



April 8, 2025

TO OUR SHAREHOLDERS:

Enclosed please find our 2025 Proxy and Notice of our Annual Meeting and Proxy Statement.

The First National Bancorp, Inc. Annual Meeting will be held at the Park Club at 219 West South Street, Kalamazoo, Michigan 49007, at 5:00 p.m. on May 8, 2025.

Your vote is very important to us; please return the enclosed RSVP and proxy via U.S. mail no later than 8:00 a.m., May 8, 2025. Should you have any questions, please email Daniel E. Bitzer at debitzer@fnbmichigan.bank.

First National Bancorp, Inc. has engaged Continental Stock Transfer & Trust Company ("CSTT") as its stock transfer agent and registrar. CSTT will be responsible for maintaining all shareholder records and responding to inquiries of registered shareholders.

Continental Stock Transfer & Trust Company is the longest standing and largest US-owned transfer agent in North America providing transfer agent services to public and private companies since 1964.

Look for further information regarding this engagement in the coming weeks.

fnbmichigan.bank

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|--|--|--|--|---|--|--|
| <i>Downtown Kalamazoo</i> 348 W. Michigan Ave. Kalamazoo, MI 49007 269.250.8368 | <i>Portage</i> 2700 W. Centre Ave. Portage, MI 49024 269.488.0290 | <i>West Kalamazoo</i> 5313 W. Main St. Kalamazoo, MI 49009 269.250.8860 | <i>Grand Rapids</i> 141 Ionia Ave. NW, Ste. 1 Grand Rapids, MI 49503 616.242.6500 | <i>Holland</i> 1 West 8 th St. Holland, MI 49423 616.251.1200 | <i>Lansing</i> 101 S. Washington Sq., Ste. 100 Lansing, MI 48933 517.319.8000 | <i>Northern Michigan</i> Loan Production Office |
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FIRST NATIONAL BANCORP, INC.

A FINANCIAL HOLDING COMPANY FOR



NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF FIRST NATIONAL BANCORP, INC.

May 8, 2025

NOTICE IS HEREBY GIVEN that the 2025 Annual Meeting of Shareholders of FIRST NATIONAL BANCORP, INC., a Michigan corporation and registered financial holding company, will be held at the Park Club of Kalamazoo at 219 West South Street, Kalamazoo, Michigan 49007, at 5:00 p.m., on May 8, 2025, to consider and vote upon the following proposals:

1. Election of Daniel E. Bitzer – Chairman, Joseph S. Calvaruso, James J. DeKruyter – Lead Director, James S. DeMoss, David G. Echelbarger, David L. Holmes, Benjamin T. Ipema, Bill H. Manns, Rachel S. Michaud, Sondra K. Phillips, Virginia M. Seyferth and Joshua T. Weiner as directors of First National Bancorp, Inc. for a one year term expiring at the 2026 annual meeting of shareholders.
2. Ratification of the appointment of the independent auditors, Crowe, LLP for the year ending December 31, 2025.

We will also transact such other business as may properly come before the meeting or any adjournments thereof.

Your Board of Directors recommends that you vote “FOR” all of the named director nominees and “FOR” Proposal 2.

April 8, 2025 is the record date for the Annual Meeting. Accordingly, the only persons entitled to notice of and to vote (by returning a ballot via U.S. Mail before May 8, 2025) (or any adjournment or postponement of the Annual Meeting) are the persons who were record holders of shares of First National Bancorp, Inc. common stock at the close of business on that date.

Your vote is important regardless of the number of shares you own. To make sure your shares will be voted at the Annual Meeting, please sign, date and return the enclosed form of proxy and return it in the enclosed envelope without delay. You also can revoke your proxy at any other time before it is exercised by giving a later-dated proxy via U.S. Mail.

By Order of the Board of Directors,

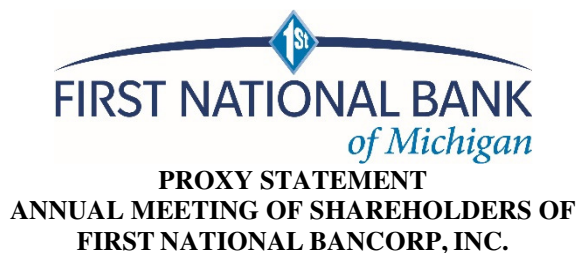


Matthew J. Morgan, Secretary
April 8, 2025

Important: This notice and the accompanying proxy materials were first mailed to shareholders on or about April 8, 2025. The prompt return of proxies will save the expense of further requests for proxies in order to obtain a quorum. An addressed envelope is enclosed for your convenience.

FIRST NATIONAL BANCORP, INC.

A FINANCIAL HOLDING COMPANY FOR



May 8, 2025

FIRST NATIONAL BANCORP, INC., a Michigan corporation and registered financial holding company, is submitting this Proxy Statement to its shareholders (the “*Shareholders*”) in connection with the solicitation of proxies by the Board of Directors (the “*Board*”) of First National Bancorp, Inc. (the “*Company*”) for use at the 2025 Annual Meeting of Shareholders to be held at the Park Club of Kalamazoo at 219 West South Street, Kalamazoo, Michigan 49007, at 5:00 p.m., on May 8, 2025 and at any adjournments or postponements thereof (the “*Annual Meeting*”).

As indicated in the accompanying Notice of the Annual Meeting, the Shareholders will be asked to consider and vote upon the following proposals:

1. Election of Daniel E. Bitzer – Chairman, Joseph S. Calvaruso, James J. DeKruyter – Lead Director, James S. DeMoss, David G. Echelbarger, David L. Holmes, Ben T. Ipema, Bill H. Manns, Rachel S. Michaud, Sondra K. Phillips, Virginia M. Seyferth and Joshua T. Weiner as directors of First National Bancorp, Inc. for a one year term expiring at the 2026 annual meeting of shareholders.
2. Ratification of the appointment of the independent auditors, Crowe, LLP for the year ending December 31, 2025.

We will also transact such other business as may properly come before the meeting or any adjournments thereof.

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The foregoing introductory information provides only a very brief overview. While this overview may be useful to you as you review the more detailed information in the remainder of this Proxy Statement, you should not rely exclusively upon this overview. Instead, you should carefully review this entire Proxy Statement and the attached Annex A.

GENERAL INFORMATION

Attending in person

Only the Shareholders, their proxy holders and guests of the Company may attend the Annual Meeting.

Who may vote

The Shareholders of the Company, as recorded in our stock register on April 8, 2025 (the “**Record Date**”), may vote by returning a Proxy via U.S. Mail to be received on or before 10 a.m., May 8, 2025. As of both the Record Date and the date of this Proxy Statement, the Company had 1,901,898 issued and outstanding shares. Each such share is entitled to one vote on each of the matters presented for shareholder action.

How to vote

You may vote by returning a Proxy via U.S. Mail to be received on or before 10 a.m., May 8, 2025.

How proxies work

Your proxy covers all shares registered in your name. By properly executing and returning your proxy, your shares will be voted at the Annual Meeting according to your instructions unless you revoke the proxy prior to the Annual Meeting. You may vote for all, some or none of the director nominees and you may vote for, against or abstain from voting on Proposal 2.

If you return your proxy without voting instructions, your shares will be voted FOR the election of all of the director nominees and FOR Proposal 2. If you return a properly executed proxy, the persons named as proxy holders will have discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting.

To ensure your proxy is received prior to the Annual Meeting, please return it no later than May 8, 2025. If your proxy is not received prior to the Annual Meeting, your shares will not be voted at the Annual Meeting.

Revoking a proxy

The grant of a proxy on the enclosed form of proxy does not preclude you from revoking a proxy. You may revoke your proxy before it is voted by:

- submitting a new proxy with a later date; or
- notifying the Company’s Secretary in writing before the Annual Meeting

Quorum

In order to carry on the business of the Annual Meeting, we must have a quorum. This means at least a majority of the outstanding shares of Company common stock eligible to vote at the Annual Meeting must be represented at the Annual Meeting by proxy, including abstentions.

Votes needed

Proposal 1: The director nominees who receive a plurality of the votes cast will be elected to fill the 12 seats on the Board. Abstentions will not be included in the vote count.

Proposal 2: Ratification of independent auditors will be approved if a majority of shares voted on the proposal are voted in favor of the proposal. Abstentions will not be included in the vote count.

We do not know of any other matters to be presented at the Annual Meeting. Generally, any other proposal to be voted on at the Annual Meeting would be approved if a majority of shares voted on the proposal are voted in favor of the proposal. Abstentions would not be included in the vote count.

As of the date of this Proxy Statement, the Company's directors and executive officers were the beneficial owners of 19.89% of the issued and outstanding shares of common stock of the Company. See "Beneficial Stock Ownership" below.

