



**ANNUAL REPORT
2021**



Together, We are First.

Executive Officers



Daniel Bitzer
President and CEO



Jeffa Groendyk
Executive Vice President
and Senior Lender



Cindy Kole
Executive Vice President
Chief Operating Officer



Matt Morgan, CPA, CBOM
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
Daniel E. Bitzer
Eric V. Brown, Jr.
Joseph Calvaruso
James DeKruyter
James S. DeMoss
David G. Echelbarger
David L. Holmes
Ben Ipema
Bill Manns
Edward B. Montgomery
Sondra K. Phillips
Virginia M. Seyferth
Joshua T. Weiner
John M. Dunn,
Emeritus
John M. Schreuder,
Chairman Emeritus

LETTER TO OUR

Shareholders

First National Bancorp, Inc., the parent company of First National Bank of Michigan ("FNBM"), continued to experience growth for the fifteenth straight year. FNBM's total assets were \$887 million as of December 31, 2021, up 16% from December 31, 2020. The \$89 million in core loan growth for the year was offset by a \$71 million net reduction in Paycheck Protection Program ("PPP") loans which were made in support of our community, businesses, and non-profit organizations and are now being forgiven by the federal government.

In 2021 annual Net Income of \$8.0 million was 34% higher than last year's Net Income of \$6.0 million even while adding another \$1.9 million to the Loan Loss Reserve 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 17% for 2021 to \$11.5 million from \$9.8 million for 2020 and included a \$2.2 million increase in one-time fees from PPP loans.

Our employees continue to get the job done and have adjusted well, despite the many challenges they faced during the pandemic. The teamwork amongst all of our employees continues to be a priority as we focus on meeting our customers and community's needs.

During 2021, our employees volunteered a total of 1,466 hours and as a bank, we made a number of charitable contributions in each of the markets we serve.

The Bank's Diversity, Equity and Inclusion ("DEI") Committee made good progress during 2021 and the Board of Directors approved a DEI statement. Our DEI efforts remain a focus of our immediate & long-range strategic goals.

FNBM's stock was valued at \$51.50 per share as of December 31, 2021, an increase of 21% from the December 31, 2020 value of \$42.50. The increase reflects the strong financial performance of FNBM during 2021 and the improving economic and market conditions.

We appreciate your referrals, investment, and the commitment you have made 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

Daniel E. Bitzer
President & CEO

Larry D. Lueth

Larry D. Lueth
Chairman of the Board



John M. Schreuder, Founding CEO of First National Bank of Michigan retired from the Bank's Board of Directors at the August 2021 board meeting.

In 2018, with over 40 years of banking experience, John retired as an employee of the Bank, continuing to actively serve in various leadership roles on the Board and on committees. John's leadership and visions, helped First National Bank of Michigan become the successful community bank it is today.

"As founding CEO, John set the standards we follow today. The positive impact he made will continue for many years to come. In 2006, John's desire to bring local decision making to commercial banking in Kalamazoo exists today. That same decision making & the values he instilled have been expanded to the Michigan markets we serve today."

-Daniel E. Bitzer



"First National Bank is the epitome of the Community Bank."

Mark E. Jallage, Shareholder, Attorney
Frederick J. Jallage, Law Firm

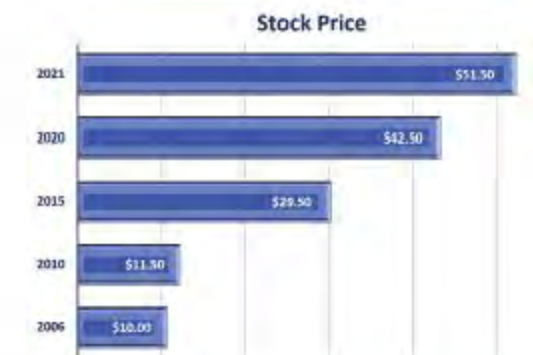
2020-2021

Financial Review

For the Year	2021	2020
Net interest income	\$26,363,000	\$22,552,000
Provision for loan losses	1,896,000	1,959,000
Non-interest income	1,265,000	1,224,000
Non-interest expense	16,171,000	13,980,000
Income tax expense	1,530,000	1,836,000
Net income	8,031,000	6,001,000
Pre-Tax Pre-Provision	11,457,000	9,796,000

