

FIRST NATIONAL BANCORP, INC.

A BANK HOLDING COMPANY FOR



PROXY STATEMENT ANNUAL MEETING OF SHAREHOLDERS OF FIRST NATIONAL BANCORP, INC.

May 10, 2012

FIRST NATIONAL BANCORP, INC., a Michigan bank holding company, is submitting this Proxy Statement to its shareholders (the "*Shareholders*") in connection with the solicitation of proxies by the Board of Directors of First National Bancorp, Inc. (the "*Board*") for use at the 2012 Annual Meeting of Shareholders to be held at the offices of First National Bank of Michigan at 348 West Michigan Avenue, Kalamazoo, Michigan 49007, at 5:00 p.m. on May 10, 2012, and at any adjournments or postponements thereof (the "*Annual Meeting*").

As indicated in the accompanying letter to the Shareholders and Notice of the Annual Meeting, the Shareholders will be asked to consider and vote upon the following proposals (collectively, the "*Proposals*"):

1. Election of Eric V. Brown, Jr., James J. DeKruyter, James S. DeMoss, John M. Dunn, James S. Gunderson, David L. Holmes, Ben Ipema, Larry D. Lueth, Sondra K. Phillips, John M. Schreuder, Michael N. Seelye, Daniel R. Smith, George N. Todd and Joshua T. Weiner as the members of the First National Bancorp, Inc. Board of Directors for one year until their successors are elected and qualified or upon their earlier resignation or removal;
2. To ratify the appointment of Plante & Moran, LLP, Certified Public Accountants, as independent public accountants for First National Bancorp, Inc.;
3. To adopt the 2012 Stock Option and Restricted Stock Plan and authorize and reserve for issuance thereunder 100,000 shares of the Corporation's Common Stock; and
4. To transact such other business as may properly become before the meeting or any adjournments thereof.

(remainder of page intentionally left blank)

The foregoing introductory information concerning the Proposals provides only a very brief overview. While this overview may be useful to you as you review the more detailed information in the remainder of this Proxy Statement, you should not rely exclusively upon this overview. Instead, you should carefully review this entire Proxy Statement and the attached Annexes A and B.

GENERAL INFORMATION

Attending in person

Only the Shareholders, their proxy holders and First National Bancorp, Inc. guests may attend the Annual Meeting.

Who may vote

The Shareholders of First National Bancorp, Inc., as recorded in our stock register on April 7, 2012 (the "**Record Date**"), may vote at the Annual Meeting. As of both the Record Date and the date of this Proxy Statement, First National Bancorp, Inc. had 1,796,900 issued and outstanding shares. Each such share is entitled to one vote on each of the matters presented for shareholder action at the Annual Meeting.

How to vote

You may either vote in person at the Annual Meeting or by proxy. We recommend you vote by proxy even if you plan to attend the Annual Meeting. You can always change your vote at the Annual Meeting.

How proxies work

Your proxy covers all shares registered in your name. By properly executing and returning your proxy, your shares will be voted at the Annual Meeting according to your instructions unless you revoke the proxy prior to or at the Annual Meeting. You may vote for all, some or none of the director candidates and you may vote for, against or abstain from voting on the other proposals.

If you return your proxy without voting instructions, your shares will be voted FOR the election of the director nominees and in favor of the other Proposals. If you return a properly executed proxy, the persons named as proxy holders will have discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting.

To ensure your proxy is received prior to the Annual Meeting, please return it no later than May 8, 2012. If your proxy is not received prior to the Annual Meeting, your shares will not be voted at the Annual Meeting unless they are voted in person at the Annual Meeting.

Revoking a proxy

The grant of a proxy on the enclosed form of proxy does not preclude you from voting in person or otherwise revoking a proxy. Attendance at the Annual Meeting will not, in and of itself, constitute revocation of a proxy. You may revoke your proxy before it is voted by:

- submitting a new proxy with a later date;
- notifying First National Bancorp, Inc.'s Secretary in writing before the Annual Meeting; or
- voting in person at the Annual Meeting.

Quorum

In order to carry on the business of the Annual Meeting, we must have a quorum. This means at least a majority of the outstanding shares of First National Bancorp, Inc. eligible to vote at the Annual Meeting must be represented at the Annual Meeting by proxy or in person.

Votes needed

The director candidates who receive a majority of the votes cast will be elected to fill the 14 seats on the Board. Approval of the other Proposals require the favorable vote of a majority of the votes cast. Only votes for or against a proposal count. Abstentions count for quorum purposes but not for voting purposes.

As of the date of this Proxy Statement, directors and officers of First National Bancorp, Inc. and their affiliates were not the beneficial owners of greater than a majority of the outstanding shares.

BUSINESS

First National Bancorp, Inc. is a Michigan bank holding company that was incorporated on July 7, 2005 to organize and serve as the holding company for First National Bank of Michigan (the "*Bank*"), a national bank with branches located at 348 West Michigan Avenue, Kalamazoo, Michigan 49007, 2700 W. Centre Ave., Portage, Michigan 49024 and 5313 West Main Street, Kalamazoo, Michigan 49009. We recently received approval for a branch location at 141 Ionia NW, Grand Rapids, MI 49503. First National Bancorp, Inc. received approval from the Federal Reserve Board to become a bank holding company and acquired all of the stock of the Bank. The Bank received regulatory approval to open from the Office of the Comptroller of the Currency and for deposit insurance with the Federal Deposit Insurance Corporation. The Bank focuses on the local community, emphasizing personal service to individuals and businesses in its primary service area.

The Bank offers convenient service, local decision-making and competitively priced deposit and loan products in its primary service area. By focusing its operations on the communities it serves, the Bank should be able to respond to changes in the market more quickly than large non-local institutions.

PROPOSAL 1 - ELECTION OF DIRECTORS

First National Bancorp, Inc.'s Board of Directors currently consists of 14 members who serve one-year terms. Therefore, all 14 seats are reelected each year. The 14 director nominees listed below, all of whom are current directors of First National Bancorp, Inc., were nominated by the Board to fill the 14 Board seats for the upcoming year. Biographical information on each of the nominees is given below. All director nominees have indicated their willingness to serve on the Board if elected. If, prior to the Annual Meeting, a director nominee determines that he or she will be unable to serve on the Board for the upcoming year, your proxy authorizes the proxy holders to vote your shares for a replacement nominee if one is selected.

ERIC V. BROWN, JR. Mr. Brown is of counsel to the law firm of Miller, Canfield, Paddock and Stone, P.L.C. Mr. Brown is a broad-based business counselor. He has served as an advisor and counselor in a substantial number of business transactions for both private and public companies as well as the organization of the Bank, First National Bancorp, Inc. and a venture capital firm. He served on the boards of two other banks and bank holding companies in Michigan for a period in excess of 20 years. He is a member of the board of directors of Kalsec, Inc., a spice, herb, hop and vegetable extraction company. He also is a member of the board of directors of Lafourche Realty Company, Inc., an oil and gas and real estate company. He has been active in the Business Law Section of the American Bar Association for the last 15 years, including participation as a regular member of the Mergers and Acquisitions Committee. As such, he was on the editorial board of a task force which published a Model Stock Purchase Agreement, with commentary, in 1995, and a Model Asset Purchase Agreement, with commentary, in 2000. He has also been active with an American Bar Association task force which has published a Model Joint Venture Agreement. Mr. Brown is listed in the 2003-2012 editions of The Best Lawyers in America under Corporate, Mergers & Acquisitions and Securities Law Sections. Mr. Brown's extensive experience with the business and banking communities is a great asset to the Board.

JAMES J. DEKRUYTER. Mr. DeKruyter founded Michigan Disposal Service Corporation in Kalamazoo, Michigan, which he operated until it was sold in 1993. His widespread knowledge of the Kalamazoo market and substantial business contacts provides an active source of business for the Bank. Mr. DeKruyter currently serves on the Board of the Kalamazoo Christian Schools Foundation. He has served many volunteer organizations in Kalamazoo, including the Kalamazoo YMCA and the national board of Youth for Christ. He has served on the boards of Gull Lake Ministries, Open Hearts Ministries and Youth for Christ Foundation. Mr. DeKruyter also served as director of Michigan National Bank - Kalamazoo.

JAMES S. DEMOSS. Dr. DeMoss is a practicing Emergency Medicine physician and President of Southwestern Michigan Emergency Services, P.C., which has staffed Bronson Methodist Hospital's Emergency Department for over 40 years. His organization also provides emergency physician staffing of several other hospitals in southwest Michigan. Prior to becoming President of SWMES, P.C., Dr. DeMoss served in several administrative positions within the organization and brings with him a unique knowledge regarding the operations and needs of a midsize professional company providing healthcare in southwest Michigan. An avid outdoor sportsman and enthusiast, Dr. DeMoss supports many wildlife habitat conservation efforts.

JOHN M. DUNN. Dr. Dunn is the president of Western Michigan University in Kalamazoo, Michigan. Prior to his appointment in 2007, Dr. Dunn held administrative, research and teaching appointments at Southern Illinois University Carbondale, the University of Utah, Oregon State University and the University of Connecticut. Dr. Dunn is internationally recognized for his efforts to enhance the lives of individuals with disabilities, specifically their long-term health. He is a regular speaker throughout the United States and internationally. In recognition of his efforts, Dr. Dunn has received numerous awards for his scholarship, teaching and leadership and has held offices in several professional organizations. In addition to his professional responsibilities, Dr. Dunn is an active participant in state and community efforts that focus on quality-of-life issues and enhancing economic development. Dr. Dunn serves on several regional boards as well as the governing boards of the Greater Kalamazoo Area United Way, the internationally acclaimed Gilmore Keyboard Festival, Southwest Michigan First, and the W.E. Upjohn Institute. Dr. Dunn began his teaching at the University of Connecticut in 1972, earned bachelor's and master's degrees from Northern Illinois University in 1967 and 1969, respectively. He earned his doctoral degree from Brigham Young University in 1972. Dr. Dunn's diverse experience and leadership provide a valuable resource to the Board.

JAMES S. GUNDERSON. Mr. Gunderson was the Founder and President of Engineered Packaging Systems (sold to Alco Standard in 1996). Currently, he serves on the Board of Bronson Healthcare Group (past Chairman) in Kalamazoo, Michigan. Mr. Gunderson has served numerous community organizations, including Kalamazoo County Chamber of Commerce (past Chairman) and the Kalamazoo County Chamber Foundation. Mr. Gunderson's business experience and knowledge of the Kalamazoo business environment are valuable resources for the Bank.

DAVID L. HOLMES. Mr. Holmes was an owner and general legal counsel of Phoenix Properties, LLC, a real estate management and development firm in Kalamazoo, Michigan from 1995 to 2010, at which time the business was sold to other partners of the company. Prior to 1995 he was in private practice as a partner in the Kalamazoo office of Howard & Howard Attorneys, P.C. Mr. Holmes remains an active commercial real estate investor. He has been involved as a community volunteer, including having served on the City of Kalamazoo Planning Commission, President of the LIFT Foundation, Chairperson of the Greater Kalamazoo United Way Pacesetter campaign and Vice Chairman of the Finance Council at St. Catherine of Siena Parish. Mr. Holmes brings to the Board extensive experience with the community's real estate market.

BEN IPEMA. Mr. Ipema is President & CEO of The Exhibit House, which provides trade show exhibit design, build and management services. Mr. Ipema is also involved in Airpower America, a local company producing the LiquiVac and MaxAir, air powered consumer products, and Level Data Inc., a "software as a service" (SaaS) company. Mr. Ipema's diverse experience provides a unique and valuable resource for the Bank. Mr. Ipema has served many charitable and civic organizations in Kalamazoo, including Kalamazoo Deacons Conference, Southern Heights Church, Kalamazoo Christian Schools and various organizations dedicated to education, poverty and housing.

