

Thoughts from Our Customers

“ You get the resources of a larger bank with the community bank relationship and feel. As we have grown, the Bank has grown with us hand-in-glove. We have always been able to be transparent with each other whether things are going good or bad! ”



- Justin Hatfield,
HECO

“ Wheeler Development Group has had the pleasure of working with First National Bank of Michigan throughout the years on large multi-family and commercial developments in West Michigan. They have become much more than our financier. We are partners and they provide value far beyond the loans we've executed with their team. ”



- Ryan Wheeler,
Wheeler Development Group

“ FNBM has great industry knowledge of what is going on in the world. I first heard about the PPP loans from FNBM and never ever heard from my own bank. Over the years, we setup positive pay, interest accounts for deposits, a check scanner in our office, and great rates on new commercial loans. The customer service is top notch! ”



- Mark Kolean,
Shoreline Technology Solutions

“ FNBM and our lender have helped us create our portfolio of multi-family properties. With creative structuring, we continue to grow our business. Having a valued partner on our side has been instrumental to our success. ”



- Jessica Starks,
Property Investor

First National Bank of Michigan Locations

Kalamazoo

348 W. Michigan Ave.
Kalamazoo, MI 49007

Kalamazoo West

5313 W. Main St.
Kalamazoo, MI 49009

Portage

2700 W. Centre Ave.
Portage, MI 49024

Grand Rapids

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

Holland

1 West 8th St.
Holland, MI 49423

Lansing

101 S. Washington Square
Lansing, MI 48933

Traverse City

Loan Production Office

2023

Community Involvement

6 Communities

More Than 250

Local Organizations
Supported by FNBM

1,505

Hours Of Employee
Volunteer Time

\$284,459

in donations to the
communities we serve



Annual Report
2023

Letter To Our Shareholders

While 2023 presented new challenges to the banking industry impacting the current earnings of First National Bank of Michigan (FNBM), the Bank remains well positioned for future growth and to expand future earnings opportunities.

FNBM's total assets increased 4.7% from a year ago to \$980.2 million as of December 31, 2023, with gross loans increasing 13.4% to \$712.8 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 the higher costs of deposits and borrowed funds, reflecting the impact of the rapidly 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 also saw a decrease of the same percentage, 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 year-end 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.

Together, We are First.
Sincerely,


Daniel E. Bitzer
President & CEO


Larry D. Lueth
Chairman of the Board

Executive Leadership Team



Daniel E. Bitzer
President &
Chief Executive Officer



Jefra Groendyk
Executive Vice President &
Senior Lender



Cindy Kole
Executive Vice President &
Chief Operating Officer



Steve Piper
Executive Vice President &
Chief Credit Officer



Matt Morgan
Senior Vice President,
Chief Financial Officer

2023-2022 Financial Review

For the Year

	2023	2022
Net interest income	\$23,666,000	\$27,733,000
Credit loss provision	\$660,000	\$2,078,000
Non-interest income	\$1,427,000	\$1,225,000
Non-interest expense	\$19,499,000	\$18,198,000
Income tax expense	\$724,000	\$1,347,000
Net income	\$4,210,000	\$7,335,000
Pre-tax pre-provision	\$5,594,000	\$10,760,000

At Year End

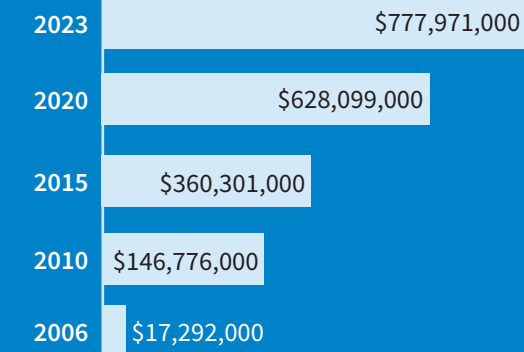
	2023	2022
Cash and investments	\$240,077,000	\$283,733,000
Gross loans	\$712,828,000	\$627,918,000
Allowance for credit losses	(\$10,454,000)	(\$12,603,000)
Other assets	\$37,764,000	\$37,482,000
Total assets	\$980,215,000	\$936,530,000

Deposits	\$777,971,000	\$786,296,000
Borrowings	\$119,941,000	\$79,552,000
Other liabilities	\$11,597,000	\$8,067,000
Shareholder's equity	\$70,706,000	\$62,615,000
Total liabilities and shareholders' equity	\$980,215,000	\$936,530,000

