



ANNUAL REPORT 2020



Together, We are First.

Executive Officers



Daniel Bitzer
President and CEO



Jefra Groendyk
Executive Vice President
Grand Rapids Market
President and Bank
Senior Lender



Cindy Kole
Executive Vice President
Chief Operating Officer



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



Steve Piper
Executive Vice President
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
David G. Echelbarger
James S. Gunderson
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Virginia M. Seyferth
Joshua T. Weiner
Emeritus: John M. Dunn

LETTER TO OUR

Shareholders

First National Bancorp. Inc., the parent company of First National Bank of Michigan ("FNB") continued to experience growth for the fourteenth straight year. FNB's total assets were \$767 million as of December 31, 2020, up 21% from December 31, 2019. Our loan portfolio grew by \$54 million, an increase of 11% largely driven by the Paycheck Protection Program ("PPP") loans in support of our community, businesses, and non-profit organizations. As of 12/31/2020, Net Income of \$6.0 million is 11% below last year's Net Income of \$6.8 million as we added an additional \$1.3 million to the Loan Loss Reserve compared to last year for future potential credit losses. Our Net Income before Income Tax Expense and Loan Loss Provision Expense, also known as Pre-Tax Pre-Provision ("PTPP") grew by 11% for 2020 to \$9.8 million from \$8.8 million for 2019.

Undeterred by the ongoing COVID-19 pandemic, our employees continue to get the job done and have adjusted well, despite the many challenges. The teamwork amongst all of our employees continues to be a priority as we focus on meeting our customer's and community's needs.

During 2020, our employees volunteered a total of 857 hours and as a bank, we made a number of charitable contributions in each of the markets we serve.

We implemented a Diversity, Equity and Inclusion Committee and partnered with the Grand Rapids Chamber to complete a DEI assessment and go forward plan. Al Hoffman was appointed by the FNB Board of Directors as the Bank's Diversity, Equity and Inclusion Officer.

The decision to expand our presence to Northern Michigan was made late 2020, with the opening of a Loan Production office in Traverse City in January 2021. We are fortunate to have hired Sam Drelles, a highly regarded and experienced Commercial Banker to serve this area.

FNB's stock was valued at \$42.50 per share at December 31, 2020, an increase of 6.3% from the September 30, 2020 value of \$40.00. The increase reflects the strong financial performance of FNB during the fourth quarter and the improving economic and market conditions. In 2020, FNB's stock value declined 13% from \$49.00 to \$42.50. This decline in value was entirely related to the COVID-19 pandemic. By comparison, publicly-traded bank stocks were down more than 15% during 2020.

We appreciate your referrals, investment, and the commitment you have placed in our Bank. If you have questions regarding the Bank or your investment in First National Bancorp. Inc., please let us know.

Together, We are First.

Sincerely,

Daniel E. Bitzer *Larry D. Lueth*

Daniel E. Bitzer
President & CEO

Larry D. Lueth
Chairman of the Board

2010-2020

Financial Review

For the Year	2020	2019
Net interest income	\$22,552,000	\$20,656,000
Provision for loan losses	1,959,000	692,000
Non-interest income	1,224,000	1,172,000
Non-interest expense	13,980,000	12,988,000
Income tax expense	1,836,000	1,369,000
Net income	6,001,000	6,779,000
Pre-Tax Pre-Provision	9,796,000	8,840,000

At Year End

Assets	\$766,948,000	\$631,720,000
Gross Loans	545,301,000	491,400,000
Allowances for loan loss (ALLL)	8,622,000	6,463,000
Other assets	230,269,000	146,783,000
Deposits	628,099,000	500,425,000
Other liabilities	71,955,000	70,604,000
Shareholders' equity	66,894,000	60,691,000

Ratios (%)

Return on average assets	0.82	1.21
Return on average equity	9.51	11.71
Total risk-based capital ratio	12.95	11.68
ALLL as percentage of loans	1.57	1.32

"Today, I became a new customer of First National Bank of Michigan, after a 30 year relationship with another bank. I cannot begin to thank FNB, their bankers, and staff for what they did for me and our small business! Our previous bank stopped taking PPP applications. The future of our business that we have worked so hard building was at stake! I knew a commercial lender at FNB, so I reached out to him. He and his co-workers worked tirelessly day and night to get this loan done for us. Two days after I reached out, we had the loan. I am so happy to now be working with the FNB team to ensure the success of our business."