BUSINESS

First National Bancorp, Inc. is a Michigan corporation that was incorporated on July 7, 2005 to organize and serve as the financial holding company for First National Bank of Michigan, a national banking association with branches located at 348 West Michigan Avenue, Kalamazoo, Michigan 49007, 2700 W. Centre Ave., Portage, Michigan 49024, 5313 West Main Street, Kalamazoo, Michigan 49009, 141 Ionia NW, Grand Rapids, Michigan 49503, 1 West 8th Street, Holland, Michigan 49423, 101 S. Washington Square, Suite 100, Lansing, MI 48933 and a Loan Production Office in Traverse City, Michigan. The Company received approval from the Federal Reserve Board to become a financial holding company and acquired all of the stock of the Bank. The Bank received regulatory approval to open from the Office of the Comptroller of the Currency and for deposit insurance with the Federal Deposit Insurance Corporation. The Bank focuses on the local community, emphasizing personal service to businesses and individuals in its primary service area.

The Bank offers convenient service, local decision-making and competitively priced deposit and loan products in its primary service area. By focusing its operations on the communities it serves, the Bank should be able to respond to changes in the market more quickly than large non-local institutions.

PROPOSAL 1 - ELECTION OF DIRECTORS

The Board currently consists of 12 members who serve one-year terms. The 12 director nominees listed below, all of whom are current directors of the Company, were nominated by the Board to fill the 14 Board seats for one year terms expiring at the 2026 annual meeting of shareholders. Biographical information on each of the director nominees is given below. All director nominees have indicated their willingness to serve on the Board if elected. If, prior to the Annual Meeting, a director nominee determines that he or she will be unable to serve on the Board for the upcoming year, your proxy authorizes the proxy holders to vote your shares for a replacement nominee if one is selected.

DANIEL E. BITZER – CHAIRMAN. Mr. Bitzer was promoted to President and CEO of First National Bank of Michigan effective January 1, 2017. He joined the bank in December 2011 as the Grand Rapids Market President, after more than three decades in the commercial banking business in Michigan. In December 2015, Mr. Bitzer was named President of the bank. As Chief Executive Officer, he oversees responsibilities of all First National Bank of Michigan locations including the overall direction and administration of programs, products, and services provided by the Bank, including the Bank's financial performance, credit quality, business development, operations, regulatory compliance, and risk management. Mr. Bitzer earned a bachelor's degree in mathematics from Ferris State University and a Master of Arts in Economics from Western Michigan University. Deeply involved in the community, he has served in numerous volunteer capacities. Currently, Mr. Bitzer serves on the First National Bank of Michigan, N.A. Board of Directors, Air Zoo Foundation, Commissioning Committee for the USS Gerald R. Ford CVN 78, Vice Chairman of Community Bankers of Michigan Board of Directors, CBM Bankers Retirement Services, the WMU Economic Department Advisory Board, and St. Augustine's Finance Committee. He is also an active member of the Economic Club of Grand Rapids, and the Elks Lodge.

JOSEPH S. CALVARUSO. Mr. Calvaruso has most recently served for 18 months as the interim president of Albion College. In 2020, he retired from his position as the Executive Director of the Gerald R. Ford Presidential Foundation. During his tenure at the Foundation, Mr. Calvaruso's leadership roles have included the Campaign for the Legacy of Gerald R. Ford to build the DeVos Learning Center and the New Gerald R. Ford Presidential Museum, the ceremonies to unveil the Statue of President Ford in the U.S. Capitol Rotunda and tributes to First Lady Betty Ford when she passed away in 2011, centennial events in tribute to President Ford's 100th Birthday, and the USS Gerald R. Ford (CVN 78) commissioning. He led the effort to bring prominent speakers to the Library and Museum through conferences, educational outreach, and public programming. Prior to joining the Foundation, Mr. Calvaruso was a banker for over 29 years holding several senior management positions. He also served in leadership positions with

the Risk Management Association (RMA) including its International Board of Directors. Currently, Mr. Calvaruso is a Life Trustee of Albion College, Board Member of the Michigan Certified Development Corporation, Board Member of the Comstock Township Library Board, Commission Member of the Michigan Historical Commission, and Board Member of the Library of Michigan. He is a graduate of Albion College and Western Michigan University.

JAMES J. DEKRUYSER – LEAD DIRECTOR. Mr. DeKruyter currently serves on the board of the Gull Lake Ministries and has been appointed Chairman for the Zoning Board of Appeals for Ross Township in Kalamazoo County. He has served many volunteer organizations including the Kalamazoo YMCA, Sherman Lake YMCA, Open Hearts Ministries, the National Board of Youth for Christ, the Youth for Christ Foundation in Denver, Kalamazoo Christian School, and the Kalamazoo Christian School Foundation Board. Mr. DeKruyter has also served as director of Michigan National Bank – Kalamazoo.

JAMES S. DEMOSS. Dr. DeMoss is President of Southwestern Michigan Emergency Services, P.C., which has staffed Bronson Methodist Hospital’s Emergency Department for over 50 years. His organization also provides staffing to Bronson’s additional three emergency department facilities in southwest Michigan. Prior to becoming President of SWMES, P.C., Dr. DeMoss served in several administrative positions within the organization and brings with him a unique knowledge regarding the operations and needs of a midsize professional company providing healthcare in southwest Michigan. An avid outdoor sportsman and enthusiast, Dr. DeMoss supports many wildlife habitat conservation efforts.

DAVID G. ECHELBERGER. CPA/CGMA, the Managing Partner and President of Echelbarger, Himebaugh, Tamm Co., P.C. (EHTC). Dave is responsible for the vision and direction of EHTC, focusing on strategy, nurturing the culture for the firm.

Mr. Echelbarger has a unique role at EHTC as both the Integrator and Visionary for the firm. As the Integrator, he is the leader of the firm’s leadership team and manages the overall operations of the firm. As the Visionary for the firm, Mr. Echelbarger inspires team members to live the EHTC core values and motivates team members and clients to achieve their full potential. He promotes EHTC in the West Michigan community by highlighting the attributes that make EHTC unique, which includes a team approach to proactive client services, a focus on people and culture, and a local firm presence with international resources.

Mr. Echelbarger is active in the community and industry. He is Past Chair of the Board of Directors for the Michigan Association of Certified Public Accountants (MICPA). Additionally, Mr. Echelbarger serves the GR Chamber as the Chair of its Tax & Regulatory Committee and as member of the Chamber’s Public Policy Committee. He is also a member of the American Institute of Certified Public Accountants (AICPA).

Mr. Echelbarger, along with the EHTC team, have been recognized by Accounting Today, Accounting Technology, Microsoft Corporation and BDO for their contributions to the industry..

DAVID L. HOLMES. Mr. Holmes was an owner and general legal counsel of Phoenix Properties, LLC, a real estate management and development firm in Kalamazoo, Michigan from 1995 to 2010, at which time the business was sold to other partners of the company. Prior to 1995 he was in private practice as a partner in the Kalamazoo office of Howard & Howard Attorneys, P.C. Mr. Holmes remains an active commercial real estate investor. He has been involved as a community volunteer, including having served on the City of Kalamazoo Planning Commission, President of the LIFT Foundation, Chairperson of the Greater Kalamazoo United Way Pacesetter campaign and Vice Chairman of the Finance Council at St. Catherine of Siena Parish. Mr. Holmes brings to the Board extensive experience with the community’s real estate market.

BEN T. IPEMA. Mr. Ipema owns and will operate Friendly Pickle, a pickleball club in Kalamazoo. Additionally, he is a Director at Level Data, a “software as a service” (SaaS) company providing custom software and data integration services for K-12 School Districts throughout the United States. Ben was President of The Exhibit House, providing trade show exhibit design, build, and management services, and a VP at Airpower America. Mr. Ipema’s diverse experience provides a unique and valuable IT, Marketing, and manufacturing resource for the Bank. Mr. Ipema has served charitable and civic organizations in Kalamazoo and Grand Rapids, including Kalamazoo Christian Schools, Calvin University, Kalamazoo Deacons Conference, Southern Heights Church, Bronson Health Foundation, and InnerCity Youth for Change.

BILL H. MANNS. Mr. Manns is President and Chief Executive Officer for Bronson Healthcare - the largest employer and leading healthcare system in southwest Michigan. In 2024, Bronson was named one of the nation's 15 Top Health Systems by PINC AI. Bronson Methodist Hospital is recognized by Healthgrades as a Top 250 hospital in the nation and has achieved Nursing Magnet Designation for a record four times. Bronson is also recognized as a top employer by Forbes, Newsweek, and the National Association for Business Resources. As the senior executive, he oversees a full range of services from primary care to critical care across more than 100 locations.

Mr. Manns, who joined Bronson in 2020, has more than 30 years of experience in healthcare leadership. He graduated from the University of Michigan with a bachelor's degree in Organizational Psychology and a master's degree in Health Services Administration. He received an honorary Doctor of Humane Letters degree from Kalamazoo College in 2022. In addition to his healthcare-specific background, he is experienced in LEAN and Six Sigma. His current professional memberships include the National Association of Healthcare Executives and the American College of Healthcare Executives.

Mr. Manns serves on several Boards throughout the state of Michigan including the Michigan Health & Hospital Association (Chair Elect), MHA Service Corporation, Bronson Health Foundation, Cascade Engineering, First National Bank of Michigan, Gilmore Car Museum, Hospital Network Ventures, Kalamazoo College, Southwest Michigan First, Western Michigan University Homer Stryker M.D. School of Medicine, and W.E. Upjohn Institute for Employment Research. In 2021, he was named one of the nation's Top 25 Innovators by Modern Healthcare.

