



Quarterly Report
September 2023

Letter To Our Shareholders

First National Bank of Michigan's (FNBM) total assets were \$973.3 million as of September 30, 2023, up 3.0% from September 30, 2022. Gross loans increased 15.2% from \$575.6 million to \$665.8 million while deposits decreased from \$822.6 million to \$797.1 million, a 3% decrease. Year-to-date net income of \$3.1 million is 43.5% below the previous year's net income of \$5.5 million. Thus far in 2023, the Bank added \$1.2 million to allowances for credit losses for future potential loan losses and the unknown economic climate. The main driver for lower earnings continues to be 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. Year-to-date total interest income is up 38.6% and total non-interest income is up 11.1%. During the same periods, total non-interest expense is up 7.5% and compares with the 8% inflation prevalent in all of 2022 upon which many vendor price increases for 2023 were based. The positive impact of revenue growth is offset by an increase in total interest expense of \$10.8 million (504%) as many deposits transitioned into interest-bearing accounts and the overall rates paid on deposit accounts increased substantially.


FNBM expects profits to increase through continued growth as well as the expected expansion in net interest margins. Within 12 months 27.9% of FNBM's earning assets are set to reprice and 54.3% of those earning assets are set to reprice within 3 years through scheduled maturities and principal paydowns. FNBM continues to be well-capitalized with ample liquidity and capital resources which are routinely stress-tested and closely monitored.

Keeping our customers informed is a top priority. We continue to present speakers from outside our markets as well as local experts who understand firsthand what our customers are experiencing. In September, we hosted seminars focusing on Vendor Payment Fraud, Fraud Insurance, Business Email Compromise, Check and Wire Fraud, Mail Theft, Spear Phishing, Ransomware, Cyber Security, and much more. The Bank recently hosted 2024 Economic Forecasts in both the Grand Rapids and Kalamazoo markets with Mike Horrigan, President of the W.E. Upjohn Institute for Employment Research, sharing insights on the condition of our country, state, and local regions.

"FNBM's third quarter financial results continue to be impacted by higher rates resulting in pressure on FNBM's net interest margin and overall profitability. Year-to-date through September, the NASDAQ Bank Index was down 25.0% and the KRE Regional Bank Index was down 28.9%. As of September 30, 2023, the value of FNBM stock was independently determined to be \$40.00 per share, a decrease in value of \$2.50 per share or 5.9% from June 30, 2023. Year-to-date, the Company's stock value has decreased 25.9%." – Rick Maroney, Senior Managing Director, Hovde Group

Thank you for your continued investment in First National Bank of Michigan, your local community 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	09/30/2023	09/30/2022
Cash & due from banks	\$29,256	\$44,995
Investments	\$229,846	\$276,653
Loans		
Commercial loans	\$665,815	\$575,641
Residential mortgage loans	\$23,463	\$22,679
Consumer & other loans	\$615	\$700
Gross loans	\$689,894	\$599,019
Allowances for credit losses	(\$12,781)	(\$11,981)
Net loans	\$677,113	\$587,039
Fixed assets	\$6,394	\$6,206
Other assets	\$30,672	\$29,610
Total assets	\$973,282	\$944,503

Liabilities & Shareholders' Equity	09/30/2023	09/30/2022
Demand deposits	\$342,336	\$450,980
Savings deposits	\$238,359	\$264,733
Time deposits	\$216,356	\$128,739
Borrowings	\$102,400	\$31,400
Other liabilities	\$8,703	\$8,046
Total liabilities	\$908,154	\$883,899
Capital		
Common stock	\$16,031	\$17,534
Undivided profits	\$62,961	\$54,800
YTD net income	\$3,099	\$5,488
Unrealized gain(loss) on sec.	(\$16,963)	(\$17,218)
Total capital	\$65,128	\$60,604
Total liabilities & shareholders equity	\$973,282	\$944,503

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

	For the 9 months ended 09/30/2023	For the 9 months ended 09/30/2022
Interest income		
Loans	\$26,169	\$18,014
Loan fees	\$1,030	\$1,527
Investments	\$2,916	\$2,555
Fed funds & due from banks	\$953	\$321
Total interest income	\$31,069	\$22,418
Interest expense		
Deposits	\$9,369	\$1,306
Borrowings	\$3,547	\$828
Total interest expense	\$12,917	\$2,134
Provisions for credit losses	\$1,222	\$1,456
Net int. income after prov.	\$16,930	\$18,829
Non-interest income		
Fees and services charges	\$295	\$263
Gains on mortgages sold	\$8	\$17
Investment referral fees	\$67	\$76
Other fees and income	\$716	\$622
Total non-interest income	\$1,087	\$979
Non-interest expense		
Employee compensation	\$8,991	\$8,418
Occupancy expense	\$1,157	\$1,124
Advertising expense	\$380	\$382
Equipment expense	\$402	\$386
Outside services	\$910	\$913
Other general expense	\$2,492	\$2,106
Total non-interest expenses	\$14,332	\$13,329
Net income before taxes	\$3,685	\$6,478
Federal income taxes	\$586	\$990
Net income	\$3,099	\$5,488
Pre-tax pre-provision income	\$4,907	\$7,934
Earnings per share	\$1.57	\$2.72
Return on average assets	0.43%	0.79%
Return on average equity	6.35%	11.09%

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

Ginny Seyferth

Director

Joshua T. Weiner

Director

Officers

Greg Accardo
Market President, Holland

Louise Almeida
BSA Compliance Specialist

Sara Amy
Residential Lender

Kelsey Bailey
Branch Manager,
Downtown Kalamazoo

Patty Barnas
Market President, Lansing

Brian Clark
Branch Manager, Woodbridge

Nick Conley
Portfolio Manager

Sam Drelles
Commercial Banker

Palge 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 &
Credit Officer

Melody Janetzke
Branch Administration Specialist

David Kistler
Commercial Banker

Marcus Kole
Commercial Banker

Lisa Kosak
Branch Manager, Holland

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

Nickle 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

Olivia Urwiller
Portfolio Manager

Amy Vervaras
Branch Manager, Grand Rapids

Kevin Waldie
Compliance Manager &
Information Security Officer

Jennifer Warning
Credit Manager, CRA Officer

Ashley Winn
Treasury Management Specialist

FNBM Branch Locations



Grand Rapids
141 Ionia Ave. N.W.
Grand Rapids, MI 49503



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