



Together, We are First.

Annual Report 2016



Kalamazoo | Portage | Grand Rapids | Holland

Shareholders

Executive Officers

John M. Schreuder
Senior Executive and
Board Co-Chairman

Larry D. Lueth
Senior Executive and
Board Co-Chairman

Daniel Bitzer
President and CEO

Jefra Groendyk
Market President,
Grand Rapids
and Senior Lender

Matthew Morgan
Senior Vice President
and Chief Financial
Officer, Secretary
and Treasurer

Steve Piper
Senior Vice President
and Chief Credit Officer

Cindy Kole
Senior Vice President
and Chief Operating
Officer

Martha Betke
Senior Vice President
and Branch
Administrator

Board of Directors

Daniel Bitzer
Eric V. Brown, Jr.
Joseph Calvaruso
James DeKruyter
James S. DeMoss
John M. Dunn
James S. Gunderson
David L. Holmes
Ben Ipema
Larry D. Lueth
Sondra K. Phillips
John M. Schreuder
Joshua T. Weiner
Emeritus: Daniel Smith

For the tenth straight year, First National Bank of Michigan has experienced growth in net income, commercial and consumer loans and earnings per share ("EPS"). During 2016, our Bank's net income increased 11% to \$5.3 million, loans increased 18% to \$356 million, EPS increased 9% to \$2.56 and First National's total assets reached \$457 million. We achieved these milestones by utilizing the strengths, capabilities and expertise of our dedicated Employees, Board Members and Bank Shareholders.

We are pleased First National Bank of Michigan continues to have strong financial growth. Our vision is to be the best community bank in Michigan. In late 2016, we announced our expansion into the Holland, Michigan market. In keeping with our community bank focus, Holland was identified as a great opportunity for First National Bank of Michigan to grow and bring community banking to another great market in West Michigan. We've been successful taking what we have learned in Kalamazoo where our bank was founded, to Grand Rapids and now Holland. In the future, our loan production office in Holland will relocate and become full service bank. First National Bank of Michigan's products and services are competitive and our employees are committed to serving our customers and delivering a high level of service each and every day. That is the foundation our bank is built on! Our mission is to deliver personal attention and exceptional financial solutions through a locally owned-bank, dedicated to the growth and prosperity of our community.

First National Bank of Michigan recognizes our role in the communities where we do business. During 2016 alone, we gave back over \$125,000 through charitable donations and sponsorships.

Our highly engaged employees participated in over 120 fundraisers and events giving of their time and energy to local charities in Kalamazoo, Grand Rapids and Lansing. We are excited to begin serving the Holland community in the same manner.

First National Bank of Michigan's leadership is made up of a highly respected team of professionals, who have significant experience in delivering a great banking experience for our customers. Our decisions are local and we understand the needs of our communities and businesses. Our team of experienced banking professionals continues to grow with the addition of Cindy Kole as Senior Vice President and Chief Operating Officer, Steve Piper as Senior Vice President and Chief Credit Officer and Sue Edwards as Vice President and Downtown Kalamazoo Branch Manager. Al Hoffman was hired in Q4 as Vice President and Manager of Human Resources and Deb Lang as Assistant Vice President and Director of Marketing. The end of 2016 brought the retirements of two long-term employees: Mary Hoag and Rick Bailey. Their input and guidance in our day-to-day business will be missed, however, we wish them the best in retirement. John M. Schreuder and Larry Lueth will continue to advise and help guide First National Bank of Michigan's Executive Management team.

Thank you for helping build your investment in First National Bank of Michigan by banking with us. Please remember, your support, including your referrals, help set us apart and contribute to our growth and overall success!

Please think of First National Bank of Michigan for all of your banking needs.

Together, We are First.



John M. Schreuder
Senior Executive and
Board Co-Chairman



Larry D. Lueth
Senior Executive and
Board Co-Chairman



Daniel E. Bitzer
President and CEO

Financial Review

For the Year	2016	2015	2014
Net interest income	\$ 15,009,000	\$ 13,644,000	\$ 12,241,000
Provision for loan losses	458,000	154,000	340,000
Non-interest income	1,195,000	1,140,000	1,136,000
Non-interest expense	8,687,000	7,613,000	7,275,000
Income tax expense	1,746,000	2,214,000	1,729,000
Net income	5,313,000	4,803,000	4,033,000

At Year End

Assets	\$ 456,942,000	\$ 416,430,000	\$ 355,227,000
Gross loans	356,360,000	301,999,000	264,901,000
Allowance for loan loss (ALLL)	5,241,000	4,871,000	4,717,000
Other assets	105,823,000	119,302,000	95,043,000
Deposits	366,219,000	360,301,000	310,977,000
Other liabilities	46,661,000	18,117,000	11,463,000
Shareholders' equity	44,062,000	38,012,000	32,787,000

Ratios

Return on average assets	1.22	1.24	1.21
Return on average equity	12.91	13.52	13.22
Total risk-based capital ratio	12.21	12.26	14.27
ALLL as percentage of loans	1.47	1.61	1.78

Business Partners



Since our inception, we've championed giving back—just like our banking

partner and long-time community advocate, Gazelle Sports. Together, we're honored to support Gazelle Girl 2017, an annual running event that not only benefits local nonprofit charities, but also empowers women of all ages. Jefra Groendyk and First National Bank of Michigan share our passion for the place we call home," said Jen Brummitt, Gazelle Sports. "We're both invested in helping West Michigan stay healthy today, tomorrow and for the long run."

