



Quarterly Report
June 2023

Letter To Our Shareholders

Thank you for your continued investment in First National Bank of Michigan (FNBM), your local community bank.

FNBM's total assets were \$980.8 million as of June 30, 2023, up 7.3% from June 30, 2022. As of June 30, 2023, year to date Net Income of \$2.1 million is 41.1% below previous year's Net Income of \$3.6 million with Paycheck Protection Program "PPP" fee income decreasing \$0.4 million. Thus far in 2023, we added \$929,000 to the Loan Loss Reserve compared to last year's provision of \$920,000 for future potential credit losses, inflation, and the unknown economic climate. Our Net Income before Income Tax Expense and Loan Loss Provision Expense, also known as Pre-Tax Pre-Provision ("PTPP"), decreased by 33.6% for the first six months of 2023 to \$3.5 million from \$5.2 million for 2022. Net of PPP income, our first 6 months of core Pre-Tax Pre-Provision earnings decreased 27.4% to \$3.5 million from \$4.8 million in 2022. The main driver for lower earnings is the rise in the Bank's cost of funds due to upward market pressure on short-term rates as a result of the Federal Reserve Bank's unprecedented rapid increase in its target rate from 0.25% in March 2022 to 5.00% in March 2023. Many deposits transitioned into interest-bearing accounts and the overall rates paid across deposit accounts also increased. FNBM expects profits to increase through continued growth as well as expected expansion in net interest margins with over half of FNBM's current earning assets set to reprice to market rates over the next three years. FNBM continues to be well-capitalized with ample liquidity and capital resources which are routinely stress-tested and closely monitored.

Eric V. Brown (Ric), Director of FNBM since 2006, retired from his position at the May 2023 board meeting and was appointed Director Emeritus. Ric's guidance and significant contributions helped First National Bank of Michigan become the successful community bank it is today.

FNBM appointed Rachel Michaud to its Board of Directors representing our Lansing market effective June 16, 2023. She is the Vice President of Gillespie Group headquartered in Lansing, MI. Her responsibilities include oversight of all day-to-day business operations of Gillespie Group, all leases, overall asset management, and equity services.

"While the economy has proven to be very resilient, the Federal Reserve, through further interest rate increases, has put significant pressure on net interest margins. This continues to have a short-term negative impact on FNBM's net interest margin and overall profitability. With nearly all banks experiencing this effect, bank stock values continue to be under pressure. During the second quarter of 2023, the NASDAQ Bank Index declined another 5.0% and the KRE Regional Bank Index was down 6.9% during the same period. Year-to-date June 30, 2023, these indices are down 26% and 30%, respectively. As of June 30, 2023, the value of FNB was independently determined to be \$42.50 per share, a decrease in value of 5.5% from March 31, 2023, and represents a year-to-date decrease of 21%." - Rick Maroney, Senior Managing director, Hovde Group

At any time, if you are interested in purchasing or selling FNBM stock, please contact Stena Buck, at 269-488-8858 or sjbuck@fnbmichigan.bank.

Sincerely,



Daniel E. Bitzer
President & CEO



Larry D. Lueth
Chairman of the Board

Together, We are First.

Consolidated Balance Sheet (Unaudited) (in '000's)

Assets	06/30/2023	06/30/2022
Cash & due from banks	\$42,707	\$39,003
Investments	\$242,836	\$276,227
Loans		
Commercial loans	\$647,238	\$558,120
Residential mortgage loans	\$23,782	\$21,887
Consumer & other loans	\$628	\$173
Gross loans	\$671,648	\$580,180
Allowance for loan losses	(\$12,488)	(\$11,445)
Net loans	\$659,160	\$568,735
Fixed assets	\$6,480	\$6,190
Other assets	\$29,612	\$28,022
Total assets	\$980,796	\$918,177

Liabilities & Shareholders' Equity	06/30/2023	06/30/2022
Demand deposits	\$336,632	\$425,638
Savings deposits	\$233,386	\$262,921
Time deposits	\$194,364	\$128,663
Borrowings	\$143,200	\$31,650
Other liabilities	\$8,022	\$7,887
Total liabilities	\$915,604	\$856,759
Capital		
Common stock	\$16,197	\$17,592
Undivided Profits	\$62,961	\$54,800
YTD net income	\$2,141	\$3,634
Unrealized gain(loss) on sec.	(\$16,107)	(\$14,608)
Total capital	\$65,192	\$61,418
Total liabilities & shareholders equity	\$980,796	\$918,177

Consolidated Income Statement (Unaudited) (in '000's)

