey</p> <p>Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.</p> | | | | | | | |

| Distribution of 2021 Small Business Lending By Revenue Size of Businesses | | | | | | | |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------------------|
| Assessment Area: Saginaw, MI MSA 40980 | | | | | | | |
| | Bank And Aggregate Loans | | | | | | Total Businesses % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | \$% | \$% | |
| By Revenue | | | | | | | |
| \$1 Million or Less | 15 | 38.5 | 42.2 | 4,169 | 49.0 | 28.2 | 88.8 |
| Over \$1 Million | 20 | 51.3 | | 4,121 | 48.5 | | 10.2 |
| Revenue Unknown | 4 | 10.3 | | 214 | 2.5 | | 1.0 |
| Total | 39 | 100.0 | | 8,504 | 100.0 | | 100.0 |
| By Loan Size | | | | | | | |
| \$100,000 or Less | 21 | 53.8 | 87.5 | 1,191 | 14.0 | 28.3 | |
| \$100,001 - \$250,000 | 7 | 17.9 | 7.3 | 1,370 | 16.1 | 22.3 | |
| \$250,001 - \$1 Million | 11 | 28.2 | 5.2 | 5,943 | 69.9 | 49.3 | |
| Total | 39 | 100.0 | 100.0 | 8,504 | 100.0 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | | | |
| \$100,000 or Less | 6 | 40.0 | | 336 | 8.1 | | |
| \$100,001 - \$250,000 | 3 | 20.0 | | 602 | 14.4 | | |
| \$250,001 - \$1 Million | 6 | 40.0 | | 3,231 | 77.5 | | |
| Total | 15 | 100.0 | | 4,169 | 100.0 | | |
| <i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i> | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | |

| Distribution of 2022 Small Business Lending By Revenue Size of Businesses | | | | | |
|--|--------------------|-----------|----------------|----------|-------------------------------|
| Assessment Area: Saginaw, MI MSA 40980 | | | | | |
| | Bank Loans* | | | | Total Businesses % |
| | # | #% | \$(000) | % | |
| By Revenue | | | | | |
| \$1 Million or Less | 30 | 41.1 | 5,483 | 36.3 | 88.9 |
| Over \$1 Million | 37 | 50.7 | 9,433 | 62.5 | 10.1 |
| Revenue Unknown | 6 | 8.2 | 179 | 1.2 | 1.0 |
| Total | 73 | 100.0 | 15,095 | 100.0 | 100.0 |
| By Loan Size | | | | | |
| \$100,000 or Less | 32 | 43.8 | 1,381 | 9.1 | |
| \$100,001 - \$250,000 | 23 | 31.5 | 4,110 | 27.2 | |
| \$250,001 - \$1 Million | 18 | 24.7 | 9,604 | 63.6 | |
| Total | 73 | 100.0 | 15,095 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | |
| \$100,000 or Less | 16 | 53.3 | 654 | 11.9 | |
| \$100,001 - \$250,000 | 7 | 23.3 | 1,230 | 22.4 | |
| \$250,001 - \$1 Million | 7 | 23.3 | 3,599 | 65.6 | |
| Total | 30 | 100.0 | 5,483 | 100.0 | |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.</i> | | | | | |

| Distribution of 2021 Small Farm Lending By Revenue Size of Farms | | | | | | | |
|--|--------------------------|--------------|--------------|------------|--------------|--------------|---------------|
| Assessment Area: Saginaw, MI MSA 40980 | | | | | | | |
| | Bank And Aggregate Loans | | | | | | Total Farms % |
| | Bank | | Agg | Bank | | Agg | |
| | # | % | % | \$(000) | % | % | |
| By Revenue | | | | | | | |
| \$1 Million or Less | 5 | 62.5 | 58.2 | 375 | 82.4 | 77.9 | 98.2 |
| Over \$1 Million | 0 | 0.0 | | 0 | 0.0 | | 1.1 |
| Revenue Unknown | 3 | 37.5 | | 80 | 17.6 | | 0.7 |
| Total | 8 | 100.0 | | 455 | 100.0 | | 100.0 |
| By Loan Size | | | | | | | |
| \$100,000 or Less | 7 | 87.5 | 87.7 | 293 | 64.4 | 49.6 | |
| \$100,001 - \$250,000 | 1 | 12.5 | 10.7 | 162 | 35.6 | 38.7 | |
| \$250,001 - \$500,000 | 0 | 0.0 | 1.6 | 0 | 0.0 | 11.7 | |
| Total | 8 | 100.0 | 100.0 | 455 | 100.0 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | | | |
| \$100,000 or Less | 4 | 80.0 | | 213 | 56.8 | | |
| \$100,001 - \$250,000 | 1 | 20.0 | | 162 | 43.2 | | |
| \$250,001 - \$500,000 | 0 | 0.0 | | 0 | 0.0 | | |
| Total | 5 | 100.0 | | 375 | 100.0 | | |
| <i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i> | | | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | |

| Distribution of 2022 Small Farm Lending By Revenue Size of Farms | | | | | |
|--|--------------------|-----------|----------------|----------|----------------------|
| Assessment Area: Saginaw, MI MSA 40980 | | | | | |
| | Bank Loans* | | | | Total Farms % |
| | # | #% | \$(000) | % | |
| By Revenue | | | | | |
| \$1 Million or Less | 11 | 73.3 | 2,294 | 77.1 | 98.6 |
| Over \$1 Million | 3 | 20.0 | 650 | 21.9 | 1.1 |
| Revenue Unknown | 1 | 6.7 | 30 | 1.0 | 0.4 |
| Total | 15 | 100.0 | 2,974 | 100.0 | 100.0 |
| By Loan Size | | | | | |
| \$100,000 or Less | 6 | 40.0 | 319 | 10.7 | |
| \$100,001 - \$250,000 | 5 | 33.3 | 955 | 32.1 | |
| \$250,001 - \$500,000 | 4 | 26.7 | 1,700 | 57.2 | |
| Total | 15 | 100.0 | 2,974 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | |
| \$100,000 or Less | 4 | 36.4 | 189 | 8.2 | |
| \$100,001 - \$250,000 | 4 | 36.4 | 755 | 32.9 | |
| \$250,001 - \$500,000 | 3 | 27.3 | 1,350 | 58.8 | |
| Total | 11 | 100.0 | 2,294 | 100.0 | |
| <i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.</i> | | | | | |

| Community Development Loans | | | | | | | | | | |
|---|--------------------|---|--------------------|---|----------------------|---|----------------------------------|---|-------|---|
| June 29, 2021 –November 13, 2023 | | | | | | | | | | |
| (Dollars in 000s) | | | | | | | | | | |
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalization and Stabilization | | Total | |
| | \$ | # | \$ | # | \$ | # | \$ | # | \$ | # |
| Saginaw MSA | 0 | 0 | 0 | 0 | 9,228 | 4 | 0 | 0 | 9,228 | 4 |

| Qualified Investments | | | | | | | | | | |
|---|--------------------|----------|----------------------|----------|----------------------------------|----------|--------------------|----------|-------|----------|
| June 29, 2021 –November 13, 2023 | | | | | | | | | | |
| (Dollars in 000s) | | | | | | | | | | |
| Assessment Area | Affordable Housing | | Economic Development | | Revitalization and Stabilization | | Community Services | | Total | |
| | # | \$ (000) | # | \$ (000) | # | \$ (000) | # | \$ (000) | # | \$ (000) |
| Saginaw MSA | 0 | 0 | 0 | 0 | 3 | 959 | 2 | 3,369 | 5 | 4,328 |

| Community Development Grants and Donations | | | | | |
|---|--------------------|----------------------------------|--------------------|----------------------|--------|
| June 29, 2021 –November 13, 2023 | | | | | |
| Assessment Area | Affordable Housing | Revitalization and Stabilization | Community Services | Economic Development | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Saginaw MSA | 50 | 3,500 | 24,695 | 3,850 | 32,095 |

| Community Development Services | | | | | |
|---|--------------------|----------------------------------|--------------------|----------------------|-------------|
| June 29, 2021 –November 13, 2023 | | | | | |
| Assessment Area | Affordable Housing | Revitalization and Stabilization | Community Services | Economic Development | Total Hours |
| Saginaw MSA | 22 | 0 | 660 | 43 | 725 |

APPENDIX B – Scope of Examination

| SCOPE OF EXAMINATION | | | |
|--|-------------------------------|--|---|
| TIME PERIOD REVIEWED | | HMDA-reportable lending: January 1, 2021, to December 31, 2022 CRA-reportable small business lending: January 1, 2021, to December 31, 2022 CRA-reportable small farm lending: January 1, 2021, to December 31, 2022 Community development activity: June 29, 2021, through November 13, 2023 | |
| FINANCIAL INSTITUTION | | | PRODUCTS REVIEWED |
| Isabella Bank | | | HMDA-reportable loans CRA-reportable small business loans CRA-reportable small farm loans |
| AFFILIATE(S) | AFFILIATE RELATIONSHIP | | PRODUCTS REVIEWED |
| None | None | | None |
| LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION | | | |
| ASSESSMENT AREA | TYPE OF EXAMINATION | BRANCHES VISITED | OTHER INFORMATION |
| 1. Non-MSA Michigan 2. Grand Rapids-Kentwood, MI MSA #24340 | Full scope review | None | None |
| 3. Saginaw, MI MSA #40980 4. Midland, MI MSA #33220 | Limited scope review | None | None |

APPENDIX C – Glossary

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

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

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

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.⁷

Area Median Income (AMI): AMI means –

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

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

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

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

⁷ Source: FFIEC press release dated October 19, 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Level: Income level means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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