



Quarterly Report
September 30, 2020

Kalamazoo
Portage
Grand Rapids
Holland
Lansing

Together, We are First.

Dear Shareholder:

First National Bancorp's total assets were \$803 million as of September 30, 2020, up 35% from September 30, 2019. Our loan portfolio grew by \$114 million, an increase of 23% driven by the Paycheck Protection Program (PPP loans) in support of our community, businesses and non-profit organizations. As of 9/30/2020, Net Income of \$3.1 million is 37% below last year's Net Income of \$4.9 million as we added an additional \$1.3 million to the Loan Loss Reserve compared to last year for future potential credit losses.

As previously mentioned, our employees processed 605 Paycheck Protection Loans (PPPs). Currently, they are busy handling the forgiveness portion of the PPP loans. The teamwork at FNBM continues to get the job done and we could not be prouder.

Thank you to our First National Bank of Michigan employee heroes who continue their dedication serving our customers each and every day. Forty percent of employees continue to work remotely. While certainly not our first choice, our employees have and continue to adjust to virtual meetings. We continue to put the health of our employees and customers first. Our branches remain open by appointment and are busy; COVID guidelines continue to be in place at all FNBM locations.

Our new Lansing branch opened on October 5, 2020 with a "social distanced" ribbon cutting. We are conveniently located in the center of downtown Lansing. FNBM has been doing business in the Lansing market for over 8 years, including opening a Loan Production Office in 2017.

On October 29, 2020 we hosted a well-attended virtual presentation by Dr. Randall Eberts and Dr. James Robey from the Upjohn Institute focused on the national, state and local economies. A similar virtual presentation will be held for our Lansing market.

The Company's stock value remained at \$40.00 per share as of September 30, 2020. While the Company continues to perform well, the economic, financial and election uncertainties resulted in an unchanged stock value for the quarter. By comparison, publicly traded bank stocks were down approximately 5% in the third quarter and 30% year to date.

On behalf of the First National Bank of Michigan team, we thank you for the confidence and trust you have placed in us and for your continued loyalty and support. 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
President & CEO



Larry D. Lueth
Chairman of the Board

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

Assets	09/30/20	09/30/19
Cash & Due from Banks	\$62,919	\$51,192
Investments	124,027	45,839
Loans		
Commercial Loans	575,252	456,425
Residential Mortgage Loans	24,543	28,688
Consumer & other loans	1,017	1,724
Gross Loans	600,812	486,837
Allowance for loan losses	(8,481)	(6,422)
Net Loans	592,332	480,415
Fixed Assets	6,472	3,833
Other Assets	17,475	15,270
Total Assets	<u>\$803,225</u>	<u>\$596,550</u>

Liabilities & Shareholders' Equity

Demand Deposits	\$275,153	\$197,840
Savings Deposits	213,180	175,095
Time Deposits	171,034	103,623
Borrowings	73,100	58,500
Other Liabilities	6,899	2,752
Total Liabilities	<u>739,366</u>	<u>537,809</u>
Capital		
Common Stock	19,196	19,651
Retained Earnings	40,768	33,989
YTD net income	3,104	4,925
Unrealized Gain (loss) on Securities	791	175
Total Capital	<u>63,859</u>	<u>58,740</u>
Total Liabilities & Shareholders Equity	<u>\$803,225</u>	<u>\$596,550</u>

Our Locations:

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 W. 8th St., Holland

517.319.8000 | 101 S. Washington Sq., Lansing

CONSOLIDATED INCOME STATEMENT (Unaudited) (in '000's)**For the 9 months ended 09/30/20** **For the 9 months ended 09/30/19**

Interest Income		
Loans	\$16,653	\$17,878
Loan Fees	669	495
Investment	757	827
Fed Funds & Due from Banks	232	395
Total Interest Income	<u>18,312</u>	<u>19,594</u>
Interest Expense		
Deposits	2,468	3,283
Borrowings	969	885
Total Interest Expense	<u>3,437</u>	<u>4,168</u>
Provision For Loan Losses	<u>1,819</u>	<u>555</u>
Net Int. Income after Prov.	13,056	14,871
Non-Interest Income		
Fees and Services Charges	214	211
Gains on Mortgages Sold	81	9
Investment Referral Fees	76	89
Other Fees and Income	532	508
Total Non-Interest Income	<u>903</u>	<u>817</u>
Non-Interest Expense		
Employee Compensation	6,406	5,967
Occupancy Expense	895	893
Advertising Expense	184	291
Equipment Expense	366	324
Outside Services	644	572
Other General Expense	1,632	1,740
Total Non-Interest Expenses	<u>10,126</u>	<u>9,787</u>
Net Income before Taxes	3,832	5,901
Federal Income Taxes	728	976
Net Income	\$3,104	\$4,925
Earnings Per Share	\$1.53	\$2.39
Return on Average Assets	0.59%	1.13%
Return on Average Equity	6.65%	11.62%

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



Officers

Greg Accardo
Market President, Holland

Patty Barnas
Market President, Lansing

Brian Clark
Branch Manager, Woodbridge

Nick Conley
Commercial Banker

Sue Edwards
Branch Manager, Downtown
Kalamazoo

Paige Gardner
Credit Analyst

Cheryl Germain
Controller

Andrea Goodin
Compliance Specialist

Al Hoffman
Human Resources, Security &
Training Manager

Michelle Hoopman
Branch Assistant, Grand
Rapids

Dustin Hopkins
Commercial Banker

Rick Jackson
Commercial Banker

David Kistler
Commercial Banker

Marcus Kole
Commercial Banker

Dave Koster
Commercial Banker

Cynthia Lamirande
Branch Manager, Holland

Deb Lang
Marketing Manager

Nicole Lowczyk
Treasury Management
Specialist

Joe Ludy
Branch Manager, West Main

Chris Mars
Commercial Banker

Jennifer Marsh
Commercial Banker

Kim Melvin
Personal Relationship Manager

Tamara Milobinski, CTP
Commercial Banker

Sara Mottl
Loan Operations Specialist

Jennifer Nemecek, CTP
Treasury Management Manager

Emily Newman
Operations Manager

Shaunna Padgett
Strategic & Operating Manager

Nickie Peters
Facilities Manager

Jesse Prins
Commercial Banker

Kathy Reenders
Branch Assistant, Woodbridge

Beth Rowley
Operations Specialist

Josh Schultz
Commercial Banker

Charles Slauer
Commercial Banker

Melanie Squires
Treasury Management Officer

Gary Stock
IT Specialist

Amy Vervaras
Branch Manager, Grand Rapids

Ryan Wagner
Branch Manager, Downtown
Kalamazoo

Kevin Waldie
Compliance Manager

Jennifer Warning
Credit Manager