RACHEL S. MICHAUD. Ms. Michaud is a seasoned leader with over 25 years of experience at Gillespie Group where she drives the strategic growth and elevation of the organization's leadership practices. Her forward-thinking approach ensures that Gillespie Group maintains its stellar reputation of "we do what we say." Ms. Michaud expertly oversees the executive team, with a sharp focus on strategic partnerships and fostering strong client and community stakeholder relationships. In addition to her strategic acumen, Ms. Michaud excels in conflict resolution, team assemblage, and process optimization, ensuring that each initiative is executed with precision and aligns with the company's goals. Her leadership is instrumental in both business development and operational management, where her ability to navigate complex challenges and build cohesive teams has been key to Gillespie Group's success.

Recognized as a Notable Woman in Construction, Design, and Architecture by CRAIN'S Detroit Business in 2022, Ms. Michaud's impact extends through her strategic planning and project execution initiatives. Her leadership continues to drive Gillespie Group's sustained success, making her a cornerstone of the company's achievements.

SONDRA K. PHILLIPS. Ms. Phillips is the sole owner of SKP Design, a firm she founded in 1996. SKP Design offers both commercial and residential interior design services throughout Michigan. In 2022 she opened a new showroom and studio in Otsego, MI and is also the new director of The Otsego Arts Council. Prior to starting SKP Design, Sondra worked at various firms in Chicago, IL, and Kalamazoo as well as in the facilities department for First of America Bank in Kalamazoo. She serves on several committees for the Kalamazoo Institute of Arts and is a director on the YMCA Board. She has two children. Ms. Phillips' passion for marketing, her small business perspective, community engagement and connections as a lifelong resident make her an asset to the Bank Board.

VIRGINIA M. SEYFERTH, APR (GINNY). Ms. Seyferth is the Founder and Chairman of SeyferthPR, based in Grand Rapids, Michigan. The firm is one of the Midwest's largest independently owned public relations agencies offering media, social media, crisis/issues management and brand reputation strategy to multiple clients. SeyferthPR clients include more than 1,300 McDonald's Restaurants; Amway; Blue Cross Blue Shield of Michigan; the Detroit Public Schools; Hope Network; Trinity Health and dozens of clients in the education and manufacturing areas.

While her firm has grown significantly, Ms. Seyferth's personal practice continues in helping lead brand reputation strategy for a number of McDonald's initiatives. She also serves of-counsel to several Midwest law firms in the areas of issues and crisis management, labor relations and corporate downsizing and/or acquisition initiatives.

Ms. Seyferth remains active in a number of Michigan and Indiana economic and education policy issues including helping solidify funding for Early Childhood Education in Michigan and she is an advocate for school funding tied to third grade reading success. A sample of boards that Ms. Seyferth has served on includes: The West Michigan Policy Forum; Talent First; Ruth Chris Cares Foundation; The Grand Rapids Economic Club; Grand Rapids Municipal Council; Goodwill Industries; the West Michigan Ronald McDonald House; the Grand Rapids Art Museum; Ferris State University and Detroit Receiving Hospital.

Ms. Seyferth is well recognized for launching a number of community initiatives including the introduction of ArtPrize and LaughFest; the opening of the Grand Rapids Art Museum and the Frederik Meijer Gardens & Sculpture Park and the Gerald R. Ford Presidential Museum to name a few. She loves to share her experiences having served as an adjunct faculty at Aquinas College, Grand Valley State University, Hope College and Michigan State University/

Ms. Seyferth's banking experience includes previous board roles on First of America Bank (Michigan), Irwin Union Bank (Michigan), PNC Bank (Michigan) and the Inner-city Christian Federation Mortgage Board.

Ms. Seyferth's early career included work in PR for Amway; AMOCO Oil Company; and St. Jude Children's Research Hospital. Ginny and her husband Robert Boss have two married children and one grandchild.

JOSHUA T. WEINER. Mr. Weiner is the CEO of the Meyer C. Weiner Company, a commercial real estate development firm headquartered in Portage, Michigan. Mr. Weiner is the principal in over 55 income-producing real estate entities; and his primary business interest is in ownership and management for long-term asset appreciation. Mr. Weiner's historical experience has provided him with in-depth knowledge of a variety of industries and this background provides the Bank with a valuable resource. Mr. Weiner's familiarity with the Kalamazoo market and the region is another asset for the Bank. Mr. Weiner has extensive experience in the banking industry from prior developmental and regional board positions with National City Bank and Irwin Union Bank and Trust. Mr. Weiner has served numerous charitable and civic causes and organizations, including the Kalamazoo Regional Chamber of Commerce, Western Michigan University Foundation, the United Way, the Jewish Federation of Southwest Michigan, Big Brothers/Big Sisters, Kalamazoo Civic Theatre, Farmers Alley Theatre and Bronson Health Foundation.

**THE BOARD RECOMMENDS THAT SHAREHOLDERS
VOTE “FOR” THE ELECTION OF ALL OF THE DIRECTOR NOMINEES.**

Committees of the Board

Audit Committee

The Audit Committee oversees the financial reporting and accounting processes of the Company. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors and reviews its fees for audit and non-audit services and the scope and results of audits performed by them. The Audit Committee also reviews the Company’s internal accounting controls, the proposed form of its financial statements, the results of internal audits and compliance programs, and the results of the examinations received from regulatory authorities. As of the date of this proxy statement, David G. Echelbarger acting as chair, James J. DeKruyter, and Benjamin T. Ipema serve on the Audit Committee. All of the members of the Audit Committee are “independent” directors as determined by the Board. The Audit Committee met four times during 2024.

Compensation Committee

The Compensation Committee determines and oversees the Company’s executive compensation philosophy, structure, policies and programs, assesses whether the Company’s compensation structure establishes appropriate incentives for management and employees, reviews salaries, bonuses and other compensation of all officers of the Company, administers the Company’s stock-based compensation plans, makes recommendations to the board of directors regarding the grants of stock-based compensation awards under these plans, and annually reviews the Company’s benefit programs. As of the date of this proxy statement, Joshua T. Weiner acting as chair, James J. DeKruyter, David G. Echelbarger, and Bill H. Manns serve on the Compensation Committee. All of the members of the Compensation Committee are “independent” directors as determined by the Board. The Compensation Committee met three times during 2024.

Board Governance Committee

On November 10, 2016, the Directors established the Governance Committee. The purpose of the Governance Committee is to advise and make recommendations to the Board of Directors with respect to corporate governance principles and practices, and to recommend qualified candidates to the Board for election as directors of the Company, including the slate of directors that the Board proposes for election by shareholders at the annual meetings and candidates to fill vacancies occurring between annual meetings. As of the date of this proxy statement, Joseph S. Calvaruso acting as chair, David L. Holmes, Benjamin T. Ipema, Rachel Michaud, and Virginia M. Seyferth serve on the Governance Committee. All of the members of the Governance Committee are “independent” directors as determined by the Board. The Governance Committee met three times during 2024.

**PROPOSAL 2 – RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT AUDITORS FOR
THE YEAR ENDING DECEMBER 31, 2025**

The Audit Committee has appointed Crowe, LLP as the Company’s independent auditors to audit the consolidated financial statements of the Company and its subsidiaries as of and for the year ending December 31, 2025, and to perform such other appropriate audit-related accounting, tax compliance or other tax services as may be approved by the Audit Committee. The Audit Committee and the Board propose and recommend that shareholders ratify the appointment of Crowe, LLP as the independent auditors for the year ending December 31, 2025.

This appointment is being submitted to shareholders for ratification. While ratification is not required, the Company believes it is an important corporate decision in which shareholders should participate. If the shareholders do not ratify the selection of Crowe, LLP to act as the Company’s independent auditors for the year ending December 31, 2025, the Audit Committee will consider a change in independent auditors for the next year.

BENEFICIAL* STOCK OWNERSHIP

The following table sets forth information as of April 8, 2025 regarding each person (including any group as that term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934) who was known to be the beneficial (the right to vote or dispose of shares) owner of more than 5% of the Company’s common stock as of that date. The table also sets forth the number of shares of common stock beneficially owned by each of our directors (including director nominees) and executive officers as of April 8, 2025.

| Name of Beneficial Owner | Common Stock | Restricted Stock | Rights to Acquire⁽¹⁾ | Approximate Percent of Voting Shares⁽²⁾ |
|---------------------------------|---------------------|-------------------------|--|---|
| Daniel E. Bitzer | 7,240 | 8,850 | 33,900 | 0.85% |
| Joseph S. Calvaruso | 11,700 | 0 | 0 | 0.62% |
| James J. DeKruyter | 130,238 | 0 | 0 | 6.85% |
| James S. DeMoss | 100 | 0 | 0 | 0.01% |
| David G. Echelbarger | 6,280 | 0 | 0 | 0.33% |
| Jefra A. Groendyk | 11,860 | 6,680 | 6,800 | 0.97% |
| David L. Holmes | 20,000 | 0 | 0 | 1.05% |
| Benjamin T. Ipema | 50,390 | 0 | 0 | 2.65% |
| Richard M. Jackson | 991 | 1,836 | 0 | 0.15% |
| Bill Manns | 250 | 0 | 0 | 0.01% |
| Rachel S. Michaud | 400 | 0 | 0 | 0.02% |
| Matthew J. Morgan | 5,780 | 2,520 | 4,750 | 0.44% |
| Shaunna A. Padgett | 540 | 1,560 | 0 | 0.11% |
| Sondra K. Phillips | 5,000 | 0 | 0 | 0.26% |
| Virginia M. Seyferth | 1,000 | 0 | 0 | 0.05% |
| Joshua T. Weiner | 105,000 | 0 | 0 | 5.52% |

* “Beneficial” for the purposes of this table means the right to vote or dispose of shares held directly and shares held by the beneficial owner’s corporation or partnership ownership share, trust, estate, spouse, ancestors, children, grandchildren, great grand-children, and spouses of children, grandchildren, and great grandchildren.