- FNB Customer

2018	2017	2016	2015	2014	2013	2012	2011	2010
\$19,020,000	\$16,749,000	\$15,009,000	\$13,644,000	\$12,241,000	\$10,735,000	\$8,928,000	\$7,895,000	\$6,412,000
1,005,000	327,000	458,000	154,000	340,000	808,000	515,000	567,000	879,000
1,060,000	1,211,000	1,195,000	1,140,000	1,136,000	1,279,000	1,087,000	870,000	1,145,000
11,737,000	10,239,000	8,687,000	7,613,000	7,275,000	6,627,000	5,938,000	5,022,000	4,388,000
1,177,000	2,681,000	1,746,000	2,214,000	1,729,000	1,340,000	1,132,000	1,018,000	757,000
6,161,000	4,713,000	5,313,000	4,803,000	4,033,000	3,239,000	2,430,000	2,158,000	1,533,000
8,343,000	7,721,000	7,517,000	7,171,000	6,102,000	5,387,000	4,077,000	3,743,000	3,169,000

\$574,458,000	\$483,564,000	\$456,942,000	\$416,430,000	\$355,227,000	\$311,672,000	\$250,105,000	\$204,754,000	\$176,846,000
449,476,000	386,808,000	356,360,000	301,999,000	264,901,000	246,658,000	208,446,000	162,465,000	146,649,000
6,562,000	5,578,000	5,241,000	4,871,000	4,717,000	4,534,000	3,709,000	3,268,000	2,797,000
131,544,000	102,334,000	105,823,000	119,302,000	95,043,000	69,548,000	45,368,000	45,557,000	32,994,000
479,433,000	405,375,000	366,219,000	360,301,000	310,977,000	273,427,000	216,129,000	173,575,000	146,766,000
40,469,000	29,479,000	46,661,000	18,117,000	11,463,000	10,024,000	8,424,000	8,388,000	10,225,000
54,556,000	48,710,000	44,062,000	38,012,000	32,787,000	28,221,000	25,552,000	22,791,000	19,855,000

1.17	1.00	1.22	1.24	1.21	1.13	1.09	1.11	0.95
11.93	10.28	12.91	13.52	13.22	11.78	10.28	10.35	8.04
11.72	12.64	12.23	12.24	14.27	13.47	12.84	14.05	14.03
1.46	1.44	1.47	1.61	1.78	1.84	1.78	2.01	1.93

Words From Our Business Partners

"On behalf of both of our companies, FNB did an awesome job getting the PPP loans processed. I have heard a lot of stories with other banks that did not go so well, and people missed out on these loans. Really appreciate all you continue to do for us."

- FNB Partner



"The stellar customer service, the care that FNB has for its clients, and the relationships that we've built are the icing on the cake"

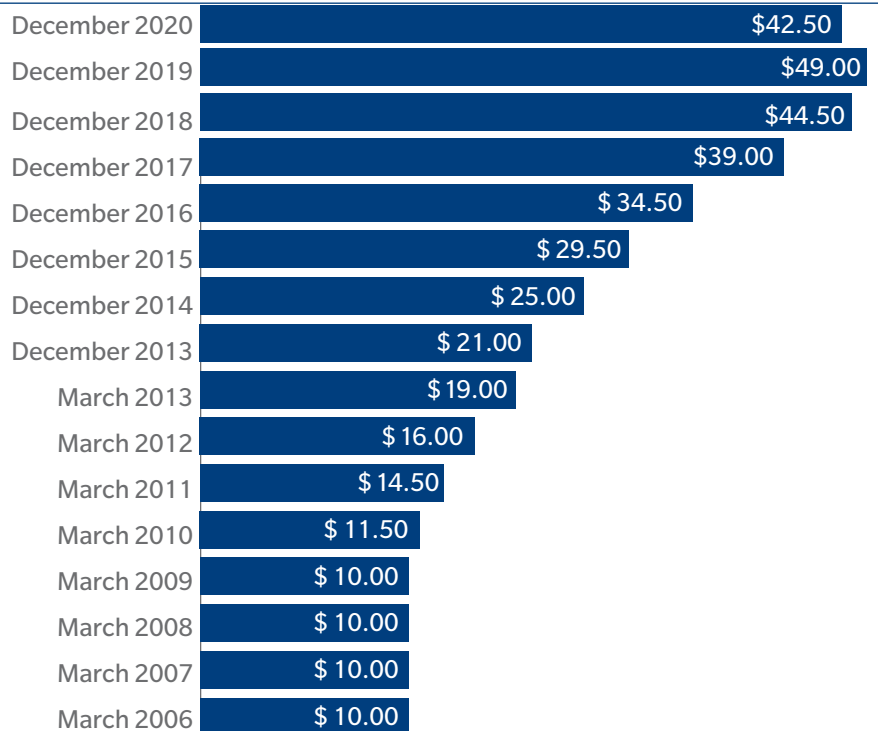
Meme Bennett and Bree Bennett Hahn,
Owners of Initial Attraction