	For the 6 months ended 06/30/2023	For the 6 months ended 06/30/2022
Interest income		
Loans	\$16,964	\$11,369
Loan fees	\$545	\$1,209
Investments	\$1,984	\$1,617
Fed funds & due from banks	\$396	\$86
Total interest income	\$19,890	\$14,281
Interest expense		
Deposits	\$5,306	\$672
Borrowings	\$2,303	\$635
Total interest expense	\$7,609	\$1,307
Provision for loan losses	\$929	\$920
Net int. income after prov.	\$11,351	\$12,053
Non-interest income		
Fees and services charges	\$187	\$171
Gains on mortgages sold	-	\$13
Investment referral fees	\$50	\$54
Other fees and income	\$535	\$426
Total non-interest income	\$772	\$664
Non-interest expense		
Employee compensation	\$5,966	\$5,297
Occupancy expense	\$783	\$741
Advertising expense	\$263	\$189
Equipment expense	\$275	\$260
Outside services	\$634	\$603
Other general expense	\$1,670	\$1,334
Total non-interest expenses	\$9,591	\$8,424
Net income before taxes	\$2,532	\$4,293
Federal income taxes	\$391	\$659
Net income	\$2,141	\$3,634
Earnings per share	\$1.08	\$1.80
Return on average assets	0.45%	0.79%
Return on average equity	6.62%	10.85%

Executive Team

Daniel E. Bitzer
President &
Chief Executive Officer

Jefra Groendyk
Executive Vice President &
Senior Lender

Cindy Kole
Executive Vice President &
Chief Operating Officer

Matt Morgan
Senior Vice President,
Chief Financial Officer,
Chief Technology Officer

Steve Piper
Executive Vice President &
Chief Credit Officer

Board of Directors

Larry D. Lueth
Chairman

John M. Schreuder
Chairman Emeritus

Daniel E. Bitzer
Director

Eric V. Brown, Jr.
Director Emeritus

Joseph Calvaruso
Director

James DeKruyter
Director

James S. DeMoss
Director

David G. Echelbarger
Director

David L. Holmes
Director

Ben Ipema
Director

Bill Manns
Director

Rachel Michaud
Director

Edward B. Montgomery
Director

Sondra K. Phillips
Director

Virginia M. Seyferth
Director

Joshua T. Weiner
Director

Officers

Greg Accardo
Market President, Holland

Louise Almeida
BSA Compliance Specialist

Kelsey Bailey
Branch Manager,
Downtown Kalamazoo

Patty Barnas
Market President, Lansing

Brian Clark
Branch Manager, Woodbridge

Nick Conley
Senior Portfolio Manager

Sam Drelles
Commercial Banker

Paige Gardner
Credit Analyst

Cheryl Germain
Controller

Al Hoffman
Human Resource Specialist

Mike Hollander
Market President, Grand Rapids

Dustin Hopkins
Commercial Banker

Rick Jackson
Commercial Banker

Melody Janetzke
Branch Administration Specialist

David Kistler
Commercial Banker

Marcus Kole
Commercial Banker

Lisa Kosak
Branch Manager, Holland

David Koster
Commercial Banker

Deb Lang
Marketing Manager

Nicole Lowczyk
Treasury Management Specialist

Joe Ludy
Branch Manager, West Main

Chris Mars
Kalamazoo Commercial Banking
Group Manager

Jennifer Marsh
Commercial Banker

Kim Melvin
Private Banker

Brian Mick
Commercial Banker

Kirstyn Monroe
Commercial Banker

Dan Montes
Commercial Banker

Sara Mottl
Loan Operations Specialist

Jennifer Nemecek, CTP
Treasury Management &
Deposit Operations Manager

Emily Newman
Loan Operations Manager

Shaunna Padgett
Chief Administrative Officer

Nickie Peters
Facilities Manager, Security
Officer

Jesse Prins
Commercial Banker

Laura Reyna
Human Resources, Training &
Diversity, Equity & Inclusion
Manager

Beth Rowley
Deposit Operations Specialist

Josh Schultz
Commercial Banker

Charles Slauer
Commercial Banker

Melanie Squires
Treasury Management
& Branch Manager, Lansing

Amy Vervaras
Branch Manager, Grand Rapids

Kevin Waldie
Compliance Manager &
Information Security Officer

Jennifer Warning
Credit Manager

Ashley Winn
Treasury Management Specialist

Henry Ziolkowski
Consumer Credit Underwriter

FNBM Branch Locations



Grand Rapids
141 Ionia Ave. N.W.



Holland
1 West 8th St.
Holland, MI 49423



Kalamazoo
348 W. Michigan Ave.
Kalamazoo, MI 49007



Kalamazoo West
5313 W. Main St.
Kalamazoo, MI 49009



Lansing
101 S. Washington Square
Lansing, MI 48933



Portage
2700 W. Centre Ave.
Portage, MI 49024

fnbmichigan.bank
Local Commercial and Personal Banking

Kalamazoo | Portage | Grand Rapids | Lansing |
Holland | Traverse City (Loan Production Office)



Member
FDIC