⁽¹⁾ The numbers in the “Rights to Acquire” column represent the shares that may be acquired by exercise of stock options granted under the Company’s 2006, 2009, 2012, 2018 and 2021 Stock Option and Restricted Stock Plans. These numbers are not reflected in the “Approximate Percent of Voting Shares” column.

⁽²⁾ Voting Shares include Common Stock and Restricted Stock. Based on 1,901,898 shares issued and outstanding as of April 8, 2025.

EXECUTIVE OFFICERS

Current executive officers are as follows:

| Name | Position | Current Position Since |
|--------------------|--|-------------------------------|
| Daniel E. Bitzer | CEO and President of the Company and the Bank | January 1, 2017 |
| Jefra A. Groendyk | Executive Vice President of the Company and the Bank | July 12, 2019 |
| Richard M. Jackson | Senior Vice President of the Company and the Bank | May 9, 2024 |
| Matthew J. Morgan | Senior Vice President, CFO and Secretary / Treasurer of the Company and the Bank | January 1, 2015 |
| Shaunna A. Padgett | Senior Vice President of the Company and the Bank | May 9, 2024 |

FINANCIAL INFORMATION

The Profit and Loss Statement of the Company for fiscal year 2024 and the Balance Sheet as of December 31, 2024 are attached as **Annex A**.

MISCELLANEOUS

Solicitation of Proxies

The Company will bear the cost of the solicitation of proxies from Shareholders, including the cost of printing and mailing this Proxy Statement and the accompanying materials. In addition to solicitation by mail, proxies may be solicited, or by telephone, facsimile or otherwise in writing or electronic transmission, by directors, officers and regular employees of the Company or the Bank (none of whom will be paid any additional compensation for such services).

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First National Bancorp, Inc. and Subsidiaries

**Consolidated Financial Report
December 31, 2024**

First National Bancorp, Inc. and Subsidiaries

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
First National Bancorp, Inc. and Subsidiaries
Kalamazoo, Michigan

Opinion

We have audited the consolidated financial statements of First National Bancorp, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of First National Bancorp, Inc. and Subsidiaries as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of First National Bancorp, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about First National Bancorp, Inc. and Subsidiaries ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of First National Bancorp, Inc. and Subsidiaries internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about First National Bancorp, Inc. and Subsidiaries ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Crowe LLP
Crowe LLP

Grand Rapids, Michigan
March 10, 2025

ANNEX A

First National Bancorp, Inc. and Subsidiaries

Consolidated Balance Sheets

| | December 31, 2024 and 2023 | |
|--|-----------------------------------|------------------------------|
| | <u>2024</u> | <u>2023</u> |
| Assets | | |
| Cash and cash equivalents | \$ 18,628,598 | \$ 18,254,857 |
| Interest-bearing time deposits in other financial institutions | 250,000 | 1,491,000 |
| Investment securities - available for sale, at fair value | 171,587,840 | 214,062,238 |
| Other restricted stock, at cost | 6,289,950 | 6,268,800 |
| Loans - Net of allowance for credit losses of \$10,356,146 and \$10,453,705 as of December 31, 2024 and 2023, respectively | 735,878,858 | 702,374,179 |
| Premises and equipment - Net | 5,852,087 | 6,259,412 |
| Accrued interest receivable | 3,029,822 | 3,281,860 |
| Deferred tax assets - Net | 4,681,000 | 5,896,000 |
| Bank owned life insurance | 13,021,459 | 12,651,048 |
| Low-income housing investments | 2,998,974 | 2,334,043 |
| Right-of-use assets | 3,230,010 | 3,768,958 |
| Other assets | <u>2,202,273</u> | <u>3,572,455</u> |
| Total assets | <u>\$ 967,650,871</u> | <u>\$ 980,214,850</u> |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Deposits: | | |
| Noninterest bearing | \$ 169,282,462 | \$ 181,459,382 |
| Interest bearing | <u>631,266,504</u> | <u>596,511,132</u> |
| Total deposits | 800,548,966 | 777,970,514 |
| Borrowings | 78,579,796 | 119,940,757 |
| Accrued interest payable | 993,748 | 2,801,479 |
| Allowance for credit losses on off-balance sheet credit exposures | 1,000,774 | 1,766,003 |
| Lease liabilities | 3,230,010 | 3,768,958 |
| Other liabilities | <u>3,814,994</u> | <u>3,261,636</u> |
| Total liabilities | 888,168,288 | 909,509,347 |
| Stockholders' equity | | |
| Common stock - Voting, \$10 stated value; 2,500,000 shares authorized; 1,934,170 and 1,969,675 shares issued at December 31, 2024 and 2023, respectively | 19,341,700 | 19,696,750 |
| Additional paid-in capital | 2,928,385 | 2,234,343 |
| Retained earnings | 65,415,176 | 61,492,496 |
| Accumulated other comprehensive loss | <u>(8,202,678)</u> | <u>(12,718,086)</u> |
| Total stockholders' equity | <u>79,482,583</u> | <u>70,705,503</u> |
| Total liabilities and stockholders' equity | <u>\$ 967,650,871</u> | <u>\$ 980,214,850</u> |

See notes to consolidated financial statements.

First National Bancorp, Inc. and Subsidiaries

Consolidated Statements of Income

| | Years Ended December 31, 2024 and 2023 | |
|---|---|----------------------------|
| | <u>2024</u> | <u>2023</u> |
| Interest Income | | |
| Loans - Including fees | \$ 43,617,404 | \$ 37,364,198 |
| Investment securities: | | |
| Taxable | 2,479,898 | 2,833,405 |
| Tax-exempt | 518,354 | 658,077 |
| Dividend income on other restricted stock | 439,576 | 386,838 |
| Other | <u>895,811</u> | <u>1,078,730</u> |
| Total interest income | 47,951,043 | 42,321,248 |
| Interest Expense | | |
| Deposits | 20,967,693 | 14,066,404 |
| Borrowings | <u>4,950,625</u> | <u>4,589,223</u> |
| Total interest expense | <u>25,918,318</u> | <u>18,655,627</u> |
| Net Interest Income | 22,032,725 | 23,665,621 |
| Credit loss provision (recovery) - loans | (98,009) | 2,093,855 |
| Credit loss provision (recovery) - off-balance sheet credit exposures | <u>(765,229)</u> | <u>(1,433,782)</u> |
| Total Net Credit Loss Provision (Recovery) | <u>(863,238)</u> | <u>660,073</u> |
| Net Interest Income After Credit Loss Provision (Recovery) | 22,895,963 | 23,005,548 |
| Noninterest Income | | |
| Service charges - Other | 964,914 | 904,761 |
| Increase in cash surrender value of bank owned life insurance | 370,411 | 303,915 |
| Loss on sales of investment securities - available for sale | - | (7,324) |
| Other | <u>447,996</u> | <u>226,074</u> |
| Total noninterest income | 1,783,321 | 1,427,426 |
| Noninterest Expense | | |
| Salaries and employee benefits | 11,147,190 | 11,586,562 |
| Occupancy and equipment | 1,660,156 | 1,700,399 |
| Data processing | 1,184,713 | 1,155,292 |
| FDIC insurance | 772,599 | 765,381 |
| Professional fees | 829,909 | 774,156 |
| Other | <u>2,141,437</u> | <u>3,516,788</u> |
| Total noninterest expense | <u>17,736,004</u> | <u>19,498,578</u> |
| Income Before Income Taxes | 6,943,280 | 4,934,396 |
| Income tax expense | <u>1,454,000</u> | <u>724,023</u> |
| Net Income | <u>\$ 5,489,280</u> | <u>\$ 4,210,373</u> |

See notes to consolidated financial statements.

ANNEX A

First National Bancorp, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|--|-----------------------------|----------------------------|
| Net Income | \$ 5,489,280 | \$ 4,210,373 |
| Other Comprehensive Income | | |
| Unrealized gain on investment securities – available for sale: | | |
| Arising during the year | 5,715,409 | 4,995,821 |
| Reclassification adjustment ⁽¹⁾ | - | (7,324) |
| Tax effect | <u>(1,200,001)</u> | <u>(1,046,892)</u> |
| Total other comprehensive income | <u>4,515,408</u> | <u>3,941,605</u> |
| Comprehensive Income | <u>\$ 10,004,688</u> | <u>\$ 8,151,978</u> |

(1) See Note 2 for further details on reclassification adjustments

See notes to consolidated financial statements.