LARRY D. LUETH. Mr. Lueth has served as President and Senior Lender for the Bank since the Bank's inception in 2006. Prior to founding the Bank, Mr. Lueth served as Regional President for the Kalamazoo Region of National City Bank, now PNC Bank. Mr. Lueth has served many civic organizations in Kalamazoo including being past board chair of Borgess Health, secretary and current board member of the KVCC Foundation, board member of Downtown Tomorrow, Inc., and board member of WMU Alumni Association.

SONDRA K. PHILLIPS. Ms. Phillips recently launched Interior Design Schemes, a national web based company selling pre-packaged interior design schemes for commercial and residential spaces. Ms. Phillips also is the sole owner of SKP Design, a firm that she founded in 1996. SKP Design offers interior design and architectural services in the Midwest. She graduated from the University of Michigan in 1989. Prior to starting SKP Design, Sondra held positions with Tilton and Lewis in Chicago, Eckert-Wordell Architects and First of America Bank in

Kalamazoo. Her community activities include serving on the Permanent Collection Committee at the Kalamazoo Institute of Arts, and the Downtown Grant Committee for the DKI. Ms. Phillips recently was a recipient of the Kalamazoo Chapter of the National Association of Women in Construction Crystal Vision Award. She was also recognized in the Business Review's Leaders Under 40 in 2006. Ms. Phillips' passion for marketing, her small business perspective and community connections as a lifelong resident make her an asset to the Bank Board.

JOHN M. SCHREUDER. Mr. Schreuder is the CEO and Chairman of the Bank, positions he has held since the Bank's inception in April, 2006. He has over 25 years of banking experience in Kalamazoo, Michigan. Mr. Schreuder has served on behalf of many civic and charitable organizations and currently is on the Board of Directors of the Michigan Bankers Association, Heritage Community of Kalamazoo and the Michigan Chamber of Commerce.

MICHAEL N. SEELYE. Mr. Seelye is President and owner of Don Seelye Ford, Inc. and Seelye-Wright KIA Stadium Drive and also Vice President and partner in several other regional automotive dealerships. His day-to-day activities involve managing real estate operations including commercial, residential home building and several local residential developments. Mr. Seelye currently serves on the Adrian College Board of Trustees. He has served and chaired the American Heart Association Board, American Cancer Board, Big Brothers/Sisters Board and Capital Campaign Co-Chair, Greater Kalamazoo United Way Board and Capital Campaign Chair and Vice Chair, is a past member of the Kalamazoo Symphony Board, as well as served in other charitable organizations in the Kalamazoo Community. Mr. Seelye's unique leadership and business experience serves the Board well.

DANIEL R. SMITH. Mr. Smith was the Chairman and Chief Executive Officer of First of America Bank Corporation, headquartered in Kalamazoo, Michigan from 1985 to 1996, prior to its acquisition by National City Corporation. He is a Past Chairman of American Bankers Association and the Michigan Bankers Association. He also served as a member of the Board of Directors of the Federal Reserve Bank of Chicago, Detroit Branch. Mr. Smith's 40 years of banking experience is an invaluable resource to the Bank with regard to loan and deposit generation, public relations and operational activities. Mr. Smith has served numerous charitable and civic organizations in Kalamazoo.

GEORGE N. TODD. Mr. Todd is the President, CEO and Chairman of Kalsec, Inc., a privately held international food and beverage business specializing in the manufacture and sale of natural colors, flavors, antioxidants, hop extracts and nutritional ingredients. Kalsec was founded by Mr. Todd's father in 1956. After serving in Vietnam, attending college and co-founding a company that produced ornamental castings, Mr. Todd joined Kalsec in 1981, where he worked his way through manufacturing and other areas, before becoming President in 1998, and CEO and Chairman in 2009. Mr. Todd also serves on the Board for Pathfinder International, an international organization that works to improve reproductive health of adolescents, women and men throughout the developing world. Mr. Todd's experience in founding and running a privately owned company is a valuable asset to the Board.

JOSHUA T. WEINER. Mr. Weiner is the Chief Executive Officer of the Meyer C. Weiner Company, a commercial real estate development firm headquartered in Portage, Michigan. Mr. Weiner is the principal in over 55 income-producing real estate entities; and his primary business interest is in ownership and management for long term asset appreciation. Mr. Weiner's historical experience has provided him with in-depth knowledge of a variety of industries and this background provides the Bank with an extremely valuable resource. Mr. Weiner's familiarity with the Kalamazoo market and the region is another asset for the Bank. Mr. Weiner has extensive experience in the banking industry from prior developmental and regional board positions with National City Bank and Irwin Union Bank and Trust. Mr. Weiner has served numerous charitable and civic causes and organizations, including the Kalamazoo Regional Chamber of Commerce, Western Michigan University Foundation, the United Way, the Jewish Federation of Southwest Michigan, Big Brothers/Big Sisters, Kalamazoo Civic Theatre and Farmers Alley Theatre.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS
VOTE "FOR" THE ELECTION OF THE NOMINEES.**

**PROPOSAL 2 – RATIFICATION OF PLANTE & MORAN, LLP
AS INDEPENDENT PUBLIC ACCOUNTANTS**

At its meeting on March 8, 2012, the Board of Directors of First National Bancorp, Inc. appointed Plante & Moran, LLP, Certified Public Accountants, as independent public accountants for the holding company for the upcoming year.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS
VOTE “FOR” THE RATIFICATION OF PLANTE & MORAN, LLP
AS INDEPENDENT PUBLIC ACCOUNTANTS.**

**PROPOSAL 3 – ADOPTION OF THE 2012 STOCK OPTION AND
RESTRICTED STOCK PLAN AND RESERVATION FOR ISSUANCE THEREUNDER 100,000 SHARES
OF THE CORPORATION’S COMMON STOCK**

At its meeting on March 8, 2012, the Board of Directors of First National Bancorp, Inc. adopted the 2012 Stock Option and Restricted Stock Plan (the “*2012 Stock Plan*”), under which 100,000 shares of the Corporation’s Common Stock would be authorized and reserved for issuance to participants. The Directors reviewed the 2012 Stock Plan and found the terms and conditions of the plan to be fair, reasonable and in the best interests of the Corporation and the Shareholders. A copy of the 2012 Stock Plan is attached hereto as Annex A.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS
VOTE “FOR” THE ADOPTION OF 2012 STOCK PLAN AND AUTHORIZE
THE RESERVATION OF 100,000 SHARES OF THE CORPORATION’S
COMMON STOCK FOR THE PLAN.**

OTHER MATTERS

The Shareholders of First National Bancorp, Inc. will also consider and vote upon such other matters as may properly be brought before the Annual Meeting or any adjournments or postponements thereof. We do not have any knowledge of any other matters to be presented at the Annual Meeting.

BENEFICIAL* STOCK OWNERSHIP

The following table sets forth information as of April 7, 2012 regarding each person (including any group as that term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934) who was known to be the beneficial (the right to vote shares) owner of more than 5% of First National Bancorp, Inc.'s common stock as of that date, each of the directors (including each nominee for election as a director), and each of our executive officers.

Name of Beneficial Owner	Common Stock	Rights to Acquire ⁽¹⁾	Restricted Stock	Approximate Percent of Common Stock ⁽²⁾
Eric V. Brown, Jr.	30,500	0	0	1.70
James J. DeKruyter	100,858	0	0	5.61
James S. DeMoss	100	0	0	0.01
John M. Dunn	10,100	0	0	0.56
James S. Gunderson	30,000	0	0	1.67
David L. Holmes	40,000	0	0	2.23
Ben Inema	30,000	0	0	1.67
Larry D. Lueth	10,000	59,000	0	0.56
Sondra K. Phillips	2,000	0	0	0.11
John M. Schreuder	40,000	94,500	0	2.23
Michael N. Seelye	25,000	0	0	1.39
Daniel R. Smith	30,000	0	0	1.67
George N. Todd	15,842	0	0	0.88
Joshua T. Weiner	100,000	0	0	5.57
Michael F. Dimond	5,000	26,000	0	0.28

* "Beneficial" for the purposes of this table means the right to vote shares of First National Bancorp, Inc. and shares held by the beneficial owner's spouse.

⁽¹⁾ The numbers in the "Rights to Acquire" column represent the shares that may be acquired by exercise of stock options granted under the First National Bancorp, Inc. 2006 and 2009 Stock Option and Restricted Stock Plans. These numbers are not reflected in the "Approximate Percent of Common Stock" column.

⁽²⁾ Based on 1,796,900 shares issued and outstanding as of April 7, 2012.

EXECUTIVE OFFICERS

First National Bancorp, Inc.'s current executive officers are as follows:

Name	Position with First National Bancorp, Inc.	Officer Since
John M. Schreuder	Chairman/CEO and President	March 23, 2006
Fany D. Lueh	Vice President	March 23, 2006
Michael F. Dimond	Secretary	April 12, 2007
Michael P. Dimond	Treasurer/COO	March 23, 2006

FINANCIAL INFORMATION

The Profit and Loss Statement of First National Bancorp, Inc. for fiscal year 2011 and the Balance Sheet as of December 31, 2011 are attached hereto in Annex B.

MISCELLANEOUS

Solicitation of Proxies

First National Bancorp, Inc. will bear the cost of the solicitation of proxies from Shareholders, including the cost of printing and mailing this Proxy Statement and the accompanying materials. In addition to solicitation by mail, proxies may be solicited in person, or by telephone, facsimile or otherwise in writing or electronic transmission, by directors, officers and regular employees of First National Bancorp, Inc. (none of whom will be paid any additional compensation for such services).

Interests of Certain Persons in the Proposals

You should note that that certain directors and members of management may have certain interests in the Proposals in addition to their interests as Shareholders of First National Bancorp, Inc. The Board was aware of any such interests and considered them, among other matters, in approving the Proposals and in recommending Shareholder approval of the Proposals.

(remainder of page intentionally left blank)

ANNEX A

FIRST NATIONAL BANCORP, INC.
2012 STOCK OPTION AND RESTRICTED STOCK PLAN

1. **PURPOSE.** FIRST NATIONAL BANCORP, INC., a Michigan corporation (the "Company") hereby adopts the FIRST NATIONAL BANCORP, INC. 2012 STOCK OPTION AND RESTRICTED STOCK PLAN (the "Plan") for the purposes of attracting and retaining employees of the Company and employees of the Company's subsidiary, First National Bank of Michigan ("Employees"), non-Employee members of the Company's Board of Directors ("Directors") (Employees and Directors are collectively referred to herein as "Participants") of superior ability, encouraging ownership by selected Participants of shares of common stock of the Company (the "Common Stock"), and providing an additional incentive to Participants to promote the success of the Company.

2. **PLAN COMMITTEE.** This Plan shall be administered by the Board of Directors of the Company (the "Board") or by such committee of the Board as the Board may hereafter designate from time to time for such purpose. The Board or any such committee of the Board delegated the authority to administer this Plan shall be hereinafter referred to as the "Committee." The Committee shall satisfy such criteria as are then necessary in order to facilitate exemption of compensation paid pursuant to this Plan from the tax deduction limits imposed by Section 162 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, in the event the Committee is not the entire Board, at least two of the members of the Committee shall be "Non-Employee Directors", as such term is defined in Rule 16b-3, as promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

3. **PLAN ELIGIBILITY.** The Committee may grant options (each an "Option") or restricted stock (each a "Restricted Stock Grant") pursuant to this Plan only (a) to Employees of the Company whose services are provided to the Company or a Subsidiary (as such term is defined in the Code) at least thirty (30) hours per week, and (b) Directors who are not Employees (each of the foregoing, without distinction among them, an "Optionee"); provided, however, that no Director proposed to receive an Option or Restricted Stock Grant shall participate in any vote of the Committee with respect to the grant thereof.