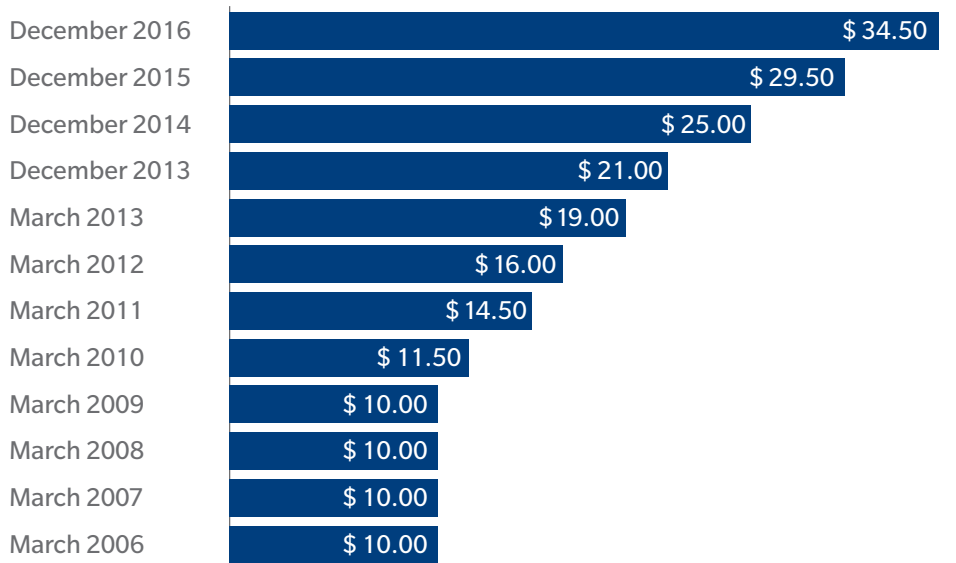


A state-of-the-art heat treating facility serving the aerospace, medical, and

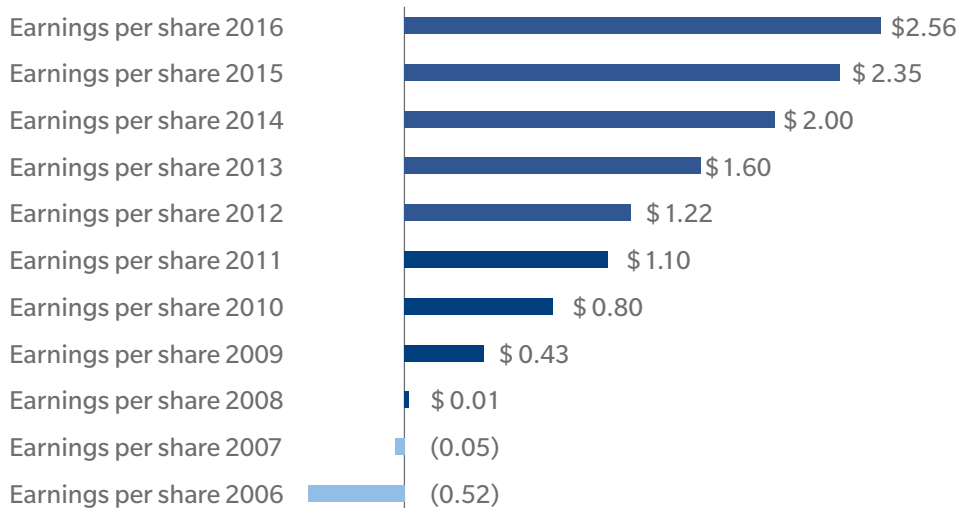
tool and die industries, Darby Metal Treating, Inc. is not only a proud family-owned business, but also takes pride in treating their customers like family. A passion for delivering personal service is what drew them to First National Bank of Michigan, too. "All banks have money to lend," Tom said, "but Chris Mars and First National Bank of Michigan care about building a relationship. They're local, so they're more attentive and responsive. You work with the real decision-makers, right from the start."

Stock Performance

Price Per Share



Fully Diluted Earnings Per Share



Business Partners



Jacob Boot and his talented staff at Duca Stoneworks, Inc., treat their trade

like an art form. When he recently decided to expand his 22-year-old business, Jacob found a banking partner who also valued going above and beyond. “Greg Accardo is professional, straightforward and responsive, and he actually understands and shows interest in what we do,” he said. “I don’t like paperwork, but Greg made the whole process almost enjoyable.”



Nonprofit organization Equestrian Center for Therapeutic Riding uses equine

therapy to improve quality of life for those with special needs. So when seeking financing to help further their mission, they wanted more than a typical banking relationship. “Brian Campbell is invested in the community,” Kathy said, “and when we began working together, we discovered how much he was invested in us, too. He truly goes above and beyond. You’re a partner, not a contract.”



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