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First National Bancorp, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2024 and 2023

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---|-----------------------------|-------------------------------|-----------------------------|---|----------------------------------|
| Balance – January 1, 2023 | \$ 19,866,990 | \$ 1,627,202 | \$ 58,606,284 | \$ (16,659,691) | \$ 63,440,785 |
| Cumulative change in accounting principle (Note 2) | - | - | 825,515 | - | 825,515 |
| Balance - January 1, 2023 (as adjusted for change in accounting principle) | 19,866,990 | 1,627,202 | 58,606,284 | (16,659,691) | 63,440,785 |
| Comprehensive income | - | - | 4,210,373 | 3,941,605 | 8,151,978 |
| Issuance of restricted stock – 15,880 shares | 158,800 | (158,800) | - | - | - |
| Vesting of restricted stock – 13,139 shares | - | 712,202 | - | - | 712,202 |
| Restricted stock forfeiture – 800 shares | (8,000) | 8,000 | - | - | - |
| Issuance of common stock – 426 shares | 4,260 | 16,412 | - | - | 20,672 |
| Repurchase of common stock – 34,530 shares | (345,300) | - | (1,324,161) | - | (1,669,461) |
| Stock option expense | - | 49,964 | - | - | 49,964 |
| Stock options exercised – 2,000 shares, net of 1,757 options tendered at exercise | <u>20,000</u> | <u>(20,637)</u> | - | - | <u>(637)</u> |
| Balance - December 31, 2023 | 19,696,750 | 2,234,343 | 61,492,496 | (12,718,086) | 70,705,503 |
| Comprehensive income | - | - | 5,489,280 | 4,515,408 | 10,004,688 |
| Issuance of restricted stock – 14,280 shares | 142,800 | (142,800) | - | - | - |
| Vesting of restricted stock – 14,390 shares | - | 712,186 | - | - | 712,186 |
| Restricted stock forfeiture – 4,709 shares | (47,090) | 47,090 | - | - | - |
| Issuance of common stock – 305 shares | 3,050 | 9,392 | - | - | 12,442 |
| Repurchase of common stock – 49,961 shares | (499,810) | - | (1,566,600) | - | (2,066,410) |
| Stock option expense | - | 50,820 | - | - | 50,820 |
| Stock options exercised – 4,600 shares, net of 1,945 options tendered at exercise | <u>46,000</u> | <u>17,354</u> | - | - | <u>63,354</u> |
| Balance - December 31, 2024 | <u>\$ 19,341,700</u> | <u>\$ 2,928,385</u> | <u>\$ 65,415,176</u> | <u>\$ (8,202,678)</u> | <u>\$ 79,482,583</u> |

See notes to consolidated financial statements.

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First National Bancorp, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|--|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Net income | \$ 5,489,280 | \$ 4,210,373 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation | 601,888 | 617,907 |
| Credit loss provision (recovery) | (863,238) | 660,073 |
| Amortization of securities - Net | 723,092 | 919,582 |
| Deferred income taxes | 15,000 | (331,999) |
| Stock-based compensation expense | 763,006 | 762,166 |
| Increase in cash surrender value of bank owned life insurance | (370,411) | (303,915) |
| Loss on sale of investment securities – available for sale | - | 7,324 |
| Amortization of long-term debt prepayment penalties | 439,039 | 439,039 |
| Net change in: | | |
| Accrued interest receivable and other assets | 957,288 | 3,345,745 |
| Accrued interest payable and other liabilities | (1,254,373) | (2,554,152) |
| Net cash provided by operating activities | 6,500,571 | 7,772,143 |
| Cash Flows from Investing Activities | | |
| Activity in investment securities – available for sale: | | |
| Sales | - | 5,105,640 |
| Maturities, prepayments, and calls | 47,466,715 | 44,258,222 |
| Purchases | - | (927,476) |
| Additions to premises and equipment | (194,563) | (557,856) |
| Change in loans | (33,406,670) | (84,907,523) |
| Change in interest-bearing time deposits in other financial institutions | 1,241,000 | 1,984,000 |
| Purchase of FHLB stock | - | (675,000) |
| Purchase of FRB stock | (21,150) | (20,150) |
| Net cash provided by (used in) investing activities | 15,085,332 | (35,740,143) |
| Cash Flows from Financing Activities | | |
| Change in deposits | 22,578,452 | (8,325,171) |
| Effect of stock options exercised - net | 63,354 | (637) |
| Proceeds from new borrowings | 60,000,000 | 90,000,000 |
| Repayment of borrowings | (100,000,000) | (50,000,000) |
| Repayment of line of credit | (1,800,000) | (50,000) |
| Issuance of common stock | 12,442 | 20,672 |
| Repurchase of common stock | (2,066,410) | (1,669,461) |
| Net cash (used in) provided by financing activities | (21,212,162) | 29,975,403 |
| Net Increase in Cash and Cash Equivalents | 373,741 | 2,007,403 |
| Cash and Cash Equivalents - Beginning of year | 18,254,857 | 16,247,454 |
| Cash and Cash Equivalents - End of year | <u>\$ 18,628,598</u> | <u>\$ 18,254,857</u> |
| Supplemental Cash Flow Information - Cash paid for | | |
| Interest | \$ 27,726,049 | \$ 16,037,639 |
| Income taxes | 750,000 | 550,000 |
| Supplemental noncash disclosures | | |
| Right-of-use assets recorded in exchange for operating lease liabilities | \$ - | \$ 549,652 |

See notes to consolidated financial statements.

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First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 1 - Nature of Business

First National Bancorp, Inc. and Subsidiaries (the "Corporation") provides a variety of financial services to individuals and businesses through its subsidiary bank, which has two branch locations and a main office in Kalamazoo, Michigan; one branch location in Grand Rapids, Michigan; one branch location in Holland, Michigan; one branch location in Lansing, Michigan; and a loan production office in Traverse City, Michigan. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are commercial loans. The Corporation also owned a Nevada captive insurance company (the "Captive"), which provided various insurance for First National Bank of Michigan (the "Bank") and the Corporation by participating in a bank reinsurance pool until November 17, 2023 when the captive insurance company was dissolved, discontinued operations, and all of its remaining net assets were transferred to the Corporation.

Note 2 - Significant Accounting Policies

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of First National Bancorp, Inc. and its wholly owned subsidiaries, First National Bank of Michigan (the "Bank") and a captive risk insurance company, FNB Risk Management, Inc. (the "Captive") until November 17, 2023, when it discontinued operations. The Captive was not material or significant to the consolidated financial statements for the year December 31, 2023. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheets and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition from Contracts with Customers

Revenue from Contracts with Customers (ASC 606) establishes guidance for revenue recognition unless transactions are within the scope of other guidance. All the Corporation's revenue from contracts with customers within the scope of ASC 606 is recognized in noninterest income. A description of the Corporation's revenue streams accounted for under ASC 606 follows:

Service Charges – Other: The Corporation earns fees from its deposit customers for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees are recognized at the time the transaction is executed as this is the point in time the Corporation fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time the overdraft occurs. Service charges are withdrawn from customer account balances.

Cash Flows

For the purpose of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, cash balances due from banks and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, and interest-bearing time deposits in other financial institutions.

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First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 2 – Significant Accounting Policies (continued)

Interest-Bearing Time Deposits in Other Financial Institutions

Interest-bearing time deposits in other financial institutions are recorded at cost and are federally insured. Reported balances at December 31, 2024 are scheduled to mature in 2025.

Investment Securities

Securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost. Securities not classified as held to maturity or trading are classified as available for sale and are reported at fair value, with unrealized gains and losses reported in other comprehensive income, net of tax. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Interest income includes amortization and accretion of purchase premium or discount. Premiums and discounts on investment securities are amortized or accreted on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable investment securities are amortized to their earliest call date.

Investment securities are placed on nonaccrual status at the time any principal or interest payments become greater than 90 days delinquent. Interest accrued but not received for an investment security placed on non-accrual is reversed against interest income.

Allowance for Credit Losses – Investment Securities - Available for Sale

For investment securities - available for sale in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through earnings. For investment securities - available for sale that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or recovery). Losses are charged against the allowance when management believes the uncollectibility of an investment security - available for sale is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on investment securities - available for sale totaled \$834,857 and \$1,058,998 at December 31, 2024 and 2023, respectively, and is excluded from the estimate of credit losses.

Loans

The Bank grants real estate – residential, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial loans throughout western Michigan. The ability of the Bank's borrowers to honor their contracts is dependent upon the real estate and general economic conditions in this area.

First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 2 – Significant Accounting Policies (continued)

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Accrued interest receivable totaled \$2,194,965 and \$2,222,862 at December 31, 2024 and 2023, respectively, and was reported in accrued interest receivable in the consolidated balance sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on real estate – residential and commercial loans is discontinued and placed on non-accrual status at the time the loan is 90 days delinquent unless the loan is well-secured and in the process of collection. Real estate – residential loans and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer loans continue to accrue interest until they are charged off no later than 90 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses – Loans

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate amounts previously charged off and expected to be charged off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The allowance is measured on a collective pool basis when similar risk characteristics exist. Loans with similar risk characteristics are grouped into homogenous segments, or pools, for analysis. Commercial loans are divided among three sub-segments based primarily on collateral type, risk characteristics, and primary and secondary sources of repayment. These sub-segments are then further stratified based on the commercial loan grade that is assigned using our standard loan grading paradigm. Non-commercial loans are divided into one of two segments or pools based on if the loan is secured by residential real estate or not.