At Year End	2021	2020
Assets	\$886,741,000	\$766,948,000
Cash and investments	306,082,000	207,889,000
Gross Loans	564,968,000	545,301,000
Allowances for loan loss (ALLL)	10,524,000	8,622,000
Other assets	26,215,000	22,380,000
Deposits	741,253,000	628,099,000
Other liabilities	73,320,000	71,955,000
Shareholders' equity	72,168,000	66,894,000
Ratios (%)		

Return on average assets	0.95	0.82
Return on average equity	11.54	9.51
Total risk-based capital ratio	12.05	12.95
ALLL as percentage of loans	1.86	1.57



"It's that personal touch and reliability that separates FNBM from other banks"

Thomas Krueger, President
Summit Laboratory

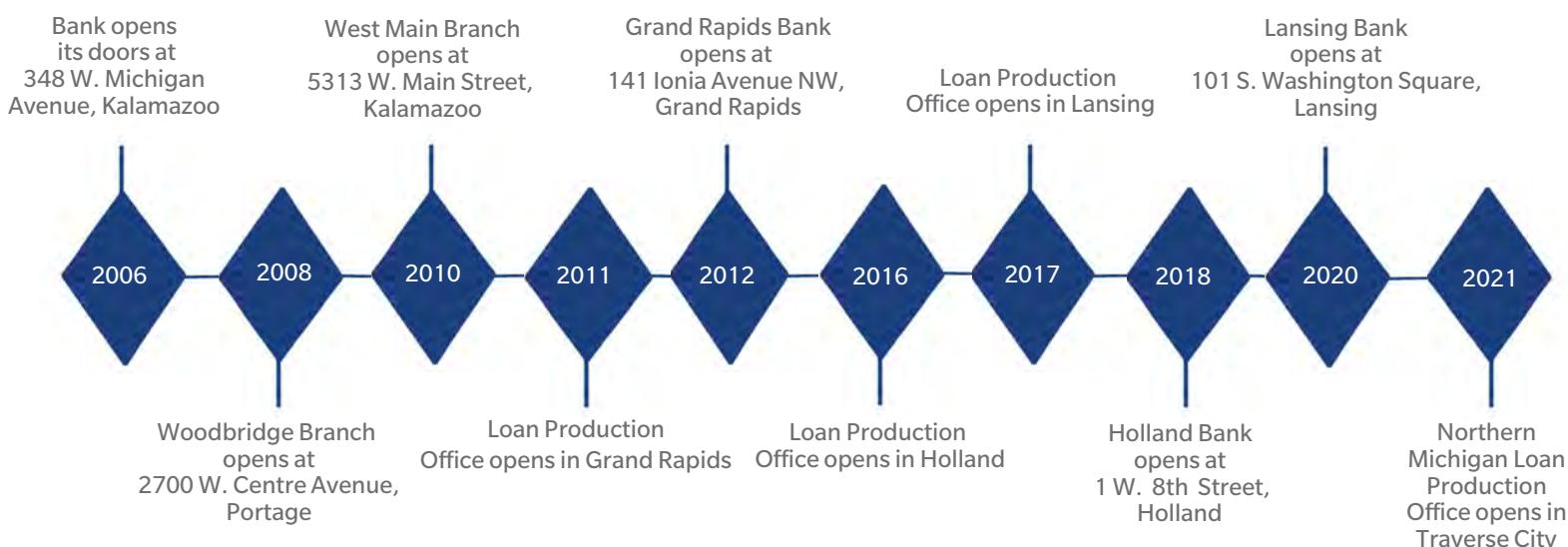
Your local community bank celebrated 15 years of helping our communities and customers grow and prosper



First National Bank of Michigan was not only made in Michigan, but also made to serve Michigan. Together, our staff currently volunteers with more than 150 area organizations. We believe a healthy community depends on the positive contributions of its members, and that's why we encourage collaborations between our Bank, various organizations and members of the communities we serve.

First National Bank of Michigan accomplished many things during our first 15 years.

We look forward to the next 15 years and continuing to grow First National Bank of Michigan. We are committed to the communities we serve, our customers and the employees who make FNBM a great place to do business.



FNBMichigan.com

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Traverse City
Northern Michigan
Loan Production Office