4. **SHARES SUBJECT TO PLAN.** The Company shall reserve one hundred thousand (100,000) shares of Common Stock for future issuance under this Plan (the "Shares"). At no time shall the number of shares of Common Stock subject to outstanding Options and Restricted Stock Grants, when added to that number of shares of Common Stock previously issued by the Company under this Plan, exceed such number. Such number, however, shall be subject to appropriate increase or decrease in the event of any future stock dividend or other recapitalization of the Common Stock of the Company. In the event of a lapse of any Option or forfeiture of Common Stock under the terms of a Restricted Stock Grant, the shares of Common Stock not purchased under that lapsed Option or forfeited under such Restricted Stock Grant shall again be available for grant under a new Option or Restricted Stock Grant.

OPTIONS

5. **GRANT OF OPTIONS.** The Committee may, from time to time, grant Options to Optionees by means of the form of Option Grant which is attached as Exhibit A to this Plan or pursuant to any other instrument that references and incorporates this Plan and modifies, as

8. **SHARES SUBJECT TO OPTION.** Options granted may be for any number of shares of Common Stock, as determined by the Committee, subject to the limitation that the number of Shares for which an exercise of a Qualified Option for the first time in any calendar year shall not have an aggregate Fair Market Value (as hereinafter defined), determined at the time of the issuance of the Option Grant, in excess of One Hundred Thousand Dollars (\$100,000).

9. **OPTION PRICE/PAYMENT TERMS.** The price and payment terms applicable to any purchase of Common Stock under an Option shall be as follows:

9.1 **Price.** The price for each share of Common Stock purchased upon exercise of any Option (the "Exercise Price") shall be determined as follows:

9.1.1 The Exercise Price under a Qualified Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock at the time of issuance of the Option; provided, however, that if an Option is granted to an Employee who, at the time of the grant of the Option is also an Insider, then the Exercise Price shall be not less than one hundred ten percent (110%) of the Fair Market Value of the Common Stock at the time of issuance of the Option.

9.1.2 For purposes of this Plan, the per share "Fair Market Value" of the Common Stock shall be (a) the closing sale price for a share of the Common Stock reported (i) on any national exchange on which the Company is listed, or (ii) the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") as of the date upon which the Company grants an Option, provided the Common Stock is authorized for quotation as a NASDAQ National Market System Security for such date (or, if no sale is so reported for such date, for the latest preceding date on which such a sale was so reported), or (b) if the Common Stock is not so listed or authorized for quotation, the price determined by the Board, in good faith, from time to time at or prior to the time of the grant of each Option. In the event of any stock dividend or other recapitalization of the Common Stock following the date of the grant of an Option, the purchase price shall be correspondingly adjusted.

9.1.3 The Exercise Price for each share of Common Stock to be purchased under a Non-Qualified Option shall be determined by the Committee at the time of grant and set forth in the Option Grant.

9.2 **Payment Terms.** In general, an Optionee shall pay the Company the Exercise Price in full at the time of delivery of the Notice of Exercise.

10. **EXERCISE OF OPTIONS.** Optionees may exercise Options at any time prior to the expiration date specified in the related Option Grant by delivering a notice in the form attached hereto as Exhibit B (the "Notice of Exercise"), together with tender of the payment of the aggregate Exercise Price for the Common Stock subject to that Notice of Exercise. If financing is provided by the Company for such purchase, then such tender shall include an executed promissory note for the financed portion of the Exercise Price. An Optionee may exercise an Option in whole or in part.

11. **FORFEITURE OF OPTIONS.** Options shall be subject to forfeiture under the following circumstances:

permitted hereby, default provision of this Plan (each an "Option Grant"). An Option Grant shall not be valid unless signed by an authorized officer of the Company and acknowledged by the Optionee.

6. **NATURE OF OPTIONS.** Options shall either (a) meet the requirements of Code Section 422 ("Qualified Options") or (b) not meet such requirements ("Non-Qualified Options"). The Committee may only grant Qualified Options to Employees who meet the requirements of Code Section 422(c). At the time of the grant of an Option, the Committee shall specify whether the Option is a Qualified Option or a Non-Qualified Option and shall designate it as such in the Option Grant relating thereto. If for any reason an Option or any portion thereof intended to be a Qualified Option does not qualify as such under Code Section 422, either at the time of grant or at any time thereafter, such failure to qualify shall not invalidate the Option (or such portion), and instead such Option (or portion thereof) shall be deemed to have been granted as a Non-Qualified Option, notwithstanding the fact that the same had been designated as a Qualified Option in the Option Grant.

7. **TIME OF OPTION.** Each Option Grant and exercise of Options under this Plan shall be subject to the following:

7.1 **Time of Grant.** The Committee may grant Options under this Plan from the date of adoption of this Plan by the Board (the "Adoption Date"), to and including (but not after) ten (10) years after such date.

7.2 **Vesting.** Each Option granted under this Plan shall be exercisable, in whole or in part, from and after the date specified in the Option Grant. The Committee shall determine and specify in each Option Grant the vesting requirements relating thereto, with vesting to occur only upon either satisfaction of specific performance criteria or the completion of specified periods of continued employment with, or service to, the Company; provided, however, that in the event an Option Grant shall fail to specify a vesting schedule, the related Option shall be deemed vested as to one third (1/3) of the number of shares of Common Stock subject thereto on the first anniversary of the date of the Option Grant, with the remainder vesting in equal amounts on each of the second and third anniversaries of the date of the Option Grant. The minimum vesting schedule for Options granted under this Plan shall be over three (3) years (the "Minimum Vesting Schedule").

7.3 **Expiration.** Unless otherwise stated in an Option Grant, each Option granted under this Plan shall automatically expire ten (10) years after the date of grant, provided, however, that any Qualified Option granted to any Employee who, at the time of the grant of the Option, owns (individually or through members of his/her family) more than ten percent (10%) of the Common Stock of the Company (each an "Insider") shall expire no more than five (5) years after the date of grant. No Option shall exceed ten (10) years in duration.

7.4 **Limitation on Exercise.** No exercise of rights under an Option shall be permitted prior to the vesting date of those rights. No exercise of rights under an Option shall be permitted following the expiration of that Option or, if applicable, the forfeiture of the rights under that Option pursuant to Section 11 hereof.

2

11.1 **Forfeiture of Employee Options.** If an Employee ceases to be employed by the Company while any Option remains outstanding, the unvested rights under that Option shall automatically expire as of the effective date of termination of employment and the vested rights under that Option shall expire as follows:

11.1.1 If the termination of employment was due to the death or disability of the Employee, then the vested rights under the Option shall expire at the earlier of the expiration date stated in the Option Grant or one (1) year after the effective date of termination of employment.

11.1.2 If the termination of employment was due to the resignation of the Employee, then the vested rights under the Option shall expire at midnight on the ninetieth (90th) day after the effective date of termination of employment.

11.1.3 If the termination of employment was due to the termination of the Employee by the Company for reasons other than the "gross misconduct" of the Employee, then the vested rights under the Option will expire at midnight on the ninetieth (90th) day after the effective date of termination.

11.1.4 If the termination of employment was due to the termination of the Employee by the Company as a result of the "gross misconduct" of the Employee, then the vested rights under the Option will expire immediately upon the effective date of termination of employment.

For purposes of this Plan, "gross misconduct" of an Employee shall include and be limited to (a) fraud, embezzlement, theft or similar dishonest conduct on the part of the Employee in the course of employment with the Company, (b) conviction of the Employee of a crime which, in the reasonable determination of the Board, materially and adversely affects the business, prospects and/or reputation of the Company, (c) violation by an Employee of any agreement with, or any policy or procedure of, the Company, or (d) willful misuse or improper disclosure by the Employee of proprietary information of the Company. The determination of the Board as to "gross misconduct" for purposes of this Plan shall be final and shall not be subject to challenge or appeal.

11.1.5 If the termination of employment was due to the retirement of the Employee on or after the age of sixty-two (62) with five (5) or more years of service, then the vested rights under the Option will continue and expire on the date that is ten (10) years after the date of grant of the Option.

11.2 **Forfeiture of Non-Employee Director and Outsider Options.** If a non-Employee Director with the Company terminates by reason of death or disability, then the vested rights under any Non-Qualified Option issued to such Director shall expire at the earlier of the expiration date stated in the Option Grant or one (1) year after the effective date of such termination. If a non-Employee Director's relationship with the Company terminates by reason of the breach by the non-Employee Director of any of such Director's obligations to the Company or its shareholders, then all outstanding Non-Qualified Options held by such Director shall automatically be canceled. Termination of a non-Employee Director's relationship with the

Company for any other reason shall cause the vested rights on any Non-Qualified Options issued to such Director to expire on midnight on the ninetieth (90th) day after the effective date of termination.

12. CHANGES IN CONTROL AND OTHER EXTRAORDINARY TRANSACTIONS.

12.1 **Certain Definitions.** As used in this Section, the following terms shall have the meanings set forth below:

12.1.1 "**Affiliate**" means, with respect to any person or entity, any other person or entity that controls, is controlled by or is under common control with, such first person or entity.

12.1.2 "**Cash-Out Amount**" means, with respect to any Cash Transaction and any Option, an amount in cash equal to the difference between (A) the amount of cash to be paid to holders of the Company's Common Stock for each share exchanged or surrendered in the transaction, multiplied by the number of shares of Common Stock for which such Option is exercisable or as accelerated by the Board, and (B) the exercise price for such shares under such Option.

12.1.3 "**Cash Transaction**" means a merger or other transaction in which holders of the Common Stock receive a cash payment for each share exchanged or surrendered in such merger or other transaction.

12.1.4 "**Change in Control**" means (A) any merger or consolidation of the Company with or into another entity, other than a merger or consolidation in which the shareholders of the Company immediately before the transaction will own immediately thereafter, directly or indirectly, securities having a majority in ordinary voting power of the outstanding securities of the surviving or resulting entity, and (B) any sale by the Company of all or substantially all of its assets, other than a sale of assets in which the shareholders of the Company immediately before the transaction will own immediately thereafter, directly or indirectly, securities having a majority in ordinary voting power of the outstanding securities of the acquirer of the Company's assets.

12.1.5 "**Extraordinary Transaction**" means (A) any merger or consolidation of the Company with or into another entity, (B) any sale by the Company of all or substantially all of its assets, or (C) any sale or other transfer of shares of stock by one or more shareholders of the Company as a result of which any one transferee, together with the transferee's Affiliates, will become the owner of a majority in ordinary voting power of the Company's outstanding stock.

12.1.6 "**Publicly Traded**" means, with respect to any securities of a kind acquirable upon exercise of an Option, that there are shares of such class of securities that are traded on or through a national securities exchange or the National Association of Securities Dealers Automated Quotation System or any similar public securities market.

5

12.4 **Certain Exceptions.** Notwithstanding anything herein to the contrary, the Board by majority vote may provide in any Option Grant that any or all of the preceding provisions of this Section 12 shall not apply to the Options granted under such Option Grant, and may, in its discretion, substitute other provisions addressing Changes in Control and other Extraordinary Transactions.