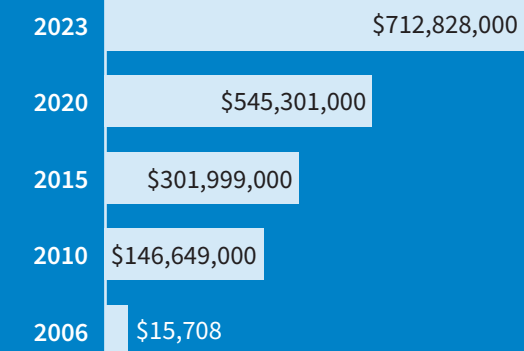
Ratios (%)

	2023	2022
Return on average assets	0.43%	0.79%
Return on average equity	6.42%	11.31%
Total risk-based capital ratio	11.35%	11.56%

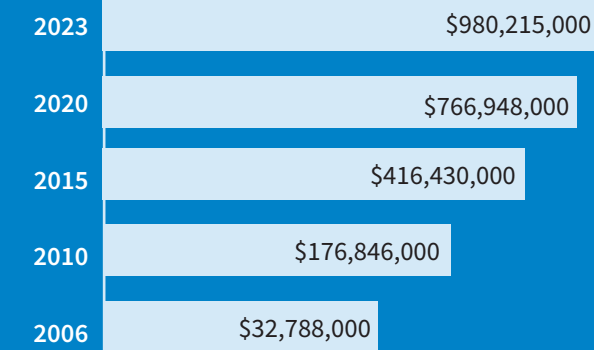
Deposits



Gross Loans

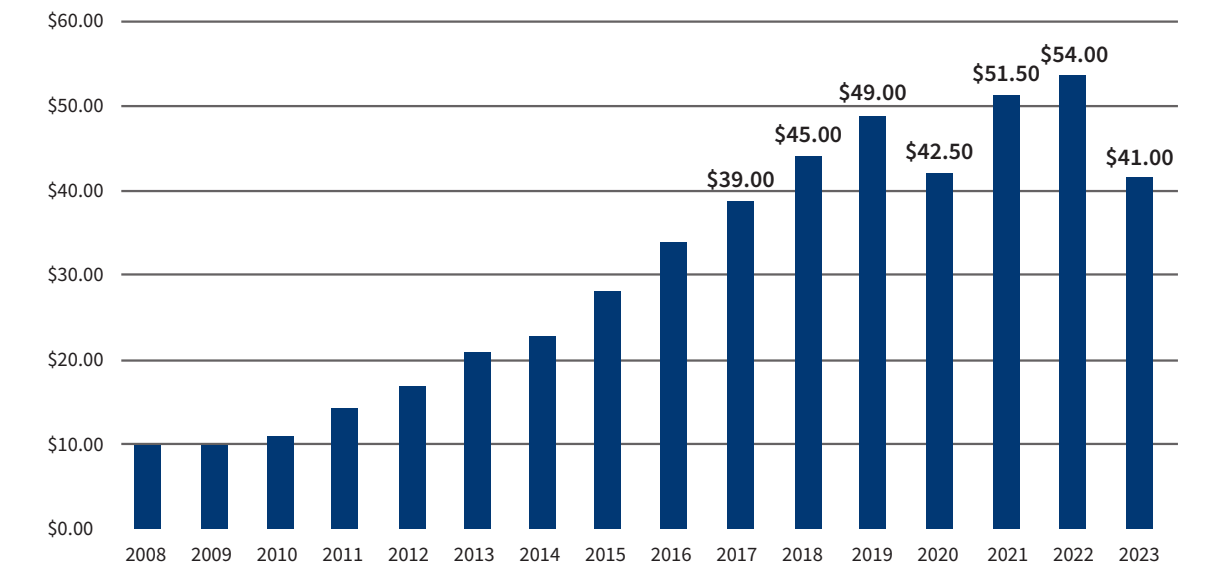


Total Assets



FIRST NATIONAL BANK OF MICHIGAN Stock Information

Historic Stock Prices



Market Leadership Team



Greg Accardo
Senior Vice President,
Market President,
Holland



Patty Barnas
Senior Vice President,
Market President,
Lansing



Mike Hollander
Senior Vice President,
Market President,
Grand Rapids



Chris Mars
Senior Vice President &
Kalamazoo Commercial
Banking Group Manager

Board of Directors

Larry D. Lueth, Chairman
John M. Schreuder, Chairman Emeritus
Daniel E. Bitzer
Eric V. Brown, Jr., Director Emeritus
Joseph Calvaruso
James DeKruyter

James S. DeMoss
David G. Echelbarger
David L. Holmes
Ben Ipema
Bill Manns
Rachel S. Michaud

Edward B. Montgomery
Sondra K. Phillips
Ginny Seyferth
Joshua T. Weiner