The Corporation uses the weighted average remaining maturity ("WARM") method for each loan portfolio segment or pool. The Corporation has identified the following portfolio segments:

First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 2 – Significant Accounting Policies (continued)

Commercial Loans:

Commercial and Industrial: Risks to this loan category include industry concentration and the practical limitations associated with monitoring the condition of the collateral which often consists of inventory, accounts receivable, and other non-real estate assets. Equipment and inventory obsolescence can also pose a risk. Declines in general economic conditions and other events can cause cash flows to fall to levels insufficient to service debt.

Real Estate – Commercial and Multifamily: Risks to this loan category include industry concentration and the inability to monitor the condition of the collateral. Declines in general economic conditions, increases in unemployment rates as well as market demand and supply of similar property and the resulting impact on business failure, occupancy rates, market rents, cash flow, and income-based real estate values, and other events can cause cash flows to fall to levels insufficient to service debt. Also, declines in real estate values and lack of suitable alternative use for the properties are risks for loans in this category.

Real Estate – Construction: Risks common to commercial construction loans are cost overruns, changes in market demand for property, inadequate long-term financing arrangements, and declines in real estate values. Changes in market demand for property could lead to longer marketing times resulting in higher carrying costs, declining values, and higher interest rates.

Non-Commercial Loans:

Real Estate – Residential: Residential mortgage loans are susceptible to weakening general economic conditions, increases in unemployment rates, and declining real estate values.

Consumer: Risks common to these loans include regulatory risks, unemployment, and changes in local economic conditions as well as the inability to monitor collateral consisting of personal property.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for estimated selling costs as appropriate.

The WARM methodology is utilized for all loan pools. This non-discounted cash flow approach projects an estimated future amortized cost basis based on current loan balance, repayment terms, and estimated prepayments. Our historical loss rate is then applied to the monthly estimated future loan balances at the instrument level. The baseline lifetime loss is adjusted for changes in macroeconomic conditions over the reasonable and supportable forecast and reversion periods via a series of macroeconomic forecast inputs, such as loss rates or the Bank's national peer group, gross domestic product, unemployment rates, and interest rates to quantify the impact of current and forecasted economic conditions on expected loan performance.

An open pool approach is utilized for all loans pools. A baseline loss rate is produced at each reporting date for each loan portfolio segment using bank-specific loan charge-off and recovery data over a defined historical look-back period. The look-back period represents the number of data periods that will be used to calculate a baseline loss rate for each loan portfolio segment. Management determined that the look-back period commencing on July 1, 2008 through March 31, 2015 was reasonable and appropriate.

First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 2 – Significant Accounting Policies (continued)

Reasonable and supportable economic forecasts have to be incorporated in determining expected credit losses. The forecast period represents the time frame from the current period end through the point in time that we can reasonably forecast and support entity and environmental factors that are expected to impact the performance of our loan portfolio. Ideally, the economic forecast period would encompass the contractual terms of all loans; however, the ability to produce a forecast that is considered reasonable and supportable becomes more difficult or may not be possible in later periods.

Subsequent to the end of the forecast period, we revert to historical loan data based on an ongoing evaluation of each economic forecast in relation to then current economic conditions as well as any developing loan loss activity and resulting historical data. As of December 31, 2024 and 2023, management used a four-year reasonable and supportable economic forecast period for all loan segments.

We are not required to develop and use our own economic forecast model, and elected to utilize economic forecasts from third-party providers that analyze and develop forecasts of the economy for the entire United States at least quarterly. Our methodology does provide for a potential qualitative factor that can be used in the event of local or regional conditions that depart from the conditions and forecasts for the entire country.

During each reporting period, we also consider the need to adjust the historical loss rates as determined by our open pool approach to reflect the extent to which we expect current conditions and reasonable and supportable economic forecasts to differ from the conditions that existed for the period over which the open pool-based historical loss information was determined. These qualitative adjustments may increase or decrease our estimate of expected future credit losses and consist of the following factors:

- Changes in lending policies and procedures
- Changes in the nature and volume of the loan portfolio and in the terms of loans
- Changes in the experience, ability and depth of lending management and other relevant staff
- Changes in the volume and severity of past due loans, nonaccrual loans and adversely classified loans
- Changes in the quality of the loan review program
- Changes in the value of underlying collateral dependent loans
- Existence and effect of any concentrations of credit and any changes in such
- Effect of other factors such as competition and legal and regulatory requirements

The estimation of future credit losses should reflect consideration of all significant factors that affect the collectibility of the loan portfolio at each evaluation date. While our methodology considers both the historical loss rates as well as the qualitative factors noted above, there may be instances or situations where additional qualitative factors need to be considered. There are currently no additional qualitative factors applied to the current methodology.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments as appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a loan modification will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Corporation.

First National Bancorp, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 2 – Significant Accounting Policies (continued)
Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Corporation. Any allowance for off-balance sheet credit exposures is reported in the consolidated balance sheets and is increased or decreased via credit loss provision – off-balance sheet credit exposures in the consolidated statements of income. The calculation includes consideration of the likelihood that funding will occur and forecasted credit losses on commitments expected to be funded over their estimated lives. The allowance is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to be funded.

Foreclosed Assets

Foreclosed assets are initially recorded at fair value less estimated costs to sell when acquired, establishing a new cost basis. Physical possession of real estate - residential property collateralizing a loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through earnings. Operating costs after acquisition are expensed. There were no foreclosed assets outstanding at December 31, 2024 and 2023.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income, although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of stockholders' equity in the consolidated balance sheets. Such items, along with net income, are considered components of comprehensive income. The accumulated other comprehensive loss consists solely of the net unrealized gain or loss on investment securities available for sale less the tax effect. There were no reclassification adjustments in 2024 and reclassification adjustments of \$(7,324) in 2023 and are presented in loss on sales of investment securities – available for sale on the consolidated statements of income. Income tax benefit totaled \$1,538 in 2023 related to these reclassification adjustments and is reflected in income tax expense in the consolidated statements of income.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to pay. Such financial instruments are recorded when they are funded.

Premises and Equipment

Land owned by the Bank is carried at cost. Buildings, leasehold improvements and equipment are carried at cost, less accumulated depreciation, computed on the straight-line method over the shorter of lease term or estimated lives of the assets.

First National Bancorp, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 2 – Significant Accounting Policies (continued)
Leases

Leases are classified as operating or finance leases at the lease commencement date. The Bank leases certain locations. The Bank records leases on the consolidated balance sheets in the form of a lease liability for the present value of future minimum lease payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment on the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Bank could obtain for similar loans as of the date of commencement or renewal. The Bank does not record leases on the consolidated balance sheets that are classified as short term (less than one year).

At lease inception, the Bank determines the lease term by considering the minimum lease term and all optional renewal periods that the Bank is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. The Bank's leases do not contain residual value guarantees or material variable lease payments that will impact the Corporation's ability to pay dividends or cause the Corporation to incur additional expenses.

Operating lease expense consists of single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in noninterest expense – occupancy and equipment expense in the Corporation's consolidated statements of income. The Corporation's variable lease expense include rent escalators that are based on market conditions and include items such as common area maintenance, utilities, parking, property taxes, insurance, and other costs associated with the lease.

Federal Home Loan Bank (FHLB) Stock:

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as other restricted stock, at cost in the consolidated balance sheets, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as interest income – dividend income on other restricted stock in the consolidated statements of income.

Federal Reserve Bank (FRB) Stock:

The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as other restricted stock, at cost in the consolidated balance sheets, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as interest income – dividend income on other restricted stock in the consolidated statements of income.

Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain key officers. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the consolidated balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Low-Income Housing Investments

The Corporation has elected to account for its investment in affordable housing tax credit limited partnerships using the proportional amortization method. Under the proportional amortization method, the Corporation amortizes the initial cost of the investment to income tax expense in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the consolidated statements of income as a component of income tax expense.

First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 4 - Securities (continued)

At December 31, 2024 and 2023, securities with a carrying value of approximately \$79,460,000 and \$103,396,000, respectively, were pledged to secure borrowings.

The amortized cost and fair value of investment securities available for sale are shown by contractual maturity at December 31, 2024. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

| | Available for Sale | |
|--|--------------------|----------------|
| | Amortized Cost | Fair Value |
| Due in one year or less | \$ 48,021,038 | \$ 47,181,018 |
| Due in one through five years | 93,497,907 | 88,641,484 |
| Due after five years through ten years | 7,638,961 | 6,869,870 |
| Total | 149,157,906 | 142,692,372 |
| Mortgage-backed securities | 32,813,611 | 28,895,468 |
| Total | \$ 181,971,517 | \$ 171,587,840 |

The proceeds from sales of investment securities – available for sale and the associated gains and losses are listed below:

| | 2024 | 2023 |
|---------------------|------|--------------|
| Proceeds from sales | \$ - | \$ 5,285,676 |
| Gross gains | - | 45,298 |
| Gross losses | - | (52,622) |

At December 31, 2024 and 2023, there were no holdings of investment securities - available for sale of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of total stockholders' equity.

