



# Together, We are First.

Annual Report 2018



Kalamazoo | Portage | Grand Rapids | Holland | Lansing

Executive Officers



Daniel Bitzer  
President and  
CEO



Jeffra Groendyk  
Market President,  
Grand Rapids  
and Senior  
Lender



Cindy Kole  
Senior Vice  
President and Chief  
Operating Officer



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



Steve Piper  
Senior Vice President and  
Chief Credit Officer

Board of Directors

- Larry D. Lueth,  
Chairman
- John M. Schreuder,  
Chairman Emeritus
- Daniel E. Bitzer
- Eric V. Brown, Jr.
- Joseph Calvaruso
- James DeKruyter
- James S. DeMoss
- James S. Gunderson
- David L. Holmes
- Ben Ipema
- Edward B. Montgomery
- Sondra K. Phillips
- Virginia M. Seyferth
- Joshua T. Weiner
- Emeritus: John M. Dunn

LETTER TO OUR  
Shareholders

First National Bank of Michigan continued to experience expansive growth for the twelfth straight year. During 2018, our Bank's net income increased 31% to \$6.2 million, Earnings per Share increased 21% to \$3.04, loans increased 16% to \$449 million, deposits increased 18% to \$479 million, and First National's total assets reached \$573 million.

In March 2018, our loan production office in Holland, led by Greg Accardo, Market President, relocated to the historic downtown business district to become a full service bank. The Holland bank has exceeded our expectations and we look forward to its continued growth.

Our Loan Production Office in Lansing continues to expand spearheaded by two Lansing area veteran bankers, Patty Barnas and Jennifer Marsh. Several new customer relationships have been developed and we are gaining recognition in the Lansing market.

Two new Directors joined the FNBM Board in 2018, Dr. Edward B. Montgomery, President of Western Michigan University and Virginia M. Seyferth, Founder and President of SeyferthPR. The end of March brought the retirement of long time banker and Branch Administrator, Martha Betke. In late 2018 FNBM lost a dear friend and Board member, Dan Smith. Dan was instrumental in opening our Bank in 2006 and served as Director Emeritus of FNBM until his death in November, 2018. His leadership, mentorship and advice will be missed. The Board members and employees of FNBM chose to honor Dan's memory by creating the Daniel R. Smith Banking Internship. The internship will be awarded annually to a Western Michigan University student majoring in Business, Accounting or Finance.

During 2018 we promoted four employees, two to Officer and two to Assistant Vice President. An increased focus around employee training and development occurred in 2018. All employees attended Professionalism in the Workplace & Inclusion training as well as Cyber Security and Fraud detection training.

Our growth in 2018 resulted in a year-end stock price of \$44.50 per share, a year-over-year increase of 14.1%. We continue to achieve financial success by utilizing the strengths, capabilities and expertise of our dedicated Employees, Board Members and Shareholders while expanding into new markets. Inquiries regarding FNBM stock purchases can be sent to Linda Massura at lmassura@fnbmichigan.com.

Thank you for your investment and commitment to FNBM, we appreciate your referrals and the trust you have in us. Please think of First National Bank of Michigan for all of your banking needs.

Together, We are First.

*Daniel E. Bitzer*     *Larry D. Lueth*

Daniel Bitzer  
President & CEO

Larry D. Lueth  
Chairman of the Board

2008-2018  
Financial Review

For the Year	2018	2017
Net interest income	\$19,018,000	\$16,749,000
Provision for loan losses	1,005,000	327,000
Non-interest income	1,061,000	1,211,000
Non-interest expense	11,737,000	10,239,000
Income tax expense	1,176,000	2,681,000
Net income	6,161,000	4,713,000
Pre-Tax Pre-Provision	8,342,000	7,721,000

At Year End	2018	2017
Assets	\$574,458,000	\$483,564,000
Gross Loans	449,476,000	386,808,000
Allowances for loan loss (ALLL)	6,562,000	5,578,000
Other assets	131,544,000	102,334,000
Deposits	479,433,000	405,375,000
Other liabilities	40,470,000	29,479,000
Shareholders' equity	54,555,000	48,710,000