12.5 **Substitute Options.** The Company may grant Options in substitution for Options held by employees of another corporation who become employees of the Company, or a subsidiary of the Company, as the result of a merger or consolidation of the employing corporation with the Company or a subsidiary of the Company, or as a result of the acquisition by the Company, or one of its subsidiaries, of property or stock of the employing corporation. The Company may direct that substitute Options be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

13. **OPTION IS DISCRETIONARY.** The grant by the Committee of any Option is entirely discretionary and nothing in this Plan shall be deemed to give any employee of the Company or any other person any right to participate in this Plan or to receive Options. Except as provided in Sections 11 and 12 hereof, the exercise of any Option granted under this Plan is entirely discretionary with the Optionee and nothing in this Plan shall be deemed to require any Optionee to exercise any Option.

14. RESTRICTIONS ON TRANSFERS.

14.1 **Restriction on Transfer of Options.** The rights of an Optionee under an Option shall not be transferable or assignable by that Optionee other than by will or by laws of descent upon death. During the lifetime of the Optionee, the Option shall be exercisable only by that Optionee.

14.2 **Restrictions on Transfer of Option Stock.** Optionees shall not dispose of any Common Stock acquired by exercise of Options ("**Option Stock**") within two (2) years of the date of the Option Grant under which that Option Stock was acquired, or within one (1) year from the date that Option Stock was issued, whichever is longer. For purposes of this Section, a disposition shall include any transfer or purported transfer of Option Stock, whether voluntary or involuntary, whether with or without valuable consideration and whether by sale, pledge, gift, foreclosure or otherwise.

15. **REDEMPTION OF OPTION STOCK.** Until the occurrence of an initial public offering of the Company's capital stock pursuant to an effective registration statement under the Securities Act of 1933, as amended, all Option Stock shall be subject to redemption by the Company as follows: If the Board at any time adopts a resolution recommending that all shareholders of the Company sell their Common Stock to a third party under an offer approved by the Board (each an "**Approved Offer**"), and if an Optionee holding Option Stock does not within ten (10) days after receipt of such notice commit to proceed as recommended by the Company, then the Company shall have the option, exercisable by written notice delivered within twenty (20) days after the expiration of such ten (10) day period, to redeem such Option Stock at the price and upon the terms contained in the Approved Offer, with the closing of such redemption to occur on the thirtieth (30th) day following the date of delivery of such notice.

7

12.1.7 "**Service**" means, with respect to any Optionee, such Optionee's service as an employee, officer or director of, or consultant or advisor to, the Company or any acquiring or succeeding corporation or entity, as the case may be.

12.1.8 "**Unvested Shares**" means, with respect to any Option at any time, any shares that are not then acquirable upon exercise of such Option but that will become acquirable at a future date if the Optionee continues to provide Service to the Company through that date. Unvested Shares do not include any shares that will become exercisable only if specified performance targets are met.

12.2 **Extraordinary Transactions in General.** In the event of an Extraordinary Transaction in which all or substantially all of the outstanding shares of Common Stock are exchanged for securities, cash or other property of any other corporation or entity, the Board, or any corporation or entity assuming the obligations of the Company, shall take any one or a combination of the following actions as to all outstanding Options (and need not take the same action as to each such Option): (i) provide that such Options shall be assumed, or equivalent Options shall be substituted, by the acquiring or succeeding corporation or business entity (or an affiliate thereof), provided that any such substituted Options shall have terms not materially less favorable to the Optionee than the terms of the Options being replaced; (ii) in the event of a Cash Transaction, make or provide for a cash payment of the Cash-Out Amount upon exercise of such Option, in lieu of the shares of Common Stock (or other securities) which the Optionee otherwise would be entitled to receive upon exercise of such Option; or (iii) upon written notice to the Optionee, provide that all unexercised Options that are then exercisable or would become exercisable by virtue of such Extraordinary Transaction will terminate prior to or upon the consummation of the transaction and may only be exercised by the Optionee within a specified period following the date of such notice. In the event of an Extraordinary Transaction in which some but less than substantially all of the outstanding shares of Common Stock are exchanged for securities, cash or other property of any other corporation or entity, the Board, or the corporation or entity assuming the obligations of the Company, may in its discretion, take any one or a combination of the actions set forth in clauses (i), (ii) and (iii) of the preceding sentence. Notwithstanding the foregoing, in no event shall the Board or the Committee be permitted to accelerate the vesting on the Unvested Shares in connection with a Cash Transaction, a Change in Control or an Extraordinary Transaction to duration shorter than the Minimum Vesting Schedule.

12.3 **Election to Cash-Out Options upon Certain Changes in Control.** If a Change of Control occurs that is a Cash Transaction in which the holders of all or substantially all of the outstanding Common Stock are entitled to receive a cash payment for each share exchanged or surrendered in the transaction, and if the Company or any corporation or entity assuming the obligations of the Company has not made or provided for payment of the Cash-Out Amount with respect to all outstanding Options, and if any Options (including any replacement Options substituted pursuant to Section 12.2 above) outstanding thereafter are exercisable for Common Stock or other securities that are not Publicly Traded at the time of exercise, then the Optionee may elect, upon such exercise, to receive the Cash-Out Amount, in lieu of the Common Stock or other securities which the Optionee otherwise would be entitled to receive upon such exercise.

6

16. **LIMITATION OF RIGHTS.** An Optionee shall not have any rights as a shareholder with respect to any Common Stock which is the subject of an Option unless and until the date that a stock certificate is issued for such Common Stock pursuant to an exercise of the Option. No adjustment shall be made for dividends or otherwise if the record date for dividends is prior to the date of the issuance of such stock certificates.

17. **NO RIGHT TO CONTINUED EMPLOYMENT.** The grant of an Option by the Company to an Employee under this Plan shall not in any way establish any continuing right of that Employee to employment with the Company and all employees of the Company shall remain "at will" employees, unless the Company shall otherwise agree in a separate instrument.

RESTRICTED STOCK

18. **GRANTS OF RESTRICTED STOCK.** The Committee may, in its discretion, make grants of Common Stock to Participants in such number of shares of Common Stock ("**Restricted Stock**"), subject to risk of forfeiture and subject to such other terms and restrictions (including, without limitation, restrictions on transfer) as may be set forth in a written agreement between the Company and the grantee of such Common Stock (each a "**Restricted Stock Agreement**"). Each Restricted Stock Agreement shall contain a representation of the grantee that he or she has received and reviewed a copy of this Plan. Grantees of Restricted Stock shall not be obligated to pay any consideration therefor.

19. **TIME OF RESTRICTED STOCK GRANTS.** The Committee may make Restricted Stock Grants under this Plan from the Adoption Date to and including (but not after) ten (10) years after such date.

20. **RISK OF FORFEITURE.** The Committee shall determine and specify in each Restricted Stock Agreement the circumstances under which the Restricted Stock granted thereunder shall be subject to forfeiture, which may include satisfaction of specific performance criteria and/or the completion of specified periods of continued employment with, or service to, the Company.

21. **VOTING PROXY.** In the applicable Restricted Stock Agreement, each grantee of Restricted Stock shall grant to the Secretary of Company an irrevocable proxy, coupled with an interest, to vote all of the Shares of Restricted Stock that remain subject to risk of forfeiture under such Restricted Stock Agreement, provided that the Secretary of Company votes such shares on any matter put to a vote of the shareholders of Company in the same proportion (rounded to the nearest whole share) as (a) the shares of Common Stock are voted on such matter by all of the other holders of Company's Common Stock, when voting as a separate class, or (b) the shares of Common Stock and all other series and classes of the Company's capital stock are voted on such matter by all of the other holders of Company's capital stock, without regard to series or class.

22. **ESCROW.** For purposes of facilitating the forfeiture rights of the Company set forth in each Restricted Stock Agreement, the grantee of any shares of Restricted Stock shall deliver to the Secretary of Company any certificate(s) for such shares that remain subject to forfeiture under such Restricted Stock Agreement, together with a stock power executed by such grantee, in blank. The Secretary of Company or his or her designee (in either such case, the

8

"Escrow Agent") may hold such certificate(s) and stock power(s) in escrow and take all such actions and to effectuate all forfeitures contemplated by such Restricted Stock Agreement. Such escrow shall remain in effect so long as any shares of Restricted Stock remain subject to forfeiture under such Restricted Stock Agreement. As soon as any such shares of Restricted Stock cease to be subject to forfeiture, the Company shall give notice thereof to the Escrow Agent and the Escrow Agent shall release the same (together with any stock power relating thereto) to such grantee as and when requested by such grantee in writing to Company; provided, however, that Company shall be obligated to do so not more often than at the end of each calendar quarter thereafter and at such time as such shares are no longer subject to forfeiture; provided further, however, that Company shall release any of such shares upon the occurrence of any event resulting in an acceleration of the lapse of forfeiture restrictions as provided in such Restricted Stock Agreement. By acknowledgment of this Plan in a Restricted Stock Agreement, each grantee of Restricted Stock acknowledges that the Escrow Agent is so appointed as a material inducement to the grant of such Restricted Stock, that such appointment is coupled with an interest, and is irrevocable. The Escrow Agent shall not be liable to such grantee or the Company (or to any other party) for any actions or omissions other than those constituting willful misconduct or gross negligence. The Escrow Agent may rely upon any letter, notice or other document executed by any signature purported to be genuine.

GENERAL

23. SECURITIES LAWS.

23.1 **Conditioned upon Availability of Exemption.** Any grant of Options or Restricted Stock under this Plan shall be conditioned on the availability of exemptions from the registration requirements of the Securities Act of 1933, as amended, and applicable state securities laws (collectively, the "Securities Laws"). In addition, the Committee may condition any such grant on the receipt by the Company of such agreements, representations and warranties from the Optionee or grantee of Restricted Stock as the Company may request for the purpose of establishing the availability of such exemptions. Any such grant that is not so exempt shall be null, void and of no effect.

23.2 **Securities Laws.** No person shall dispose of any Option Stock or Restricted Stock (together, without distinction, the "Stock") unless in compliance with the Securities Laws. The Stock will not be registered under the Securities Laws and will be issued pursuant to exemptions therefrom. In the Notice of Exercise and the Restricted Stock Agreement, each Optionee and grantee of Restricted Stock shall acknowledge to the Company that the Stock will be, or has been, acquired pursuant to an exemption from the Securities Laws and that the Optionee or such grantee is acquiring the Stock for investment purposes and not with a view to subsequent sale or redistribution. The Stock may not be transferred unless a registration statement for such Stock is then in effect or the transfer is otherwise exempt from registration.

23.3 **Restrictive Legend.** Each certificate representing shares of Stock shall be imprinted with legends in substantially the following form:

"The Common Stock represented by this Stock Certificate has been issued pursuant to the FIRST NATIONAL BANCORP, INC. 2012 STOCK OPTION AND RESTRICTED

9

satisfaction of the holding period requirements of Code Section 422, or upon the exercise of a Non-Qualified Option, the Company shall have the right to require such Optionee or such other person to pay by cash or check payable to the Company, the amount of any taxes which the Company may be required to withhold with respect to such transactions.

25.2 **Withholding for Restricted Stock.** Upon the grant of Restricted Stock, the Company shall have the right to require the grantee to pay by cash or check payable to the Company, the amount of any taxes which the Company may be required to withhold as a consequence of such grant.

