



Quarterly Report
June 30, 2019

Kalamazoo | Portage
Grand Rapids | Holland
Lansing

Together, We are First.

Dear Shareholder:

On behalf of the Board of Directors and Management of First National Bank of Michigan, we are pleased to report the Bank's performance during the quarter ending June 30, 2019.

First National Bank of Michigan's total assets were \$576 million as of June 30, 2019, up 8% from 2018. Net income after taxes was \$3.175 million, a year-over-year increase of 7%. Our loans portfolio grew by \$60 Million, an increase of 14% while deposits grew by \$25 million, a 6% increase. Per the most recent available independent stock valuation as of March 31, 2019, FNBM's stock price remains strong at \$46 per share.

We are pleased with our progress in the first half of the year. We see the benefits of our banking teams performing well with strong loan and deposit growth in all markets. Additionally, we have made significant progress improving efficiencies across the organization while managing expenses.

We continue to invest in people, property and products. This includes the upcoming roll out of First National Bank of Michigan Private Banking Customized Solutions in the third quarter led by Cindy Kole, COO and new hire Kim Melvin, Vice President & Relationship Manager, a 30+ year banking veteran. As plans progress to open a full service branch in Lansing, Melanie Squires joined the Lansing team as a Vice President. Melanie has over 20 years' experience in consumer banking and treasury management. Renovation has begun at 318 West Michigan Avenue, the adjacent property to the existing building in downtown Kalamazoo. Plans to relocate the branch to the new space are set for late September. David Echelbarger was elected to the Board of Directors in May, we look forward to his involvement, as his professional experiences will contribute to the future of our Bank.

The bank finds itself in a very well capitalized position, so over the last year, we have been buying back FNBM stock as it becomes available. Please contact Linda Massura at 269.488.8858 if you have an interest in buying or selling FNBM stock.

Thank you for your referrals, we encourage you to recommend First National Bank of Michigan to your family, friends, and business associates. Your referrals have a significant impact on the growth and profitability of our Bank, and in turn, the future value of your investment. Thank you for your investment in your community 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)

Assets	06/30/19	06/30/18
Cash & Due from Banks	\$38,384	\$46,245
Investments	50,250	64,016
Loans		
Commercial Loans	446,411	380,151
Residential Mortgage Loans	29,579	35,857
Consumer & other loans	1,895	1,852
Gross Loans	<u>477,884</u>	<u>417,861</u>
Allowance for loan losses	<u>(6,252)</u>	<u>(6,037)</u>
Net Loans	<u>471,632</u>	<u>411,824</u>
Fixed Assets	3,512	3,035
Other Assets	11,762	9,720
Total Assets	<u>\$575,539</u>	<u>\$534,839</u>

Liabilities & Shareholders' Equity

Demand Deposits	\$208,197	\$189,290
Savings Deposits	126,062	125,264
Time Deposits	133,257	128,436
Borrowings	48,000	38,000
Other Liabilities	1,772	2,207
Total Liabilities	<u>517,288</u>	<u>483,198</u>
Capital		
Common Stock	20,935	21,578
Undivided Profits	33,989	27,826
YTD net income	3,175	2,976
Unrealized Gain (loss) on Secs	152	(739)
Total Capital	<u>58,251</u>	<u>51,641</u>
Total Liabilities & Shareholders Equity	<u>\$575,539</u>	<u>\$534,839</u>

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
517.319.8000 | 330 Marshall St., Suite 200, Lansing

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

	For the 6 months ended 06/30/19	For the 6 months ended 06/30/18
Interest Income		
Loans	11,729	\$9,295
Loan Fees	261	323
Investment	560	689
Fed Funds & Due from Banks	301	125
Total Interest Income	<u>12,852</u>	<u>10,432</u>
Interest Expense		
Deposits	2,237	1,013
Borrowings	572	259
Total Interest Expense	<u>2,809</u>	<u>1,271</u>
Provision For Loan Losses	385	453
Net Int. Income after Prov.	9,658	8,708
Non-Interest Income		
Fees and Services Charges	133	140
Gains on Mortgages Sold	3	27
Investment Referral Fees	66	56
Other Fees and Income	312	301
Total Non-Interest Income	<u>514</u>	<u>524</u>
Non-Interest Expense		
Employee Compensation	3,935	3,462
Occupancy Expense	551	449
Advertising Expense	196	189
Equipment Expense	191	182
Outside Services	369	281
Other General Expense	1,136	1,062
Total Non-Interest Expenses	<u>6,378</u>	<u>5,626</u>
Net Income before Taxes	3,794	3,607
Federal Income Taxes	619	631
Net Income	\$3,175	\$2,976
Earnings Per Share	\$1.54	\$1.44
Return on Average Assets	1.11%	1.18%
Return on Average Equity	11.35%	11.96%

Board of Directors

Larry Lueth - Chairman

Daniel Bitzer - Director

Eric Brown - Director

Joseph Calvaruso - Director

James DeKruyter - Director

James DeMoss - Director

John Dunn - Director Emeritus

David G. Echelbarger - Director

James Gunderson - Director

David Holmes - Director

Ben Ipema - Director

Edward Montgomery - Director

Sondra Phillips - Director

John M. Schreuder - Director, Chairman Emeritus

Virginia Seyferth - Director

Joshua Weiner - Director

Executive Team

Dan Bitzer - President & CEO

Jefra Groendyk - Executive Vice President, Grand Rapids Market President and 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



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Officers

Greg Accardo
Market President, Holland

Patty Barnas
Market President, Lansing

Michele Boven
VP, Compliance

Brian Campbell
VP, Commercial Banking

Brian Clark
Officer, Branch Assistant

Nick Conley
Officer, Commercial Banking

Sue Edwards
VP, Branch Manager

Paige Gardner
Officer, Credit Analyst

Cheryl Germain
Officer, Controller

Andrea Goodin
Officer, Compliance

Tim Hoekstra
VP, Commercial Banking

Al Hoffman
VP, Human Resources

Michelle Hoopman
Officer, Branch Assistant

Dustin Hopkins
VP, Commercial Banking

Rick Jackson
VP, Commercial Banking

Chris Jacobs
VP, Branch Manager

David Kistler
VP, Commercial Banking

Cynthia Lamirande
VP, Branch Manager

Deb Lang
AVP, Marketing

Nicole Lowczyk
Officer, Treasury Management

Joe Ludy
VP, Branch Manager

Chris Mars
VP, Commercial Banking

Jennifer Marsh
VP, Commercial Banking

Kim Melvin
VP, Personal Relationship Manager

Tamara Milobinski, CTP
VP, Commercial Banking

Sara Mottl
Officer, Operations

Jennifer Nemecek, CTP
VP, Treasury Management

Emily Newman
VP, Operations

Shaunna Padgett
AVP, Branch Administration

Nickie Peters
Officer, Product Support & Facilities

Jesse Prins
VP, Commercial Banking

Kathy Reenders
Officer, Branch Assistant

Beth Rowley
AVP, Operations

John J. Schreuder
VP, Commercial Banking

Josh Schultz
VP, Commercial Banking

Charles Slauer
VP, Commercial Banking

Melanie Squires
Vice President, Lansing

Gary Stock
Officer, IT Specialist

Amy Vervaras
VP, Branch Manager

Jennifer Warning
AVP, Credit Manager