Ratios	2018	2017
Return on average assets	1.17	1.00
Return on average equity	11.93	10.28
Total risk-based capital ratio	11.72	12.64
ALLL as percentage of loans	1.46	1.44

2016	2015	2014	2013	2012	2011	2010	2009	2008
\$15,009,000	\$13,644,000	\$12,241,000	\$10,735,000	\$8,928,000	\$7,895,000	\$6,412,000	\$5,217,000	\$2,933,000
458,000	154,000	340,000	808,000	515,000	567,000	879,000	975,000	540,000
1,195,000	1,140,000	1,136,000	1,279,000	1,087,000	870,000	1,145,000	552,000	192,000
8,687,000	7,613,000	7,275,000	6,627,000	5,938,000	5,022,000	4,388,000	3,617,000	2,764,000
1,746,000	2,214,000	1,729,000	1,340,000	1,132,000	1,018,000	757,000	376,000	(190,000)
5,313,000	4,803,000	4,033,000	3,239,000	2,430,000	2,158,000	1,533,000	801,000	11,000
7,517,000	7,171,000	6,102,000	5,387,000	4,077,000	3,743,000	3,169,000	2,152,000	361,000

2016	2015	2014	2013	2012	2011	2010	2009	2008
\$456,942,000	\$416,430,000	\$355,227,000	\$311,672,000	\$250,105,000	\$204,754,000	\$176,846,000	\$161,258,000	\$96,128,000
356,360,000	301,999,000	264,901,000	246,658,000	208,446,000	162,465,000	146,649,000	118,941,000	87,512,000
5,241,000	4,871,000	4,717,000	4,534,000	3,709,000	3,268,000	2,797,000	1,927,000	968,000
105,823,000	119,302,000	95,043,000	69,548,000	45,368,000	45,557,000	32,994,000	42,244,000	9,584,000
366,219,000	360,301,000	310,977,000	273,427,000	216,129,000	173,575,000	146,766,000	137,967,000	73,362,000
46,661,000	18,117,000	11,463,000	10,024,000	8,424,000	8,388,000	10,225,000	5,109,000	5,518,000
44,062,000	38,012,000	32,787,000	28,221,000	25,552,000	22,791,000	19,855,000	18,182,000	17,248,000

2016	2015	2014	2013	2012	2011	2010	2009	2008
1.22	1.24	1.21	1.13	1.09	1.11	0.95	0.54	0.02
12.91	13.52	13.22	11.78	10.28	10.35	8.04	4.58	0.09
12.23	12.24	14.27	13.47	12.84	14.05	14.03	15.66	21.30
1.47	1.61	1.78	1.84	1.78	2.01	1.93	1.62	1.11

THOUGHTS FROM OUR  
Business Partners



"Greg Accardo made the loan process for our new construction painless. He understands our day-to-day operations, and because he's a local bank, his reaction time is great."

Kevin Rogers



"Chris Mars and I have been friends since childhood. When you're sitting down at the table considering a loan or other big business decisions, having a banker who really knows you makes all the difference."