25.3 **Elections under Code Section 83(b).** Any grantee of Restricted Stock shall be entitled to make an election with respect thereto under Code Section 83(b) and to pay taxes in respect of such Restricted Stock Grant upon the basis of such election. The Company shall have no obligation or liability with respect to any such filing, the value of the Restricted Stock declared therein or the timing of any such election.

26. AMENDMENT, TERMINATION AND SUSPENSION.

26.1 **Options.** The Committee may, at any time, terminate or, from time to time, amend, modify or suspend this Plan (or any part hereof). In addition, the Committee may, from time to time, amend or modify any provision of this Plan other than Section 12 hereof and, with the consent of the affected Optionee, make such modifications of the terms and conditions of such Optionee's Option as it shall deem advisable. The Committee, with the consent of the affected Optionee, may also amend the terms of any Option to provide that the Exercise Price for any shares of Common Stock remaining subject to the original Option shall be reestablished at a price not less than one hundred percent (100%) of the then Fair Market Value of the Common Stock on the effective date of the amendment as determined in accord with Section 9.1.2 hereof; provided, however, that the Committee shall have no obligation to do so. No modification of any other term or provision of any Option which is amended in accordance with the foregoing shall be required, although the Committee may, in its discretion, make such further modifications of any such Option as are not inconsistent with or prohibited by this Plan. No Options may be granted during any suspension of this Plan or after its termination. Notwithstanding the foregoing, the Committee may not amend this Plan in any manner that would have the effect of preventing any Options which were intended to be Qualified Options from being treated as "qualified" incentive stock options under Code Section 422 and the Treasury Regulations promulgated thereunder.

26.2 **Restricted Stock.** The terms applicable to a Restricted Stock Grant may only be amended or otherwise modified in accordance with a written amendment of the related Restricted Stock Agreement, executed by the Company and the grantee.

26.3 **Approval.** If an amendment of this Plan would (a) materially increase the benefits accruing to Participants, (b) increase the aggregate number of shares of Common Stock which may be issued under this Plan, or (c) modify the requirements of eligibility for participation in this Plan, the amendment shall be approved by the Board or the Committee and, to the extent then required by Code Section 422, by a majority of the shareholders of the Company.

STOCK PLAN (the "Plan"). [FOR OPTIONS: Pursuant to the Plan, any disposition of the Common Stock is subject to substantial restrictions and FIRST NATIONAL BANCORP, INC., has the right to redeem the Common Stock under specified circumstances. A copy of the Plan is maintained in the offices of FIRST NATIONAL BANCORP, INC., and may be reviewed upon request.] [FOR RESTRICTED STOCK: Such Common Stock has been issued pursuant to a Restricted Stock Agreement that sets forth the restrictions applicable thereto, including the circumstances under which such Common Stock is forfeit. A copy of such Agreement is maintained in the offices of FIRST NATIONAL BANCORP, INC., and may be reviewed upon request.]

"The Common Stock represented by this certificate has not been registered under the Securities Act of 1933, as amended, (the "Act") or the securities laws of any state. Accordingly, such Common Stock may not be sold or otherwise disposed of, or transferred, unless a registration statement relating to the Common Stock is then in effect under the Act and applicable state securities laws, or unless an exemption from registration is established under those laws. Any transfer pursuant to exemption from applicable federal and state securities laws is subject to the written consent of FIRST NATIONAL BANCORP, INC. which may condition such consent upon receipt of the opinion of counsel, in form and substance satisfactory to FIRST NATIONAL BANCORP, INC., to the effect that such registration is not required."

23.4 **Underwriting Lock-Up.** In connection with a firm commitment underwritten public offering of securities of the Company, if requested by the issuer or its principal underwriter, each holder of Stock will: (a) not sell or otherwise transfer any such shares of Stock not included in such underwriting during the one hundred eighty (180) day period (or such shorter or longer period as the underwriter may require of the principal security holders of the issuer) following the effective date of the registration statement filed with the Securities and Exchange Commission in connection with such offering; and (b) execute such instruments as the underwriter may reasonably require to evidence compliance with this subsection.

23.5 **Stop Transfer Orders.** The Company may place a "stop transfer" order against shares of Stock issued upon exercise of any Option or pursuant to a Restricted Stock Agreement until full compliance with all restrictions and conditions set forth in this Section.

24. **RECLASSIFICATIONS.** If there shall be any reclassification, capital reorganization, subdivision, combination or stock dividend or any other similar change affecting the Common Stock, then number of shares of Common Stock subject to any Option and the exercise price thereof shall be appropriately and automatically adjusted in a manner consistent with any such change; provided, however, if the nature of such change is such that any resultant adjustment is not readily apparent it shall otherwise be made in such manner as the Committee shall determine in the exercise of its sole discretion. Any such change shall be final and binding upon each Optionee. The instrument or action of the Board or committee thereof effecting any such change may provide for the elimination of any fractional share subject to an Option resulting therefrom.

25. TAXES.

25.1 **Withholding for Options.** Upon the disposition by an Optionee or other person of shares of Option Stock acquired pursuant to the exercise of a Qualified Option prior to

10

26.4 **No Modification of Existing Options.** In the case of Options issued before the effective date of any amendment, suspension or termination of this Plan, such amendment, suspension or termination shall not, without specific action of the Board or the Committee and the consent of the affected Optionee, in any way modify, amend, alter or impair any rights or obligations under any Option previously granted under this Plan.

27. **ADMINISTRATION.** This Plan shall be administered by the Committee, which by majority vote of a duly constituted quorum, shall have the power to grant Options and Restricted Stock, to establish rules for administration and interpretation of this Plan, to exercise all rights of the Company under and with respect to this Plan and otherwise to generally administer this Plan. The Committee, in interpreting this Plan, reserves the right to correct any defect in this Plan, to supply any omission from this Plan or to reconcile any inconsistency in this Plan in a manner which is consistent with the objectives stated in the preamble to this Plan. Any decision made by the Committee in the administration of this Plan shall be conclusive and binding upon the Company and the affected Optionee(s) and grantees of Restricted Stock and shall not be subject to challenge or appeal.

28. **LIABILITY/INDEMNIFICATION.** No member of the Committee shall be liable for any act or omission relating to the administration of this Plan excepting acts or omissions of that member which constitute gross negligence or willful misconduct. The Company shall indemnify and hold each present and future member of the Committee harmless from and against all claims, liabilities, damages or expenses (including, without limitation, attorneys fees and disbursements) incurred by such member in connection with or arising out of any claim, suit or proceeding relating in any way to the administration or interpretation of this Plan; provided, however, that if, as a result of such claim, suit or proceeding, it is determined that the conduct of such member with respect to this Plan constituted gross negligence or willful misconduct, then such member shall be obligated to reimburse the Company for any amounts paid pursuant to this indemnification.

29. **NO DEFERRED COMPENSATION.** The Company intends that the granting of any award under this Plan shall not constitute a deferral of compensation as defined in Code Section 409A and the interpretive authorities promulgated thereunder, and the provisions of this Plan shall be construed in a manner to carry out that intention.

30. **UNDERCAPITALIZATION.** In the event the Company's capital falls below minimum regulatory requirements, as determined by the Company's primary state or federal regulator, or the existence of outstanding options impairs the Company to raise capital, the Company's primary federal regulator may direct the Company to require any holder granted Options under this Plan to exercise or forfeit their rights granted under the Option Grant.

31. **APPROVAL OF PLAN.** The Adoption Date upon which this Plan has been adopted by the Board is _____, 2012. The shareholders of the Company approved this Plan on May 10, 2012.

EXHIBIT A
OPTION GRANT

To: _____
Date: _____

FIRST NATIONAL BANCORP, INC., a Michigan corporation (the "Company") hereby grants you an option (the "Option"), pursuant to the FIRST NATIONAL BANCORP, INC. 2012 STOCK OPTION AND RESTRICTED STOCK PLAN (the "Plan") to purchase up to _____ shares of the Common Stock of the Company (the "Option Shares") at a price of \$ _____ per share. The date of the grant of this Option is as indicated above. It is the determination of the Board of Directors that, on this date, the fair market value of the Common Stock of the Company is \$ _____ per share.

The Option [is intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended][IS NOT intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended].

Attached is a copy of the Plan. Your rights under this Option are, in all respects, limited and conditioned as provided in the Plan.

In your review of the Plan, your attention is specifically directed to the time within which you may and must exercise the Option. Your rights under the Option will vest if you continue to be employed by the Company on the following schedule:

<u>Date</u>	<u>Cumulative Option Shares Vested</u>
-------------	--

If your employment or other arrangement with the Company is terminated for any reason prior to a vesting date, no further vesting will occur on or after the effective date of termination.

Please note that the Plan does not require that you exercise any vested rights under the Option as to any particular number of Option Shares at any particular time, but that your right to exercise this Option will in all events expire _____ years from the date of this Option Grant and will be subject to an earlier termination if your employment or other applicable engagement with the Company is for any reason terminated prior to the expiration of that time period.

The purchase price for shares of Common Stock acquired by you pursuant to the Option shall be payable as provided in Section 9 of the Plan.

A-1

A-2

Your exercise of the Option shall only be by means of the Notice of Exercise which is attached to the Plan.

The Option Shares have not been registered, nor does the Company have any obligation to register the Option Shares, under the Securities Act of 1933, as amended, or the securities laws of any state. Accordingly, upon any exercise of this Option, Option Shares will not be freely transferable and may not be sold or otherwise disposed of, or transferred, unless a registration statement relating to the Option Shares is then in effect under such Act and applicable state securities laws, or unless an exemption from registration is established under those laws. Any transfer pursuant to exception from applicable federal and state securities laws is subject to the written consent of the Company, which may condition such consent upon receipt of the opinion of counsel, in form and substance satisfactory to the Company to the effect that such registration is not required.

If you have any questions or comments regarding this Option or this Plan, please do not hesitate to discuss them with the undersigned.

FIRST NATIONAL BANCORP, INC.

By: _____
Its: _____

I have received and reviewed a copy of the Plan and acknowledge and agree that the grant evidenced by this instrument is in all respects governed by the Plan.

Signature of Optionee: _____
Name of Optionee (Please print): _____
Date: _____

EXHIBIT B
NOTICE OF EXERCISE

To: FIRST NATIONAL BANCORP, INC.
Date: _____

The undersigned, pursuant to the Option Grant dated _____, 20____ (the "Option") made by FIRST NATIONAL BANCORP, INC., a Michigan corporation (the "Company") under the FIRST NATIONAL BANCORP, INC. 2012 STOCK OPTION AND RESTRICTED STOCK PLAN (the "Plan") hereby exercises the right to purchase _____ shares of Common Stock of the Company at the price of \$ _____ per share. Enclosed is the consideration for those shares of Common Stock.

I acknowledge that the Common Stock issued to me will be subject to all restrictions contained in this Plan, including, without limitation, restrictions on transfer of the Common Stock and the right of the Company under specified conditions to redeem the Common Stock.

I acknowledge that the Common Stock has not been registered under any federal or state securities law and that I may not transfer the Common Stock unless a registration is then in effect or the transfer is exempted from registration. I acknowledge that any proposed transfer in reliance upon exemption from registration is subject to the written consent of the Company, which consent may be conditioned upon receipt of a satisfactory opinion of counsel with respect to such exemption.

I represent that the Common Stock is being acquired by me as an investment and not with the view to sale or distribution.