First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 4 - Securities (continued)

Information pertaining to investment securities – available for sale with gross unrealized losses at December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

| | 2024 | | | |
|---|-------------------------|------------|-------------------------|----------------|
| | Less than 12 Months | | 12 Months or Greater | |
| | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value |
| Investment securities – available for sale: | | | | |
| U.S. government and federal agency | \$ - | \$ - | \$ (2,017,173) | \$ 45,340,218 |
| U.S. Treasury | - | - | (893,431) | 17,205,782 |
| Certificate of deposit investments | - | - | (78,299) | 1,656,701 |
| Corporate | - | - | (1,086,886) | 20,319,336 |
| Mortgage-backed securities | - | - | (3,918,143) | 28,895,468 |
| State and municipal | - | - | (2,430,432) | 57,458,081 |
| Total | \$ - | \$ - | \$ (10,424,364) | \$ 170,875,586 |

| | 2023 | | | |
|---|-------------------------|------------|-------------------------|----------------|
| | Less than 12 Months | | 12 Months or Greater | |
| | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value |
| Investment securities – available for sale: | | | | |
| U.S. government and federal agency | \$ - | \$ - | \$ (3,924,971) | \$ 62,461,316 |
| U.S. Treasury | - | - | (1,351,912) | 21,400,312 |
| Certificate of deposit investments | - | - | (177,109) | 2,055,891 |
| Corporate | (52,340) | 447,660 | (1,990,754) | 23,555,933 |
| Mortgage-backed securities | - | - | (4,648,601) | 32,534,620 |
| State and municipal | (899) | 532,011 | (4,005,383) | 69,592,781 |
| Total | \$ (53,239) | \$ 979,671 | \$ (16,098,730) | \$ 211,600,853 |

At December 31, 2024 and 2023, there were 227 and 288 investment securities – available for sale, respectively, in an unrealized loss position. Unrealized losses on these securities have not been recognized into income because the issuers' bonds are of high-credit quality, the Corporation has the intent and ability to hold the securities for the foreseeable future, and the decline in fair value is primarily due to increased market interest rates compared to market interest rates at the time of purchase. The fair value is expected to recover as the securities approach the maturity date.

Other restricted stock totaling \$6,289,950 and \$6,268,800 at December 31, 2024 and 2023, respectively, consist of restricted Federal Home Loan Bank stock and Federal Reserve Bank stock.

First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 5 - Loans

A summary of the balances of loans is as follows at December 31:

| | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Commercial: | | |
| Real estate – Construction | \$ 58,140,325 | \$ 69,650,339 |
| Real estate – Commercial and Multifamily | 532,869,849 | 480,302,929 |
| Commercial and Industrial | <u>112,368,846</u> | <u>121,426,553</u> |
| Total Commercial | 703,379,020 | 671,379,821 |
| Real estate - Residential | 44,143,685 | 42,651,035 |
| Consumer | <u>437,685</u> | <u>609,319</u> |
| Subtotal | 747,960,390 | 714,640,175 |
| Less – Net deferred loan fees | 1,725,386 | 1,812,291 |
| Less – Allowance for credit losses | <u>10,356,146</u> | <u>10,453,705</u> |
| Loans – net | <u>\$ 735,878,858</u> | <u>\$ 702,374,179</u> |

In the ordinary course of business, the Corporation has granted loans to directors and their affiliates amounting to approximately \$26,921,000 and \$24,754,000 as of December 31, 2024 and 2023, respectively. There were outstanding balances of \$1,000 and \$29,000 in loans to officers of the Corporation as of December 31, 2024 and 2023.

The following tables present the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2024 and 2023:

| December 31, 2024 | Real Estate – Construction | Real Estate – Commercial and Multifamily | Commercial and Industrial | Real Estate - Residential | Consumer | Total |
|------------------------------|----------------------------|--|---------------------------|---------------------------|------------------|----------------------|
| Allowance for credit losses: | | | | | | |
| Beginning balance | \$ 3,117,506 | \$ 5,842,304 | \$ 701,317 | \$ 790,795 | \$ 1,783 | \$ 10,453,705 |
| Charge-offs | - | - | - | - | - | - |
| Recoveries | - | - | 450 | - | - | 450 |
| Credit loss provision | <u>(1,177,530)</u> | <u>621,727</u> | <u>415,388</u> | <u>24,205</u> | <u>18,201</u> | <u>(98,009)</u> |
| Ending allowance balance | <u>\$ 1,939,976</u> | <u>\$ 6,464,031</u> | <u>\$ 1,117,155</u> | <u>\$ 815,000</u> | <u>\$ 19,984</u> | <u>\$ 10,356,146</u> |

First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 5 - Loans (continued)

| December 31, 2023: | Real Estate – Construction | Real Estate – Commercial and Multifamily | Commercial and Industrial | Real Estate - Residential | Consumer | Total |
|---|----------------------------|--|---------------------------|---------------------------|-----------------|----------------------|
| Allowance for credit losses: | | | | | | |
| Beginning balance, prior to adoption of ASC 326 | \$ 977,800 | \$ 7,474,663 | \$ 2,129,029 | \$ 2,013,646 | \$ 7,962 | \$ 12,603,100 |
| Impact of adopting ASC 326 | 1,398,967 | (4,806,160) | 634,894 | (1,469,207) | (3,794) | (4,245,300) |
| Charge-offs | - | - | - | - | - | - |
| Recoveries | - | - | 2,050 | - | - | 2,050 |
| Provision | <u>740,739</u> | <u>3,173,901</u> | <u>(2,064,656)</u> | <u>246,356</u> | <u>(2,385)</u> | <u>2,093,855</u> |
| Ending allowance balance | <u>\$ 3,117,506</u> | <u>\$ 5,842,304</u> | <u>\$ 701,317</u> | <u>\$ 790,795</u> | <u>\$ 1,783</u> | <u>\$ 10,453,705</u> |

Credit Risk Grading

The Corporation categorized each loan into credit risk categories based on current financial information, overall debt service coverage, comparison against industry averages, collateral coverage, historical payment experience, and current economic trends. The Corporation uses the following definitions for credit risk ratings:

Pass

Credits not covered by the definitions below are pass credits, which are not considered to be adversely rated.

Special Mention

Loans classified as special mention, or watch credits, have a potential weakness or weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Corporation's credit position at some future date.

Substandard

Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the loan. They are characterized by the distinct possibility that the institution may sustain some loss if the deficiencies are not corrected.

Doubtful

Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

For real estate – residential and consumer loan segments, the Corporation also evaluates credit quality based on the aging status of the loan and by payment activity, which is presented below.

First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 5 - Loans (continued)

The following table is a summary of loans stratified by credit risk grading:

| | December 31, 2024 | | | | |
|--|-------------------|------------------------|--------------------|-----------------|----------------|
| | Pass | Special Mention (5) | Substandard (6) | Doubtful (7) | Total |
| Commercial: | | | | | |
| Real estate – construction | \$ 58,140,325 | \$ - | \$ - | \$ - | \$ 58,140,325 |
| Real estate – commercial and multifamily | 517,481,760 | 5,721,041 | 9,667,048 | - | 532,869,849 |
| Commercial and industrial | 94,311,450 | 13,751,904 | 4,305,492 | - | 112,368,846 |
| Total commercial | 669,933,535 | 19,472,945 | 13,972,540 | - | 703,379,020 |
| Real estate - Residential | 43,835,213 | - | 308,472 | - | 44,143,685 |
| Consumer | 418,162 | - | 19,523 | - | 437,685 |
| Total | \$ 714,186,910 | \$ 19,472,945 | \$ 14,300,535 | \$ - | \$ 747,960,390 |

| | December 31, 2023 | | | | |
|--|-------------------|------------------------|--------------------|-----------------|----------------|
| | Pass | Special Mention (5) | Substandard (6) | Doubtful (7) | Total |
| Commercial: | | | | | |
| Real estate – construction | \$ 69,650,339 | \$ - | \$ - | \$ - | \$ 69,650,339 |
| Real estate – commercial and multifamily | 474,010,038 | 1,491,303 | 4,801,588 | - | 480,302,929 |
| Commercial and industrial | 116,404,923 | 1,316,395 | 3,705,235 | - | 121,426,553 |
| Total commercial | 660,065,300 | 2,807,698 | 8,506,823 | - | 671,379,821 |
| Real estate - Residential | 42,306,943 | - | 344,092 | - | 42,651,035 |
| Consumer | 609,319 | - | - | - | 609,319 |
| Total | \$ 702,981,562 | \$ 2,807,698 | \$ 8,850,915 | \$ - | \$ 714,640,175 |

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First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 5 - Loans (continued)

Analysis of Past Due and Non-Accrual Loans

At December 31, 2024, there were six loan relationships on non-accrual for \$752,546. These nonaccrual loans consisted of the following: two commercial and industrial loans totaling \$468,363 contractually 60-89 days past due and one real estate – commercial and multifamily loan for \$171,066 contractually 60-89 days past due, one real estate – residential loan for \$43,354 contractually 89 or more days past due, one real estate – residential loan for \$50,240 contractually 30-59 days past due, and consumer loan for \$19,523 contractually less than 30 days past due. There were no non-accrual loans outstanding at December 31, 2024 that did not have an allowance for credit loss reserve. Interest income recognized on non-accrual loans was not material for the years ending December 31, 2024 and 2023, respectively.

