



Quarterly Report
September 30, 2018

Kalamazoo | Portage
Grand Rapids | Holland
Lansing

Together, We are First.

Dear Shareholder:

We want to personally thank you for your investment and continued patronage of First National Bank of Michigan. The Board of Directors, Management, and our employees continue to work diligently to provide high-quality service to our customers and generate solid returns for our shareholders.

We are pleased to present the results of the third quarter of 2018. FNBM made good progress in a number of areas. Net Income of \$4,546,000 for the nine-month period that ended 9/30/18, was up 10% compared to the same period last year and earnings per share (EPS) were \$2.18 as compared to \$1.98 per share for the same period last year. Total Assets rose 16%, to \$549,312,000 as of quarter end.

FNBM continues to perform at a high level compared to peer banks. The West Michigan economic environment is strong. The reduction in corporate tax rates as well as the prospect of less government regulation have generated a positive outlook for the Bank and our customers. We have been seeing the benefits of that change in business activity and loan demand.

We continue to invest in people, facilities, and products. Currently, our employees are working on 76 projects encompassing a wide range of areas. Our priority with each project is the customer, ensuring products and services meet their ever-changing needs, while ensuring we meet regulatory and compliance requirements.

Our Holland office opened earlier this year and has exceeded our expectations. We look forward to continued growth in this market.

New deposits continue to be a high priority. We are launching several new deposit product offerings next month, so be sure to talk to your local FNBM Banker!

The Bank's most recent stock valuation as of June 30, 2018, was \$42.00 a share, up \$2.00 from March 31, 2018. We will see the September 30, 2018 value in early December.

If you personally do not utilize our financial services, please consider contacting us or visiting any one of our convenient branch locations. On behalf of the First National Bank of Michigan team, **we thank you for your continued loyalty.**

Together, We are First.



Daniel E. Bitzer
President and CEO

Larry D. Lueth
Chairman of the Board

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

Assets	09/30/17	09/30/18
Cash & Due from Banks	\$20,616	\$44,811
Investments	73,786	57,104
Loans		
Commercial Loans	332,185	404,939
Residential Mortgage Loans	36,315	33,777
Consumer & other loans	3,102	1,968
Gross Loans	371,603	440,684
Allowance for loan losses	(5,474)	(6,464)
Net Loans	366,129	434,220
Fixed Assets	2,819	3,009
Other Assets	9,288	10,168
Total Assets	<u>\$472,638</u>	<u>\$549,312</u>

Liabilities & Shareholders' Equity

Demand Deposits	\$139,408	\$171,437
Savings Deposits	162,024	164,503
Time Deposits	108,014	129,508
Borrowings	13,000	28,000
Other Liabilities	455	2,927
Total Liabilities	422,900	496,375
Capital		
Common Stock	22,166	21,418
Undivided Profits	23,256	27,826
YTD net income	4,138	4,546
Unrealized Gain (loss) on Secs	178	(854)
Total Capital	<u>49,737</u>	<u>52,936</u>
Total Liabilities & Shareholders Equity	\$472,638	\$549,312

269.349.0100 | 348 W. Michigan Ave., Kalamazoo
269.250.9960 | 5313 W. Main St., Kalamazoo
269.488.0290 | 2700 W. Centre Ave., Portage
616.242.6500 | 141 Ionia Ave., NW, Grand Rapids
616.251.1200 | 1 West 8th St., Holland

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

	For the 9 months ended 09/30/17	For the 9 months ended 09/30/18
Interest Income		
Loans	\$11,721	\$14,521
Loan Fees	426	441
Investment	1,174	988
Fed Funds & Due from Banks	210	306
Total Interest Income	13,531	16,255
Interest Expense		
Deposits	1,011	1,756
Borrowings	210	404
Total Interest Expense	1,221	2,160
Provision For Loan Losses	225	878
Net Int. Income after Prov.	12,085	13,217
Non-Interest Income		
Fees and Services Charges	184	211
Gain on Mortgages Sold	101	31
Investment Referral Fees	80	85
Other Fees and Income	565	473
Total Non-Interest Income	930	801
Non-Interest Expense		
Employee Compensation	4,632	5,196
Occupancy Expense	640	729
Advertising Expense	89	270
Equipment Expense	259	283
Outside Services	374	411
Other General Expense	1,486	1,624
Total Non-Interest Expenses	7,480	8,514
Net Income before Taxes	5,535	5,504
Federal Income Taxes	1,397	958
Net Income	\$4,138	\$4,546
Earnings Per Share	\$1.98	\$2.18
Return on Average Assets	1.19%	1.18%
Return on Average Equity	11.93%	11.96%

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

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 Vervaras
VP, Branch Manager

Jennifer Warning
AVP, Credit Manager



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