[NAME OF OPTIONEE]

20,007,396.1127871-00004

B-1

First National Bancorp, Inc. and Subsidiary

Consolidated Financial Report
December 31, 2011

First National Bancorp, Inc. and Subsidiary

Contents

Report Letter	1
Consolidated Financial Statements	
Balance Sheet	2
Statement of Operations	3
Statement of Stockholders' Equity	4
Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-27



Plante & Moran, PLLC
Suite 400
304 Front Avenue N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.774.0792
info@plante.com

Independent Auditor's Report

To the Board of Directors
First National Bancorp, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheet of First National Bancorp, Inc. and Subsidiary (the "Corporation") as of December 31, 2011 and 2010 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of First National Bancorp, Inc. and Subsidiary at December 31, 2011 and 2010 and the consolidated results of their operations, changes in stockholders' equity, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

January 25, 2012

First National Bancorp, Inc. and Subsidiary

Consolidated Balance Sheet

	December 31, 2011	December 31, 2010
Assets		
Cash and cash equivalents (Note 2)	\$ 6,415,119	\$ 3,982,268
Investment securities - Available for sale (Note 3)	34,099,555	24,049,775
Other securities (Note 3)	1,000,235	997,885
Loans - Net of allowance for loan losses of \$3,267,968 and \$2,797,141 in 2011 and 2010, respectively (Note 4)	159,197,295	143,851,800
Premises and equipment (Note 5)	541,026	702,070
Accrued interest receivable	672,441	617,474
Deferred tax asset (Note 8)	1,156,590	1,016,000
Other assets	1,672,033	1,628,530
Total assets	\$ 204,754,294	\$ 176,845,802
Liabilities and Stockholders' Equity		
Liabilities		
Deposits (Note 6):		
Noninterest-bearing	\$ 38,367,390	\$ 32,410,714
Interest-bearing	135,207,721	114,355,571
Total deposits	173,575,111	146,766,285
Borrowings (Note 7)	8,000,000	10,000,000
Accrued interest payable	149,183	128,207
Accrued and other liabilities	239,274	96,248
Total liabilities	181,963,568	156,990,740
Stockholders' Equity (Notes 10, 11, and 12)		
Common stock - No par value:		
Authorized - 2,500,000 shares		
Issued and outstanding - 1,792,900 and 1,783,050 shares at December 31, 2011 and 2010, respectively	17,964,178	17,818,528
Additional paid-in capital	782,091	636,007
Retained earnings	3,437,841	1,280,227
Accumulated other comprehensive income	606,616	120,300
Total stockholders' equity	22,790,726	19,855,062
Total liabilities and stockholders' equity	\$ 204,754,294	\$ 176,845,802

First National Bancorp, Inc. and Subsidiary
Consolidated Statement of Operations

	Year Ended	
	December 31, 2011	December 31, 2010
Interest Income		
Loans - Including fees	\$ 8,635,106	\$ 7,495,986
Debt securities:		
Taxable	549,862	462,702
Tax-exempt	258,554	153,633
Dividends	44,192	37,916
Other	17,362	21,016
Total Interest Income	9,505,076	8,171,253
Interest Expense	1,610,525	1,759,683
Net Interest Income	7,894,551	6,411,570
Provision for Loan Losses (Note 4)	567,000	879,000
Net Interest Income After Provision for Loan Losses	7,327,551	5,532,570
Noninterest Income		
Service charges and fees	400,629	330,945
Net gain on sale of loans	389,679	515,832
Realized gain on sale of securities	-	209,800
Other	79,969	88,739
Total noninterest income	870,277	1,145,316
Noninterest Expenses		
Salaries and employee benefits (Note 11)	2,726,495	2,393,076
Occupancy and equipment (Note 5)	633,745	494,121
Data processing	287,749	288,060
FDIC insurance	151,120	251,505
Professional fees	219,202	184,946
Other	1,003,903	776,382
Total noninterest expenses	5,022,214	4,388,090
Income - Before Income taxes	3,175,614	2,289,796
Income Tax Expense (Note 8)	1,018,000	757,000
Net Income	\$ 2,157,614	\$ 1,532,796

See Notes to Consolidated Financial Statements. 3

First National Bancorp, Inc. and Subsidiary
Consolidated Statement of Cash Flows

	Year Ended	
	December 31, 2011	December 31, 2010
Cash Flows from Operating Activities		
Net Income	\$ 2,157,614	\$ 1,532,796
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	181,606	188,195
Loss on disposal of assets	-	4,435
Gain on sale of investments	-	(289,800)
Provision for loan losses	567,000	879,000
Accretion and amortization of securities - Net	269,229	189,814
Deferred income taxes	(389,590)	(273,000)
Stock-based compensation expense	146,084	159,143
Gain on sale of mortgages	(389,679)	(515,832)
Loans originated for sale	(18,415,414)	(23,413,652)
Proceeds from loan sales	18,805,093	20,115,983
Net change in:		
Accrued interest receivable	(54,967)	(48,498)
Other assets	(43,505)	(39,761)
Accrued interest payable	20,976	53,961
Accrued liabilities	143,028	61,075
Net cash provided by (used in) operating activities	2,997,473	(1,316,241)
Cash Flows from Investing Activities		
Purchase of other securities	(2,350)	(182,035)
Activity in available-for-sale securities:		
Sales	-	10,276,186
Maturities, prepayments, and calls	13,587,023	6,666,208
Purchases	(23,170,714)	(15,678,412)
Net increase in loans	(17,912,495)	(23,903,456)
Additions to premises and equipment	(20,562)	(373,134)
Net cash used in investing activities	(27,519,098)	(23,144,643)
Cash Flows from Financing Activities		
Net increase in deposits	26,808,826	8,799,687
Proceeds from issuance of common stock	228,450	111,700
Repurchase of common stock	(82,800)	(81,075)
Increase in borrowings	-	5,000,000
Net cash provided by financing activities	26,954,476	13,830,312
Net Increase (Decrease) in Cash and Cash Equivalents	2,432,851	(10,630,572)
Cash and Cash Equivalents - Beginning of year	3,982,268	14,612,840
Cash and Cash Equivalents - End of year	\$ 6,415,119	\$ 3,982,268
Supplemental Cash Flow Information - Cash paid for:		
Interest	\$ 1,589,549	\$ 1,705,722
Income taxes	1,280,000	1,070,000

See Notes to Consolidated Financial Statements. 5

First National Bancorp, Inc. and Subsidiary

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total
Balance - January 1, 2010	1,780,100	\$ 17,787,903	\$ 476,864	\$ (251,569)	\$ 169,426	\$ 18,181,624
Comprehensive income (loss):						
Net income	-	-	-	1,532,796	-	1,532,796
Changes in unrealized loss on securities	-	-	-	(72,926)	(72,926)	(72,926)
To record accumulated income tax effect	-	-	-	23,800	23,800	23,800
Total comprehensive income						1,483,670
Issuance - Common voting	10,000	111,700	-	-	-	111,700
Repurchase of shares	(7,050)	(81,075)	-	-	-	(81,075)
Stock-based compensation	-	159,143	-	-	-	159,143
Balance - December 31, 2010	1,783,050	17,818,528	636,007	1,280,227	130,300	19,855,062
Comprehensive income (loss):						
Net income	-	-	-	2,157,614	-	2,157,614
Changes in unrealized gain on securities	-	-	-	(735,818)	735,818	-
To record accumulated income tax effect	-	-	-	-	(249,002)	(249,002)
Total comprehensive income						2,643,890
Issuance - Common voting	17,050	228,450	-	-	-	228,450
Repurchase of shares	(7,200)	(82,800)	-	-	-	(82,800)
Stock-based compensation	-	146,084	-	-	-	146,084
Balance - December 31, 2011	1,792,900	\$ 17,964,178	\$ 782,091	\$ 3,437,841	\$ 606,616	\$ 22,790,726

See Notes to Consolidated Financial Statements. 4

First National Bancorp, Inc. and Subsidiary
**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**
Note 1 - Nature of Business and Significant Accounting Policies

Basis of Presentation and Consolidation - The consolidated financial statements include the accounts of First National Bancorp, Inc. (the "Corporation") and its wholly owned subsidiary, First National Bank of Michigan (the "Bank"). All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates - In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of investment securities. See Notes 13 and 14 for fair value disclosures.

Nature of Operations - The Corporation provides a variety of financial services to individuals and small businesses through its two branch locations and main office in Kalamazoo, Michigan. The Bank plans to open another branch location in Grand Rapids, Michigan in 2012. Its primary deposit products are checking, savings, and term certificate accounts and its primary lending products are commercial loans.

Cash and Cash Equivalents - For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold which mature within 90 days.

Investment Securities - Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

6

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

**Note 1 - Nature of Business and Significant Accounting Policies
(Continued)**

Loans Held for Sale - Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized in a valuation allowance by charges to income.

Loans - The Bank grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial loans throughout southwestern Michigan. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the effective interest method.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses - The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

**Note 1 - Nature of Business and Significant Accounting Policies
(Continued)**

Off-balance-sheet Instruments - In the ordinary course of business, the Corporation has entered into commitments under commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Banking Premises and Equipment - The Bank operates out of leased facilities. Leasehold improvements and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Income Taxes - Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the various temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. A valuation allowance is recorded against the net deferred tax asset based on the Corporation's estimates of taxable income and the period over which its deferred tax assets will be recoverable. If it is determined by the Corporation that it is more likely than not that future taxable income will not be sufficient to realize such tax benefits, a valuation allowance is recorded against the net deferred tax asset.

Transfers of Financial Assets - Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of the right) to pledge or exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including January 25, 2012, which is the date the consolidated financial statements were available to be issued.

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

**Note 1 - Nature of Business and Significant Accounting Policies
(Continued)**

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as either doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonimpaired loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Foreclosed Assets - Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of the foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Comprehensive Income - Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income. The accumulated other comprehensive income consists solely of the net unrealized gain or loss on investment securities available for sale less the tax effect of approximately \$312,000 and \$63,000 at December 31, 2011 and 2010, respectively.

The components of changes in other comprehensive income (loss) and related tax effects are as follows:

	2011	2010
Unrealized holding gains on available-for-sale securities	\$ 735,318	\$ 136,874
Reclassification adjustment for gains realized in income	-	(209,800)
Net unrealized gains (losses)	735,318	(72,926)
Tax effect	(249,002)	23,800
Other comprehensive income (loss)	\$ 486,316	\$ (49,126)

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

**Note 1 - Nature of Business and Significant Accounting Policies
(Continued)**

New Accounting Pronouncement - In July 2010, the FASB issued ASU 2010-20, *Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which requires new qualitative and quantitative disclosures on the allowance for credit losses, credit quality, impaired loans, modifications, and nonaccrual and past due financing receivables. The guidance requires that an entity provide disclosures facilitating financial statement users' evaluation of the nature of credit risk inherent in the entity's portfolio of financing receivables (i.e., loans), how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes and reasons for those changes in the allowance for credit losses. These required disclosures are to be presented on a disaggregated basis at the portfolio segment and the class of financing receivables level. As it relates to disclosures as of the end of a reporting period, ASU 2010-20 is effective for the Corporation as of December 31, 2011. The adoption of this standard resulted in additional disclosures (see Note 4).

Note 2 - Restrictions on Cash and Amounts Due from Banks

The Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2011 and 2010, these reserve balances amounted to \$865,000 and \$683,000, respectively.