fnbmichigan.com



Stock Performance

Price Per Share

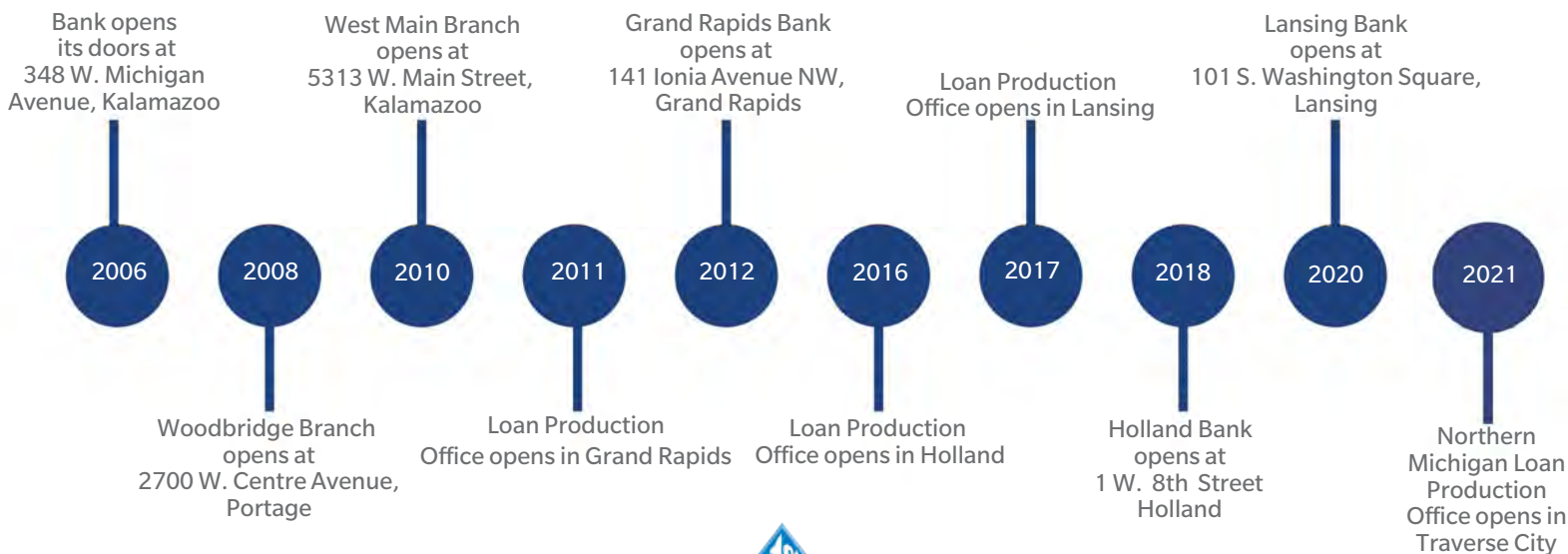


"Good morning, I just wanted to mention how great First National Bank of Michigan has been to our company. Making the switch is one of the smartest things we have ever done. I'm telling anyone that will listen to me."

-FNBM Customer

"Thank you so much for being an amazing bank to work with. With all the horror stories I'm hearing about in the news and from fellow executive directors in the area applying at other institutions, we are very grateful for your leadership and hard work. Seriously, THANK YOU!"

-FNBM Customer



Together, We are First.

FNBMichigan.com

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Traverse City
Northern Michigan
Loan Production Office