



Quarterly Report
December 31, 2020

Kalamazoo
Portage
Grand Rapids
Holland
Lansing

Together, We are First.

Dear Shareholder:

First National Bancorp, Inc., the parent company of First National Bank of Michigan (“FNBM”) continued to experience growth for the fourteenth straight year. FNBM’s total assets were \$772 million as of December 31, 2020, up 22% from December 31, 2019. Our loan portfolio grew by \$56 million, an increase of 11% largely driven by the Paycheck Protection Program (“PPP”) loans in support of our community, businesses, and non-profit organizations. As of 12/31/2020, Net Income of \$6.0 million is 11% below last year’s Net Income of \$6.8 million as we added an additional \$1.3 million to the Loan Loss Reserve compared to last year for future potential credit losses. Our Net Income before Income Tax Expense and Loan Loss Provision Expense, also known as Pre-Tax Pre-Provision (“PTPP”) grew by 11% for 2020 to \$9.8 million from \$8.8 million for 2019.

Despite the ongoing COVID-19 pandemic, our employees continue to get the job done and have adjusted well, despite the many challenges. FNBM employees are currently processing Paycheck Protection Loans round 2 (“PPP2”) for our customers. The teamwork amongst all of our employees continues to be a priority as we focus on meeting our customer’s and community’s needs.

During 2020, our employees volunteered a total of 850 hours and as a bank, we made a number of charitable contributions in each of the markets we serve.

We implemented a Diversity, Equity and Inclusion Committee made up of employees and are partnering with the Grand Rapids Chamber to complete a Diversity, Equity and Inclusion assessment and go forward plan. Al Hoffman was appointed by the FNBM Board as Diversity, Equity and Inclusion Officer.

The decision to expand our presence to Northern Michigan was made late 2020, with the opening of a Loan Production office in Traverse City in January of this year. We are extremely fortunate to have recently hired Sam Drelles, a highly regarded and experienced Commercial Banker to serve this area.

FNBM’s stock was valued at \$42.50 per share at December 31, 2020, an increase of 6.3% from the September 30, 2020 value of \$40.00. The increase reflects the strong financial performance of FNBM during the fourth quarter and the improving economic and market conditions. In 2020, FNBM’s stock value declined 13% from \$49.00 to \$42.50. This decline in value was entirely related to the COVID-19 pandemic. By comparison, publicly-traded bank stocks were down more than 15% during 2020.

We appreciate your referrals, investment, and the commitment you have placed in our Bank. 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	12/31/20	12/31/19
Cash & Due from Banks	\$72,304	\$77,625
Investments	137,615	50,160
Loans		
Commercial Loans	523,574	462,740
Residential Mortgage Loans	23,079	26,563
Consumer & other loans	977	2,097
Gross Loans	547,630	491,400
Allowance for loan losses	(8,622)	(6,463)
Net Loans	539,008	484,937
Fixed Assets	6,755	6,137
Other Assets	16,748	12,154
Total Assets	<u>\$772,431</u>	<u>\$631,012</u>

Liabilities & Shareholders' Equity

Demand Deposits	\$297,748	\$207,299
Savings Deposits	166,186	178,990
Time Deposits	164,166	114,136
Borrowings	73,100	68,100
Other Liabilities	4,337	1,796
Total Liabilities	<u>705,537</u>	<u>570,321</u>
Capital		
Common Stock	19,255	19,685
Retained Earnings	40,768	33,989
YTD net income	6,001	6,779
Unrealized Gain (loss) on Securities	870	239
Total Capital	<u>66,894</u>	<u>60,691</u>
Total Liabilities & Shareholders Equity	<u>\$772,431</u>	<u>\$631,012</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 12 months ended 12/31/2020	For the 12 months ended 12/31/2019
Interest Income		
Loans	\$21,936	\$23,962
Loan Fees	3,689	649
Investment	1,054	1,077
Fed Funds & Due from Banks	251	463
Total Interest Income	<u>26,930</u>	<u>26,152</u>
Interest Expense		
Deposits	3,097	4,283
Borrowings	1,280	1,213
Total Interest Expense	<u>4,377</u>	<u>5,496</u>
Provision For Loan Losses	1,959	692
Net Int. Income after Prov.	20,593	19,964
Non-Interest Income		
Fees and Services Charges	288	286
Gains on Mortgages Sold	109	21
Investment Referral Fees	101	116
Other Fees and Income	726	675
Total Non-Interest Income	<u>1,224</u>	<u>1,098</u>
Non-Interest Expense		
Employee Compensation	8,567	8,038
Occupancy Expense	1,255	1,224
Advertising Expense	423	357
Equipment Expense	497	440
Outside Services	877	797
Other General Expense	2,360	2,059
Total Non-Interest Expenses	<u>13,980</u>	<u>12,915</u>
Net Income before Taxes	7,837	8,148
Federal Income Taxes	1,836	1,369
Net Income	\$6,001	\$6,779
Earnings Per Share	\$2.95	\$3.30
Return on Average Assets	0.82%	1.21%
Return on Average Equity	9.51%	11.71%

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 - Executive Vice President, Chief Operating Officer

Matt Morgan - Senior Vice President, Chief Financial Officer

Steve Piper - Executive 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
Private Banker

Paige Gardner
Credit Analyst

Cheryl Germain
Controller

Andrea Goodin
Compliance Specialist

Al Hoffman
Human Resources, Security &
Training Manager, Diversity,
Equity & Inclusion Officer

Michelle Hoopman
Branch Assistant, Grand
Rapids

Dustin Hopkins
Commercial Banker

Rick Jackson
Commercial Banker

Melody Janetzke
Branch Administration
Specialist

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
Private Banker

Brian Mick
Commercial Banker

Tamara Milobinski, CTP
Commercial Banker

Sara Mottl
Loan Operations Specialist

Jennifer Nemecek, CTP
Treasury Management & Deposit
Operations Manager

Emily Newman
Loan Operations Manager

Allen Numerick
Information Technology Manager

Shaunna Padgett
Strategic & Operating Manager

Nickie Peters
Facilities Manager

Jesse Prins
Commercial Banker

Darcy Ranfeld
Branch Assistant, Westside

Kathy Reenders
Branch Assistant, Woodbridge

Beth Rowley
Deposit Operations Specialist

Josh Schultz
Commercial Banker

Charles Slauer
Commercial Banker

Melanie Squires
Treasury Management Officer,
Branch Manager, Lansing

Gary Stock
IT Specialist

Amy Vervaras
Branch Manager, Grand Rapids

Ryan Wagner
Branch Manager, Downtown
Kalamazoo

Kevin Waldie
Compliance Manager

Jennifer Warning
Credit Manager

Henry Ziolkowski
Consumer Credit Underwriter