



Quarterly Report  
December 2023

# Letter To Our Shareholders

While 2023 presented new challenges to the banking industry impacting FNBM's current earnings, your Bank remains well positioned for future growth and earning expansion opportunities.

FNBM's total assets increased 4.4% from a year ago to \$980.5 million as of December 31, 2023, with gross loans increasing 13.5% to \$713.3 million. Total capital was \$70.7 million as of December 31, 2023, up \$8.1 million from year-end 2022.

For the year 2023, total interest income grew 34.2% to \$42.3 million from \$31.5 million for the prior year as a result of increased yield on earning assets and continued expansion of the commercial loan portfolio. For the same period, FNBM's interest costs rose 391.2% moving from \$3.8 million to \$18.7 million primarily due to higher costs of deposits and borrowed funds, reflecting the impact of the rising interest rate environment. FNBM also experienced a change in its funding mix, consisting of a decrease in noninterest-bearing and lower-cost deposits and an increase in higher-cost money market accounts and time deposits, as customers sought additional FDIC insurance and higher yields. During 2023, FNBM recorded provisions for credit losses totaling \$0.7 million, down from \$2.1 million for the year prior. FNBM also increased non-interest income by 16.5% for the year while its non-interest expense, largely influenced by inflation, grew by 7.1%. Net income for the year of \$4.2 million was down 42.6% from the previous year's total of \$7.3 million and, as a result, diluted earnings per share saw a similar decrease of 41.6% moving from \$3.65 per share to \$2.13 per share.

FNBM maintained a "well-capitalized" position as of December 31, 2023, with a total risk-based capital ratio of 11.4%, compared to 11.6% as of December 31, 2022. At year-end 2023, FNBM had approximately \$11.2 million of capital above the 10 percent minimum regulatory threshold required to be categorized as a "well-capitalized" institution.

The Board and Management continue to expect net profits to rise through expense control and increased earning asset yields. Forty-two percent of FNBM's earning assets, as of December 31, 2023, are set to reprice within 12 months, and sixty-two and one-half percent of its earning assets are set to reprice within three years through variable interest rates and scheduled principal maturities.

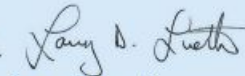
The Company's fourth quarter financial results showed slowing margin compression and stable profitability with improvements expected throughout 2024. As of December 31, 2023, the value of FNBM was independently determined to be \$41.00 per share, an increase of \$1.00 per share or 2.5% from September 30, 2023.

We continue to appreciate your referrals, investment, and the commitment you continue to place in First National Bank of Michigan - your local community bank. If you have any questions regarding the Bank or your investment in First National Bancorp, Inc., please let us know.

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	12/31/2023	12/31/2022
Cash & due from banks	\$21,802	\$21,723
Investments	\$220,990	\$265,535
Loans		
Commercial loans	\$689,092	\$605,361
Residential mortgage loans	\$23,574	\$22,564
Consumer & other loans	\$650	\$774
Gross loans	\$713,316	\$628,700
Allowances for credit losses	(\$12,220)	(\$12,603)
Net loans	\$701,096	\$616,096
Fixed assets	\$6,259	\$6,319
Other assets	\$30,339	\$29,573
<b>Total assets</b>	<b>\$980,486</b>	<b>\$939,247</b>

Liabilities & Shareholders' Equity	12/31/2023	12/31/2022
Demand deposits	\$353,103	\$438,716
Savings deposits	\$191,080	\$217,094
Time deposits	\$233,788	\$130,486
Borrowings	\$121,800	\$81,850
Other liabilities	\$10,010	\$8,486
<b>Total liabilities</b>	<b>\$909,780</b>	<b>\$876,632</b>
Capital		
Common stock	\$20,607	\$21,494
Undivided profits	\$58,606	\$50,446
YTD net income	\$4,210	\$7,335
Unrealized gain/(loss) on sec.	(\$12,718)	(\$16,660)
<b>Total capital</b>	<b>\$70,706</b>	<b>\$62,615</b>
<b>Total liabilities &amp; shareholders equity</b>	<b>\$980,486</b>	<b>\$939,247</b>

## Consolidated Income Statement (Unaudited) (In '000's)

	For the 12 months ended 12/31/2023	For the 12 months ended 12/31/2022
Interest income		
Loans	\$35,971	\$25,589
Loan fees	\$1,393	\$1,951
Investments	\$3,824	\$3,530
Fed funds & due from banks	\$1,133	\$460
<b>Total Interest Income</b>	<b>\$42,321</b>	<b>\$31,531</b>
Interest expense		
Deposits	\$14,066	\$2,430
Borrowings	\$4,589	\$1,368
<b>Total Interest expense</b>	<b>\$18,655</b>	<b>\$3,798</b>
Provisions for credit losses	\$660	\$2,078
<b>Net Int. Income after prov.</b>	<b>\$23,006</b>	<b>\$25,655</b>
Non-Interest Income		
Fees and services charges	\$413	\$319
Gains on mortgages sold	\$12	\$17
Investment referral fees	\$67	\$98
Other fees and income	\$935	\$790
<b>Total non-Interest Income</b>	<b>\$1,427</b>	<b>\$1,225</b>
Non-Interest expense		
Employee compensation	\$11,587	\$11,251
Occupancy expense	\$1,532	\$1,554
Advertising expense	\$461	\$642
Equipment expense	\$537	\$524
Outside services	\$1,205	\$1,284
Other general expense	\$4,177	\$2,944
<b>Total non-Interest expenses</b>	<b>\$19,499</b>	<b>\$18,198</b>
<b>Net Income before taxes</b>	<b>\$4,934</b>	<b>\$8,682</b>
Federal income taxes	\$724	\$1,347
<b>Net Income</b>	<b>\$4,210</b>	<b>\$7,335</b>
Earnings per share	\$2.13	\$3.65
Return on average assets	0.4%	0.8%
Return on average equity	6.4%	11.3%

## 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

**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

**Eric French**  
Assistant Branch Manager

**Paige Gardner**  
Credit Analyst

**Cheryl Germain**  
Controller

**Jerry Hinga**  
Assistant Branch Manager

**Al Hoffman**  
Human Resource Specialist

**Mike Hollander**  
Market President, Grand Rapids

**Dustin Hopkins**  
Commercial Banker

**Rick Jackson**  
Senior Credit Officer

**Melody Janetzke**  
Branch Administration Specialist

**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

**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

**Olivia Urwiller**  
Portfolio Manager

**Amy Vervaras**  
Branch Manager, Grand Rapids

**Kevin Waldie**  
Compliance Manager &  
Information Security 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](http://fnbmichigan.bank)  
Local Commercial and Personal Banking

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



Member  
**FDIC**