Note 3 - Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, are as follows:

	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. government and federal agency	\$ 11,705,773	\$ 162,826	\$ -	\$ 11,869,599
Corporate	2,068,597	45,183	-	2,113,780
Collateralized mortgage obligations	865,458	9,817	(6)	875,269
State and municipal	18,541,110	715,198	(15,401)	19,240,907
Total available-for-sale securities	\$ 33,180,938	\$ 934,024	\$ (15,407)	\$ 34,099,555

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 3 - Securities (Continued)

	2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. government and federal agency	\$ 8,128,830	\$ 126,709	\$ (11,142)	\$ 8,244,397
Corporate	528,661	5,729	-	534,390
Collateralized mortgage obligations	640,012	12,463	-	652,475
State and municipal	14,569,003	142,165	(92,655)	14,618,513
Total available-for-sale securities	\$ 23,866,506	\$ 287,066	\$ (103,797)	\$ 24,049,775

At December 31, 2011 and 2010, securities with a carrying value of approximately \$9,585,000 and \$5,600,000, respectively, were pledged to secure borrowings.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2011 are as follows:

	Available for Sale	
	Amortized Cost	Estimated Market Value
Due in one year or less	\$ 5,472,799	\$ 5,524,530
Due in one through five years	16,802,762	17,216,754
Due after five years through ten years	9,843,299	10,278,552
Due after ten years	196,620	204,450
Total	32,315,480	33,224,286
Collateralized mortgage obligations	865,458	875,269
Total	\$ 33,180,938	\$ 34,099,555

There are no securities with unrealized losses over 12 consecutive months at either December 31, 2011 or 2010. There are two securities with unrealized losses at December 31, 2011. Unrealized losses on securities have not been recognized into income because the issuers' bonds are of high credit quality, the Corporation has the intent and ability to hold the securities for the foreseeable future, and the decline in fair value is primarily due to increased market interest rates. The fair value is expected to recover as the bonds approach the maturity date.

11

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 3 - Securities (Continued)

Other securities, totaling \$1,000,235 and \$997,885 at December 31, 2011 and 2010, respectively, consist of restricted Federal Home Loan Bank stock and Federal Reserve Bank stock. These stocks are carried at cost, which approximates market value.

Note 4 - Loans

A summary of the balances of loans follows:

	2011	2010
Mortgage loans on real estate:		
Residential 1-4 family and lines of credit	\$ 30,903,217	\$ 20,752,387
Commercial	72,650,227	75,459,550
Construction	15,052,641	11,257,902
Total mortgage loans on real estate	118,606,085	107,469,839
Commercial loans	41,267,742	36,767,028
Consumer installment loans	2,776,777	2,516,104
Total loans	162,650,604	146,752,971
Less allowances for loan losses	3,267,968	2,797,141
Net deferred loan fees	185,341	104,030
Net loans	\$ 159,197,295	\$ 143,851,800

An analysis of the allowance for loan losses follows:

	2011	2010
Balance at beginning of year	\$ 2,797,141	\$ 1,926,665
Provision for loan losses	567,000	879,000
Loans charged off	(104,400)	(8,524)
Recoveries of loans previously charged off	8,227	-
Balance at end of year	\$ 3,267,968	\$ 2,797,141

In the ordinary course of business, the Bank has granted loans to directors and their affiliates amounting to approximately \$4,900,000 at December 31, 2011 and \$8,300,000 at December 31, 2010. The amount outstanding to principal officers was \$100,000 and \$202,000 as of December 31, 2011 and 2010, respectively.

12

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 4 - Loans (Continued)

The following schedule presents, by loan portfolio segment, the changes in the allowance for the year ended December 31, 2011 and details regarding the balance in the allowance and recorded investment in loans at December 31, 2011 by impairment evaluation method.

	Real Estate - Construction	Real Estate - Residential	Real Estate - Commercial	Commercial and Industrial	Consumer Installment	Unallocated	Total
Beginning balance	\$ 299,419	\$ 640,151	\$ 999,275	\$ 602,595	\$ 44,283	\$ 211,418	\$ 2,797,141
Charge-offs	-	(91,352)	-	(12,048)	-	-	(104,400)
Recoveries	-	-	-	8,227	-	-	8,227
Provision	235,455	172,701	(16,193)	222,671	9,270	(36,980)	567,000
Ending balance	\$ 534,874	\$ 720,580	\$ 963,082	\$ 813,218	\$ 61,781	\$ 174,433	\$ 3,267,968
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ 44,026	\$ -	\$ -	\$ 44,026
Collectively evaluated for impairment	\$ 534,874	\$ 720,580	\$ 963,082	\$ 769,192	\$ 61,781	\$ 174,433	\$ 3,223,942
Ending allowance balance	\$ 534,874	\$ 720,580	\$ 963,082	\$ 813,218	\$ 61,781	\$ 174,433	\$ 3,267,968
Loans and leases:							
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ 66,840	\$ -	\$ -	\$ 66,840
Collectively evaluated for impairment	\$ 15,052,641	\$ 30,903,217	\$ 72,650,227	\$ 41,200,902	\$ 2,776,777	\$ -	\$ 162,583,764
Ending loans and leases	\$ 15,052,641	\$ 30,903,217	\$ 72,650,227	\$ 41,267,742	\$ 2,776,777	\$ -	\$ 162,650,604

Credit Risk Grading

The Corporation categorizes each loan into credit risk categories based on current financial information, overall debt service coverage, comparison against industry averages, collateral coverage, historical payment experience, and current economic trends. These scores are reviewed by the Corporation on a regular basis. The Corporation uses the following definitions for credit risk ratings:

Special Mention - Loans are not considered adversely classified loans. However, by definition, they exhibit potential weaknesses, which if not corrected, could weaken the asset to the point where the Bank at some future date is inadequately protected. Any one noted weakness could be a reason for inclusion in the special mention list even though the other underwriting criteria, taken collectively, might suggest a more favorable risk rating. Evidence of correction of deficiency must be provided to justify loan criteria upgrading.

Substandard - Loans are classified as "substandard" which betray well-defined weakness(es) that require close supervision by Bank management and corrective action by the borrower. These noted weaknesses involved serious underwriting concern and ultimate loan collectibility if further deterioration occurs and is a practical issue which is cause for consideration of a specific loan loss allocation provision.

13

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 4 - Loans (Continued)

Doubtful - Loans in this category are typically not performing in conformance with established terms and conditions. Full repayment is considered "doubtful" in all likelihood, "doubtful" loans are in default, a loss is anticipated and has been reserved for; however, the final amount of the loss has not yet been fully determined.

Pass - Credits not covered by the above definitions are pass credits, which are not considered to be adversely rated.

The following table is a summary of loans stratified by credit risk grading:

	Pass	Special Mention	Substandard	Doubtful	Total
Real estate - Construction:					
1-4 family residential	\$ 5,578,500	\$ -	\$ -	\$ -	\$ 5,578,500
Other	9,474,141	-	-	-	9,474,141
Real estate - Residential:					
Revolving lines of credit	10,566,737	-	-	-	10,566,737
1-4 family residential	12,217,187	323,000	90,435	-	12,630,622
Multi-family	7,705,859	-	-	-	7,705,859
Real estate - Commercial - Non-farm nonresidential	70,190,313	1,101,074	1,358,839	-	72,650,226
Commercial and Industrial	36,803,524	496,395	3,900,983	66,840	41,267,742
Consumer Installment	2,776,777	-	-	-	2,776,777
Total	\$ 155,313,038	\$ 1,920,469	\$ 5,350,257	\$ 66,840	\$ 162,650,604

Age Analysis of Past Due Loans

The following table represents loans considered past due based on contractual terms as of December 31, 2011:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables	Recorded in excess of 90 Days and Accruing
Real estate - Construction:							
1-4 family residential	\$ -	\$ -	\$ -	\$ -	\$ 5,578,500	\$ 5,578,500	\$ -
Other	-	-	-	-	9,474,141	9,474,141	-
Real estate - Residential:							
Revolving lines of credit	-	-	-	-	10,566,737	10,566,737	-
1-4 family residential	-	-	-	-	12,630,622	12,630,622	-
Multi-family	-	-	-	-	7,705,859	7,705,859	-
Real estate - Commercial - Non-farm nonresidential	-	-	-	-	72,650,226	72,650,226	-
Commercial and Industrial	19,737	66,840	86,577	117,154	41,267,742	41,267,742	-
Consumer Installment	-	-	-	-	2,776,777	2,776,777	-
Total	\$ 19,737	\$ 66,840	\$ 86,577	\$ 173,154	\$ 162,560,922	\$ 162,650,604	\$ -

14

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 4 - Loans (Continued)

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired.

Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent.

There were no impaired loans at December 31, 2010. The following information pertains to impaired loans as of December 31, 2011.

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment for the Year	Interest Income Recognized for the Year
With an allowance recorded - Commercial and industrial	\$ 66,840	\$ 66,840	\$ 44,026	\$ 78,099	\$ 4,315

Large groups of homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures.

15

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 4 - Loans (Continued)

Nonaccrual Loans

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection, not to exceed 180 days. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. Differences in impaired loans above and nonaccrual loans in the following table are due to loans which are contractually current at December 31, 2011, but had been placed on nonaccrual earlier in the year due to payment delinquency during the year. A loan may be reinstated to accrual status when all contractual principal and interest due on the loan and paid and the loan is current, prior charge-offs (if any) are recovered, no reasonable doubt remains regarding the willingness and ability of the borrower to perform in accordance with the contractual terms of the loan agreement, and sustained performance of the loan agreement demonstrated by six consecutive monthly payments. At December 31, 2011, the Corporation expects to collect the scheduled payments of principal and interest on the loan; however, at December 31, 2011, the loan had not yet made six consecutive months of payments.

	2011	2010
Real estate - Commercial - Non-farm nonresidential	\$ 684,751	\$ -
Commercial and industrial	66,840	-
Total	\$ 751,591	\$ -

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cost-recovery method or cash basis method, until qualifying for return to accrual.

Note 5 - Bank Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment is as follows:

	2011	2010
Leasehold improvements	\$ 507,682	\$ 507,683
Furniture, fixtures, and equipment	829,545	808,982
Total cost	1,337,227	1,316,665
Accumulated depreciation	(796,201)	(614,595)
Net bank premises and equipment	\$ 541,026	\$ 702,070

16

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 5 - Bank Premises and Equipment (Continued)

The Bank has two leases with a company in which a director is a part owner. The first lease calls for monthly payments of \$10,259 through 2023 and is renewable for two additional five-year terms. The second lease was entered into in September 2010 and calls for minimum monthly payments of \$9,939 through 2025 and is renewable for two additional five-year terms.

The Bank's main facility is also leased, but not with a related party. Total rent expense for the years ended December 31, 2011 and 2010 amounted to \$331,354 and \$244,830, respectively.

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 2011 and 2010 pertaining to banking premises and equipment, future minimum rent commitments under various operating leases are as follows:

	Related Party Leases	Other Lease Agreement
2012	\$ 242,386	\$ 90,521
2013	242,386	28,843
2014	242,386	3,900
2015	242,386	650
2016	242,386	-
Thereafter	1,884,910	-
Total	\$ 3,096,840	\$ 123,914

Note 6 - Deposits

The following is a summary of the distribution of deposits at December 31:

	2011	2010
Noninterest-bearing deposits	\$ 38,367,390	\$ 32,410,714
NOW accounts	14,177,911	15,565,912
Savings and money market accounts	54,981,072	37,976,458
Total	\$ 107,526,373	\$ 85,953,084

17

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 6 - Deposits (Continued)

At December 31, 2011, the scheduled maturities of time deposits are as follows:

2012	\$ 28,710,701
2013	23,649,482
2014	6,281,760
2015	5,730,693
2016	1,677,002
Total	\$ 66,049,638

Note 7 - Borrowings

The Bank has a formula-based credit facility with the Federal Reserve Bank to meet its short-term borrowing needs. There were no amounts outstanding at December 31, 2011 and 2010. At December 31, 2011, the unused portion of the facility was approximately \$23,200,000. The collateral on the borrowing arrangement consists of commercial, commercial real estate, and consumer loans with a book balance of approximately \$29,000,000.

