



**FIRST NATIONAL BANK**  
*of Michigan*

**Quarterly Report**  
**March 31, 2018**

**Kalamazoo | Portage**  
**Grand Rapids | Holland**  
**Lansing**

**Together, We are First.**

## Dear Shareholder:

On behalf of the Board of Directors and the Management of First National Bank of Michigan, we are pleased to report the Bank's performance during the quarter ending March 31, 2018. As our Bank evolves, so too will our quarterly communication with you. We will provide updates on financial performance as well as key strategic initiatives; to inform you of the ways we are working to continually expand shareholder value. We encourage you to visit our website to review First National Bank of Michigan press releases regularly.

The first quarter of 2018 proved to be another good quarter. Net income was \$1.410 million, an increase of 8% over the first quarter of 2017. Our loan portfolio grew by \$30.4 million in the last year while deposits increased by \$39 million. As reported at the Annual Shareholders' meeting on May 10, 2018, FNBM stock is at an all time high of \$40 per share!

The Bank's fifth full service location opened March 26th in Holland. The temporary Loan Production Office which opened late 2016, relocated to the corner of 8th Street and Central Avenue and is located on a key corner in the downtown business district.

Our efforts in Lansing continue to progress with better than expected loan growth. With the addition of our second commercial banker, we continue to build the team.

Residential mortgage loans were off to a robust start in the first quarter with development of some new personal loan options and mortgage products. Our forecast for the remainder of 2018 looks strong. We have built a talented and dedicated team and we anticipate continued growth in this segment.

Two new Directors were recently added, Dr. Edward Montgomery and Virginia M. Seyferth. We look forward to their expertise and board governance.

We greatly appreciate the business you do with First National Bank of Michigan. Please consider referring others to your locally owned and managed bank! Together, We are First!

Sincerely,



Daniel E. Bitzer  
President and CEO

Larry D. Lueth  
Chairman of the Board

**CONSOLIDATED BALANCE SHEET (Unaudited) (in '000's)**

<b>Assets</b>	<b>03/31/17</b>	<b>03/31/18</b>
Cash & Due from Banks	\$59,866	\$9,080
Investments	79,228	70,091
Loans		
Commercial Loans	308,149	364,422
Residential Mortgage Loans	39,040	33,574
Consumer & other loans	3,081	2,083
Gross Loans	<u>350,270</u>	<u>400,079</u>
Allowance for loan losses	<u>(5,305)</u>	<u>(5,758)</u>
Net Loans	<u>344,965</u>	<u>394,321</u>
Fixed Assets	2,819	2,922
Other Assets	9,674	9,561
Total Assets	<u>\$496,553</u>	<u>\$485,975</u>

**Liabilities & Shareholders' Equity**

Demand Deposits	\$132,933	\$150,451
Savings Deposits	174,145	147,273
Time Deposits	102,037	118,609
Borrowings	40,850	18,000
Other Liabilities	1,074	1,651
Total Liabilities	<u>451,039</u>	<u>435,984</u>
Capital		
Common Stock	19,701	21,455
Undivided Profits	24,370	27,828
YTD net income	1,307	1,408
Unrealized Gain (loss) on Secs	135	(700)
Total Capital	<u>45,513</u>	<u>49,991</u>
Total Liabilities & Shareholders Equity	\$496,553	\$485,975



Holland Bank opens March 26th, 2018

**CONSOLIDATED INCOME STATEMENT (Unaudited) (in '000's)****For the 3 months ended 03/31/17**      **For the 3 months ended 03/31/18****Interest Income**

Loans	\$3,702	\$4,442
Loan Fees	125	132
Investment	388	357
Fed Funds & Due from Banks	75	70
<b>Total Interest Income</b>	<b>4,291</b>	<b>5,001</b>

**Interest Expense**

Deposits	316	471
Borrowings	80	100
<b>Total Interest Expense</b>	<b>396</b>	<b>571</b>
Provision For Loan Losses	60	176
<b>Net Int. Income after Prov.</b>	<b>3,834</b>	<b>4,254</b>

**Non-Interest Income**

Fees and Services Charges	61	67
Gain on Mortgages Sold	41	18
Investment Referral Fees	23	29
Other Fees and Income	166	142
<b>Total Non-Interest Income</b>	<b>292</b>	<b>255</b>

**Non-Interest Expense**

Employee Compensation	1,468	1,737
Occupancy Expense	221	220
Advertising Expense	34	94
Equipment Expense	77	92
Outside Services	124	137
Other General Expense	458	533
<b>Total Non-Interest Expenses</b>	<b>2,381</b>	<b>2,813</b>

**Net Income before Taxes**      1,745      1,696

Federal Income Taxes      438      288

**Net Income**      **\$1,307**      **\$1,408****Earnings Per Share**      **\$0.63**      **\$0.68****Return on Average Assets**      1.11%      1.18%**Return on Average Equity**      11.98%      11.57%

## **Board of Directors**

Daniel E. Bitzer - Director

Eric V. Brown - Director

Joseph Calvaruso - Director

James DeKruyter - Director

James S. DeMoss - Director

John M. Dunn - Director Emeritus

James S. Gunderson - Director

David L. Holmes - Director

Ben Ipema - Director

Larry D. Lueth - Chairman

Dr. Edward Montgomery - Director (May 10, 2018)

Sondra K. Phillips - Director

John M. Schreuder - Director, Chairman Emeritus

Virginia M. Seyferth (May 10, 2018)

Daniel R. Smith - Director Emeritus

Joshua T. Weiner - Director

## **Executive Team**

Daniel E. Bitzer - President & CEO

Jefra Groendyk - Market President, Grand Rapids,  
Bank Senior Lender

Cindy Kole - Senior Vice President,  
Chief Operating Officer

Matthew Morgan - Senior Vice President,  
Chief Financial Officer

Steve Piper - Senior Vice President,  
Chief Credit Officer

## Officers

Greg Accardo  
Market President, Holland

Patty Barnas  
Market President, Lansing

Michele Boven  
VP, Compliance

Brian Campbell  
VP, Commercial Banking

Nick Conley  
Commercial Banking

Sue Edwards  
VP, Branch Manager

Tim Hoekstra  
VP, Commercial Banking

Al Hoffman  
VP, Human Resources

Dustin Hopkins  
VP, Commercial Banking

Richard Jackson  
VP, Commercial Banking

Casey Jager  
Assistant Controller

David Kistler  
VP, Commercial Banking

Cynthia Lamirande  
VP, Branch Manager

Deb Lang  
AVP, Marketing

Joe Ludy  
VP, Branch Manager

Christopher Mars  
VP, Commercial Banking

Jennifer Marsh  
VP, Commercial Banking

Scott McQueen  
VP of Operations

Tamara Milobinski, CTP  
VP, Commercial Banking

Sara Mottl  
Loan Operations

Derek Naylor  
VP, Branch Manager

Jennifer Nemecek, CTP  
VP, Treasury Management

Emily Newman  
VP, Loan Operations

Shaunna Padgett  
Branch Administration

Jesse Prins  
VP, Commercial Banking

Beth Rowley  
AVP, Operations

John J. Schreuder  
VP, Commercial Banking

Joshua Schultz  
VP, Commercial Banking

Charles Slauer  
VP, Commercial Banking

Gary Stock  
Information Technology

Amy Vervaras  
VP, Branch Manager

Jennifer Warning  
Credit Manager



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