Tim Howard, Owner  
Extreme Power Equipment

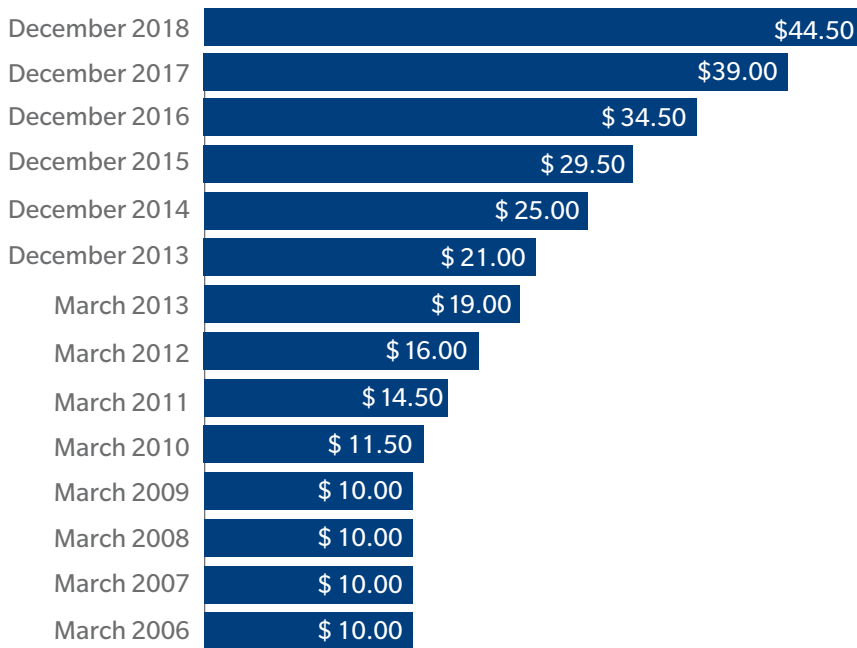


"Jennifer Marsh at First National Bank of Michigan made me and my business a priority. She understands and supports every aspect of my business, and her communication is second to none."

Brian Stiles, Owner  
Stiles Landscape

# Stock Performance

## Price Per Share

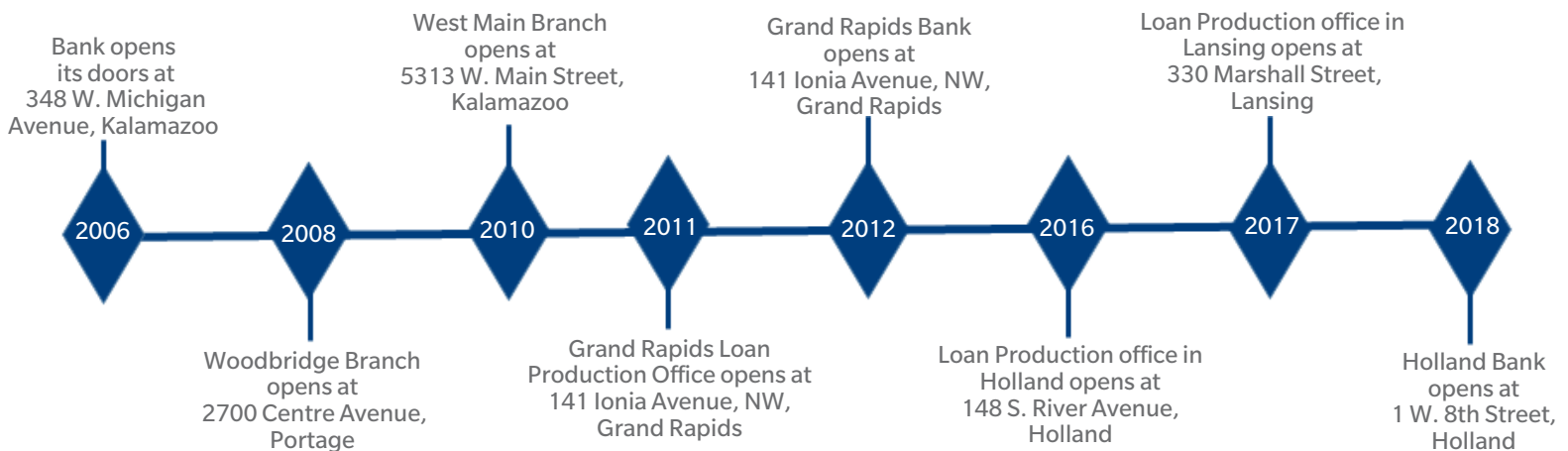


## Business Partners



"Charles Slauer from FNBM recognized the opportunity and the challenge of combining multiple properties into one loan with competitive structure. He presented us a complete banking relationship package that also streamlined our internal bookkeeping and accounting efficiencies! We couldn't be more pleased with every aspect of our lending, banking and investment relationship with FNBM".

**Mike Powers, Owner**  
Bay Pointe Inn



Together, We are First.

FNBMichigan.com

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Kalamazoo, MI 49007

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**Portage**  
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Portage, MI 49024

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**West Kalamazoo**  
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141 Ionia Ave. NW, Suite 1  
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**Holland**  
1 West 8th Street  
Holland, MI 49423

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**Lansing - Loan Production Office**  
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Lansing, MI 48912

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