In 2009, the Bank had a secured fed-funds line of credit at the correspondent banks with available borrowings up to \$4,500,000 to meet its short-term borrowing needs. In 2010, the Corporation increased the availability of the fed-funds line of credit at the correspondent banks to \$9,500,000 and the correspondent bank allowed the Corporation to be unsecured. There was no amount outstanding at December 31, 2011 or 2010.

During 2010, the Corporation entered into a \$2,000,000 participation agreement with another financial institution, covering a portion of one \$5,000,000 loan. The terms of the participation included calls for the participating financial institution to receive the first \$2,000,000 of proceeds in the event of a liquidation. These terms did not meet the requirements to be treated as a transfer; therefore, the participated portion totaling \$2,000,000 has been included in the commercial loan totals and is included in borrowings at December 31, 2010. The loan and participation agreement were paid off during 2011.

As of December 31, 2011, the Bank had seven advances totaling \$8,000,000 from the Federal Home Loan Bank with interest rates ranging from 1.53 percent to 4.31 percent. Interest is payable monthly. Advances with put options held by the Federal Home Loan Bank amounted to \$1,000,000 at December 31, 2010. There were no put options in 2011. The advances were collateralized by approximately \$16,217,000 and \$9,665,000 of mortgage loans as of December 31, 2011 and 2010, respectively, under a blanket collateral agreement. The advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the Federal Home Loan Bank.

18

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 7 - Borrowings (Continued)

The future obligations, including the obligation due to the terms of the participation agreement and FHLB borrowings, are as follows at December 31, 2011:

2012	\$ -
2013	3,000,000
2014	2,000,000
2015	1,000,000
2016	2,000,000
Total	\$ 8,000,000

Note 8 - Income Taxes

The components of the net deferred tax assets are as follows:

	2011	2010
Deferred tax assets:		
Allowance for loan losses	\$ 1,077,800	\$ 896,000
Stock options	287,611	218,000
Start-up costs and other	196,911	83,000
Total deferred tax assets	1,562,322	1,197,000
Deferred tax liabilities:		
Net unrealized gain on securities available for sale	312,000	63,000
Net deferred loan fees and other	73,732	118,000
Total deferred tax liabilities	385,732	181,000
Net deferred tax assets	\$ 1,156,590	\$ 1,016,000

Allocation of income taxes between current and deferred portions is as follows:

	2011	2010
Current expense	\$ 1,407,590	\$ 1,030,000
Deferred income tax benefit	(389,590)	(273,000)
Total income tax expense	\$ 1,018,000	\$ 757,000

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 8 - Income Taxes (Continued)

The reasons for the differences between the income tax expense at the federal statutory income tax rate and the recorded income tax benefit are summarized as follows:

	2011	2010
Income before income taxes	\$ 3,175,614	\$ 2,289,796
Income tax expense at federal statutory rate of 34 percent	\$ 1,079,709	\$ 778,531
Decreases resulting from nondeductible expenses and decreases from nontaxable income	(61,709)	(21,531)
Total income tax expense	\$ 1,018,000	\$ 757,000

Note 9 - Off-balance-sheet Activities

Credit-related Financial Instruments - The Corporation is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet.

The Corporation's exposure to credit loss is represented by the contractual amount of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2011 and 2010, the following financial instruments, whose contract amounts represent credit risk, were outstanding:

	Contract Amount	
	2011	2010
Commitments to grant loans	\$ 4,650,000	\$ 2,370,000
Unfunded commitments under lines of credit	46,073,905	53,269,414
Commercial and standby letters of credit	1,368,628	3,541,879

Commitments to grant loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Corporation, is based on management's credit evaluation of the customer.

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 9 - Off-balance-sheet Activities (Continued)

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually contain a specified maturity date; some may not be drawn upon to the total extent to which the Corporation is committed.

Commercial and standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. Essentially, all letters of credit issued have expiration dates within one year. The credit risk involved is extending loan facilities to customers. The Corporation generally holds collateral supporting these commitments if deemed necessary.

Legal Contingencies - Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Corporation's consolidated financial statements.

Note 10 - Minimum Regulatory Capital Requirements

The Corporation (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2011 and 2010, that the Corporation and the Bank met all capital adequacy requirements to which they are subject.

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 10 - Minimum Regulatory Capital Requirements (Continued)

As of December 31, 2011, the most recent notification from the Bank's primary regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2011 are presented in the table.

(000s omitted)	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	As of December 31, 2011					
Total capital to risk-weighted assets	\$ 23,798	14.1 %	\$ 13,202	8.0 %	\$ 16,878	10.0 %
Tier 1 capital to risk-weighted assets	21,667	12.8	8,771	4.0	10,156	6.0
Tier 1 capital to average assets	21,667	10.4	8,333	4.0	10,417	5.0
As of December 31, 2010						
Total capital to risk-weighted assets	21,260	14.0	12,120	8.0	15,150	10.0
Tier 1 capital to risk-weighted assets	19,356	12.8	8,960	4.0	9,999	6.0
Tier 1 capital to average assets	19,356	10.9	7,130	4.0	8,912	5.0

Note 11 - Stock Option Plan

At December 31, 2011, the Corporation has a share-based compensation plan, which is described below. The compensation cost that has been charged against income for the Plan was \$146,084 and \$159,143 for 2011 and 2010, respectively. There was approximately \$50,000 and \$54,000 of deferred income tax benefits recognized in the consolidated statement of operations for share-based compensation arrangements for 2011 and 2010, respectively.

The Corporation's stock option and restricted stock plan (the "Plan"), which is stockholder-approved and monitored by the board, permits the grant of stock options to its employees for up to 250,000 shares of common stock. The Plan was initially adopted in 2006 and allowed 150,000 option shares. In 2009, a similar plan was adopted that granted 100,000 additional option shares. The Corporation believes that such awards better align the interests of its employees with those of its stockholders. Option awards are generally granted with an exercise price equal to the market price of the Corporation's stock at the date of grant; those option awards generally vest over three years of continuous service.

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 11 - Stock Option Plan (Continued)

The calculated value of each option award is estimated on the date of grant using a Black-Scholes option valuation model that uses the weighted average assumptions noted in the following table. Expected volatilities are based on similar volatility of comparable banks. The Corporation uses comparable bank data to estimate option exercise and employee termination within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	2011	2010
Expected volatility	20 %	30 %
Expected dividends	0	0
Expected term (in years)	10	10
Risk-free rate	1.99 %	3.23 %

A summary of option activity under the Plan for the year ended December 31, 2011 is presented below:

Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding at January 1, 2010	175,700	\$ 10.00	6.0
Granted	26,450	11.50	9.0
Outstanding at January 1, 2011	202,150	10.20	6.4
Granted	27,350	14.00	10.0
Outstanding at December 31, 2011	229,500	10.65	6.8
Exercisable at December 31, 2011	182,720	10.14	6.4

The weighted average grant-date calculated value of options granted during 2011 and 2010 was \$4.57 and \$5.39, respectively.

As of December 31, 2011, there was approximately \$227,000 of total unrecognized compensation costs related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized through December 31, 2014.

23

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 13 - Fair Value of Financial Instruments (Continued)

As further discussed in Note 14, the fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. There are certain financial instruments and all nonfinancial instruments excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts may not necessarily represent the underlying fair value of the Corporation.

A summary of the methods and significant assumptions used to estimate the fair values of financial instruments is as follows:

Cash and Cash Equivalents - The carrying amounts of cash and cash equivalents approximate fair values.

Investment Securities - Fair values of securities are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. The carrying value of other securities approximates fair value based on the redemption provisions of the issuers and significant observable inputs.

Loans Receivable - For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values of nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Deposit Liabilities - The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed rate certificates of deposit are estimated using discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Borrowings - The fair value of the Corporation's borrowings is estimated using fair value of debt based on current rates for similar financing.

Accrued Interest - The carrying amounts of accrued interest approximate fair value.

25

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 12 - Restrictions on Dividends, Loans, and Advances

Banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Corporation.

Prior approval of the Bank's federal regulator is required if the total dividends declared by the Bank in a calendar year exceed the sum of the net profits of the Bank for the preceding three years, less any required transfers to surplus. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum standards. At December 31, 2011, the Bank has approximately \$3,400,000 in retained earnings available for the payment of dividends. Accordingly, approximately \$18,800,000 of the Corporation's investment in the Bank was restricted at December 31, 2011.

Loans or advances made by the Bank to the Corporation are generally limited to 10 percent of the Bank's capital stock and surplus. Accordingly, at December 31, 2011, Bank funds available for loans or advances to the Corporation amounted to \$2,400,000.

Loans made by the Bank to any one customer are generally limited to 15 percent of the unconsolidated bank equity, adjusted for the allowance for loan losses. At December 31, 2011, this limits the loans made by the Bank to any one customer to \$3,600,000.

Note 13 - Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments are as follows:

	2011		2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 6,415,119	\$ 6,415,119	\$ 3,982,268	\$ 3,982,268
Investment securities - Available for sale	34,099,555	34,099,555	24,049,775	24,049,775
Other securities	1,000,235	1,000,235	997,885	997,885
Loans - Net	159,197,295	162,756,915	143,851,800	145,954,702
Accrued interest receivable	672,441	672,441	617,474	617,474
Financial liabilities:				
Deposits	173,575,111	174,430,177	146,766,285	147,555,572
Borrowings	8,000,000	8,296,779	10,000,000	10,138,940
Accrued interest payable	149,183	149,183	128,207	128,207

24

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 13 - Fair Value of Financial Instruments (Continued)

Other Financial Instruments - The fair value of other financial instruments, including loan commitments and unfunded letters of credit, based on discounted cash flow analyses, is not material.

Note 14 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Corporation's assets measured at fair value on a recurring basis at December 31, 2011 and 2010 and the valuation techniques used by the Corporation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access. The Corporation's Level 1 securities consisted primarily of U.S. government agency notes and corporate bonds.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Corporation's Level 2 investment securities consisted primarily of municipal securities, mortgage-backed securities, and collateralized mortgage obligations.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. The Corporation had no investment securities for which it utilized Level 3 inputs to determine fair value.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

During 2011 and 2010, there were no transfers between Levels 1, 2, or 3 in the asset classes.

26

First National Bancorp, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2011 and 2010**

Note 14 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2011

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2011
Assets - Available-for-sale investment securities				
U.S. government and federal agency	\$ -	\$ 11,869,599	\$ -	\$ 11,869,599
Corporate	-	2,113,780	-	2,113,780
Collateralized mortgage obligation	-	875,269	-	875,269
State and municipal	-	19,240,907	-	19,240,907
Total assets	\$ -	\$ 34,099,555	\$ -	\$ 34,099,555

Assets Measured at Fair Value on a Recurring Basis at December 31, 2010

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2010
Assets - Available-for-sale investment securities				
U.S. government and federal agency	\$ -	\$ 8,224,397	\$ -	\$ 8,224,397
Corporate	-	534,390	-	534,390
Collateralized mortgage obligations	-	652,475	-	652,475
State and municipal	-	14,618,513	-	14,618,513
Total assets	\$ -	\$ 24,029,775	\$ -	\$ 24,029,775

There were no significant assets or liabilities measured at fair value on a nonrecurring basis in which losses were recognized.