



Quarterly Report  
June 30, 2018

Kalamazoo | Portage  
Grand Rapids | Holland  
Lansing

Together, We are First.

## Dear Shareholder:

It is a privilege to present the 2nd quarter 2018 report for First National Bank of Michigan.

- Driven by commercial loan growth, total gross loans increased to over \$417 million, a 16% increase over the same period last year.
- Deposits grew to over \$443 million or 9% over the same period prior year due in large to increases in checking and time deposits.
- Net Interest Income after Provision for Loan Losses increased by 11% to \$8.7 million.
- Net income for the first six months of 2018 increased \$359,000 or 14% over the same period, prior year.
- Year to date earnings per share through 6/30/18 increased to \$1.43 per share from \$1.25 per share as of June 2017.

The Bank's most recent stock valuation as of March 31, 2018, was \$40.00 per share, up \$1.00 (2.6%) from 12/31/17. We will receive the June 30 quarterly valuation later in August.

We believe our future growth and profitability will be predicated on the successful execution of our relationship-driven business model and our ongoing commitment to understanding and meeting the needs of our customers and our local communities.

Our expansion into Holland and Lansing continues to go well. FNBM continues to be recognized as an industry leading community bank. We recently received the Michigan Certified Development Corporation's 2017 Lender of the Year Award and have received the Bauer Financial 5-Star rating consistently every quarter for the last several years. In March, we were named a finalist for the 2017 Small Business Administration Business Development Lender of the Year.

The FNBM Board of Directors is pleased with the Bank's progress and is enthusiastic about the future. Thank you for your involvement and commitment to FNBM, we appreciate your referrals and the trust you have in us. Please continue to refer your family, friends, and associates to any one of our locations. 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>06/30/17</b>	<b>06/30/18</b>
Cash & Due from Banks	\$31,576	\$46,245
Investments	75,746	64,016
Loans		
Commercial Loans	319,492	380,151
Residential Mortgage Loans	37,732	35,857
Consumer & other loans	2,832	1,852
Gross Loans	360,056	417,861
Allowance for loan losses	(5,367)	(6,037)
Net Loans	354,689	411,824
Fixed Assets	2,881	3,035
Other Assets	9,921	9,720
Total Assets	<u>\$474,812</u>	<u>\$534,839</u>

**Liabilities & Shareholders' Equity**

Demand Deposits	\$133,314	\$189,290
Savings Deposits	169,316	125,264
Time Deposits	103,047	128,436
Borrowings	20,850	38,000
Other Liabilities	1,351	2,207
Total Liabilities	427,878	483,198
Capital		
Common Stock	19,901	21,578
Undivided Profits	24,081	27,826
YTD net income	2,617	2,976
Unrealized Gain (loss) on Secs	336	(739)
Total Capital	<u>46,935</u>	<u>51,641</u>
Total Liabilities & Shareholders Equity	\$474,812	\$534,839



**FIRST NATIONAL BANK**  
*of Michigan*

Together, We are First.

**CONSOLIDATED INCOME STATEMENT** (Unaudited) (in '000's)

	<b>For the 6 months ended 06/30/17</b>	<b>For the 6 months ended 06/30/18</b>
<b>Interest Income</b>		
Loans	\$7,588	\$9,295
Loan Fees	281	323
Investment	776	689
Fed Funds & Due from Banks	148	125
<b>Total Interest Income</b>	<b>8,794</b>	<b>10,432</b>
<b>Interest Expense</b>		
Deposits	660	1,013
Borrowings	152	259
<b>Total Interest Expense</b>	<b>812</b>	<b>1,271</b>
Provision For Loan Losses	120	453
<b>Net Int. Income after Prov.</b>	<b>7,861</b>	<b>8,708</b>
<b>Non-Interest Income</b>		
Fees and Services Charges	122	140
Gain on Mortgages Sold	65	27
Investment Referral Fees	52	56
Other Fees and Income	314	301
<b>Total Non-Interest Income</b>	<b>553</b>	<b>524</b>
<b>Non-Interest Expense</b>		
Employee Compensation	3,029	3,462
Occupancy Expense	422	449
Advertising Expense	66	189
Equipment Expense	161	182
Outside Services	251	281
Other General Expense	995	1,062
<b>Total Non-Interest Expenses</b>	<b>4,924</b>	<b>5,626</b>
<b>Net Income before Taxes</b>	<b>3,490</b>	<b>3,607</b>
Federal Income Taxes	874	631
<b>Net Income</b>	<b>\$2,617</b>	<b>\$2,976</b>
<b>Earnings Per Share</b>	<b>\$1.25</b>	<b>\$1.43</b>
<b>Return on Average Assets</b>	<b>1.13%</b>	<b>1.18%</b>
<b>Return on Average Equity</b>	<b>11.74%</b>	<b>11.96%</b>

# Board of Directors

Larry Lueth - Chairman

Dan Bitzer - Director

Eric Brown - Director

Joseph Calvaruso - Director

James DeKruyter - Director

James DeMoss - Director

John Dunn - Director Emeritus

James Gunderson - Director

David Holmes - Director

Ben Ipema - Director

Edward Montgomery - Director

Sondra Phillips - Director

John Schreuder - Director, Chairman Emeritus

Virginia Seyferth - Director

Daniel Smith - Director Emeritus

Joshua Weiner - Director

# Executive Team

Dan Bitzer - President & CEO

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

Cindy Kole - Senior Vice President,  
Chief Operating Officer

Matt 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**  
Officer  
Commercial Banking

**Judy Drenth**  
AVP, Controller

**Sue Edwards**  
VP, Branch Manager

**Tim Hoekstra**  
VP, Commercial Banking

**Al Hoffman**  
VP, Human Resources

**Dustin Hopkins**  
VP, Commercial Banking

**Rick Jackson**  
VP, Commercial Banking

**David Kistler**  
VP, Commercial Banking

**Cynthia Lamirande**  
VP, Branch Manager

**Deb Lang**  
AVP, Marketing

**Joe Ludy**  
VP, Branch Manager

**Chris Mars**  
VP, Commercial Banking

**Jennifer Marsh**  
VP, Commercial Banking

**Scott McQueen**  
VP, Operations

**Tamara Milobinski, CTP**  
VP, Commercial Banking

**Sara Mottl**  
Officer, Loan Operations

**Derek Naylor**  
VP, Branch Manager

**Jennifer Nemecek, CTP**  
VP, Treasury Management

**Emily Newman**  
VP, Loan Operations

**Shaunna Padgett**  
AVP, Branch Administration

**Jesse Prins**  
VP, Commercial Banking

**Beth Rowley**  
AVP, Operations

**John J. Schreuder**  
VP, Commercial Banking

**Josh Schultz**  
VP, Commercial Banking

**Charles Slauer**  
VP, Commercial Banking

**Gary Stock**  
Officer  
Information Technology

**Amy Ververas**  
VP, Branch Manager

**Jennifer Warning**  
AVP, Credit Manager



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