At December 31, 2023, there were four loan relationships on non-accrual for \$270,358. These nonaccrual loans consisted of the following: one commercial and industrial loan for \$39,200 contractually 89 or more days past due, one real estate – commercial and multifamily loan for \$131,373 contractually less than 30 days past due, one real estate – residential loan for \$55,883 contractually 89 or more days past due, and one real estate – residential loan for \$43,902 contractually less than 30 days past due. There were no non-accrual loans outstanding at December 31, 2023 that did not have an allowance for credit losses reserve.

There were no loans past due 89 or more days and still accruing at December 31, 2024 and 2023, respectively.

Except as described above, all other loans were current and not delinquent at year-end 2024 and 2023.

Loan Modifications

Occasionally, the Corporation modifies loans to borrowers in financial distress by providing term extension, an other-than-insignificant payment delay, or interest rate reduction. In some cases, the Corporation provides multiple types of concessions on one loan. Typically, one type of concession, such as an other-than-insignificant payment delay, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as a term extension, may be granted. For the years ended December 31, 2024 and 2023, the Corporation had no loans which were modified and there were no outstanding loans containing modifications at December 31, 2024 and 2023.

Collateral Dependent Loans

There were no individually evaluated loans that were collateral dependent at December 31, 2024 and 2023.

Note 6 – Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment is as follows at December 31:

| | 2024 | 2023 |
|-------------------------------------|--------------|--------------|
| Land | \$ 250,000 | \$ 250,000 |
| Buildings and building improvements | 3,310,791 | 3,310,791 |
| Leasehold improvements | 4,725,046 | 4,709,944 |
| Furniture, fixtures, and equipment | 2,278,362 | 2,210,264 |
| Construction in progress | 114,957 | 3,593 |
| Total cost | 10,679,155 | 10,484,592 |
| Accumulated depreciation | (4,827,068) | (4,225,180) |
| Premises and equipment, net | \$ 5,852,087 | \$ 6,259,412 |

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First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 7 – Leases

The Bank leases two branch properties with operating leases with a company in which a director is a part owner. The first lease calls for monthly payments of \$10,259 through 2028 and is renewable for one additional five-year term. The second lease calls for minimum monthly payments of \$9,939 through 2025 and is renewable for three additional five-year terms.

The Bank leases two other branch properties with operating leases which have remaining terms ranging from 9 to 11 years, both of which have renewal options to extend the lease for up three additional five-year terms.

Total operating lease cost for the years ended December 31, 2024 and 2023 amounted to \$610,590 and \$609,657, respectively.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2024 are as follows:

| Years Ending | Related Party Leases | Other Lease Agreements | Total Lease Agreements |
|-----------------------------------|----------------------|------------------------|------------------------|
| 2025 | \$ 202,629 | \$ 321,216 | \$ 523,845 |
| 2026 | 123,114 | 328,412 | 451,526 |
| 2027 | 123,114 | 328,412 | 451,526 |
| 2028 | 112,854 | 338,790 | 451,644 |
| 2029 | - | 342,250 | 342,250 |
| Thereafter | - | 1,548,882 | 1,548,882 |
| Total undiscounted lease payments | 561,711 | 3,207,962 | 3,769,673 |
| Less: imputed interest | (66,011) | (473,652) | (539,663) |
| Net lease liabilities | <u>\$ 495,700</u> | <u>\$ 2,734,310</u> | <u>\$ 3,230,010</u> |

First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 7 – Leases (continued)

Supplemental lease information:

| | December 31, 2024 | December 31, 2023 |
|--|-------------------|-------------------|
| Operating lease weighted average remaining lease term (years) | 8.37 | 9.37 |
| Operating lease weighted average discount rate | 2.39% | 2.39% |
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows for operating leases | \$ 561,203 | \$ 558,000 |
| Right-of-use assets recorded in exchange for operating lease liabilities | \$ - | \$ 549,652 |

Note 8 - Deposits

The following is a summary of the distribution of deposits at December 31, 2024 and 2023:

| | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Noninterest-bearing deposits | \$ 169,282,462 | \$ 181,459,382 |
| Interest-bearing deposits and NOW accounts | 157,157,295 | 171,643,988 |
| Savings and money market accounts | 210,712,352 | 191,079,557 |
| Time deposits: | | |
| Under \$250,000 | 189,417,951 | 164,508,517 |
| \$250,000 and over | 73,978,906 | 69,279,070 |
| Total | <u>\$ 800,548,966</u> | <u>\$ 777,970,514</u> |

At December 31, 2024, the scheduled maturities of time deposits are as follows:

| Years Ending | Amount |
|--------------|-----------------------|
| 2025 | \$ 167,184,642 |
| 2026 | 25,159,122 |
| 2027 | 23,571,025 |
| 2028 | 47,482,068 |
| Total | <u>\$ 263,396,857</u> |

First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 9 - Borrowings

The Bank has a formula-based credit facility with the Federal Reserve Bank to meet its short-term borrowing needs. There were amounts outstanding of \$0 and \$90,000,000 at December 31, 2024 and 2023, respectively. The unused portion of the facility was approximately \$140,000,000 and \$62,000,000 at December 31, 2024 and 2023, respectively. The collateral on the borrowing arrangement consists of commercial and consumer loans with a book balance of approximately \$68,414,000 and \$53,212,000 at December 31, 2024 and 2023, respectively. The advances are also secured by investment securities, as described in Note 4.

As of December 31, 2024, the Bank had four advances from the Federal Home Loan Bank (FHLB) totaling \$80,000,000 with fixed interest rates ranging from 0.92 percent to 3.95 percent with a weighted average rate of 2.80 percent. As of December 31, 2023, the Bank had two advances from the FHLB totaling \$30,000,000 with interest rates ranging from 0.92 percent to 1.09 percent. The outstanding advances as of December 31, 2024 mature in 2026 (\$30,000,000) and 2029 (\$50,000,000). Interest is payable monthly. The advances were collateralized by approximately \$270,000,000 and \$191,000,000 of real estate – residential and real estate - commercial loans as of December 31, 2024 and 2023, respectively, under a specific mortgage collateral agreement. The advances are also secured by investment securities – available for sale, as described in Note 4. Total advances outstanding cannot exceed \$250,000,000 based on the Bank's board of directors' resolution. The advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the Federal Home Loan Bank. In a prior year, the Bank refinanced four advances totaling \$30,000,000 and replaced them with two advances totaling \$30,000,000 at lower interest rates and longer maturities. The refinance of these four advances incurred prepayment penalties totaling \$3,527,256 which are being amortized over the remaining term of the replacement advances and the remaining unrecognized balance at December 31, 2024 of \$1,420,204 is included in borrowings in the consolidated balance sheets and included in the maturity schedule below. The weighted average rate of the advances, including the effect of amortizing the prepayment penalties, is 3.35% at December 31, 2024. Amortization of the prepayment penalties is included in interest expense – borrowings in the consolidated statements of income.

Additionally, the Bank has an overdraft line of credit agreement with the FHLB. The total available credit under this agreement is \$25,000,000. There was no amount outstanding at December 31, 2024 or 2023.

The Bank has an unsecured fed funds line of credit with correspondent banks to meet its short-term borrowing needs. Total available borrowings were \$20,000,000 at December 31, 2024 and 2023. There were no amounts outstanding at December 31, 2024 or 2023.

The Corporation has a revolving line of credit agreement with another financial institution allowing for available credit up to \$12,000,000 as of December 31, 2024 and 2023. Interest is payable on the outstanding balance quarterly based on an interest rate of 0.25 percent below the prime rate (with a floor of 5.00 percent), with the entire principal balance due on the maturity date of February 15, 2026. The line of credit is secured by all the outstanding stock of the Bank. As of December 31, 2024 and 2023, there was \$0 and \$1,800,000 outstanding, respectively.

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First National Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 9 – Borrowings (continued)

The balance of the above borrowings contractually matures as follows:

| Years Ending | Amount |
|----------------------------------|----------------------|
| 2025 | \$ - |
| 2026 | 30,000,000 |
| 2027 | - |
| 2028 | - |
| 2029 | 50,000,000 |
| Unamortized prepayment penalties | (1,420,204) |
| Total | <u>\$ 78,579,796</u> |

Note 10 - Income Taxes

Allocation of income tax expense (benefit) between current and deferred portions is as follows:

| | 2024 | 2023 |
|----------------------------|---------------------|-------------------|
| Current expense | \$ 1,438,000 | \$ 1,057,130 |
| Deferred expense (benefit) | 16,000 | (333,107) |
| Total income tax expense | <u>\$ 1,454,000</u> | <u>\$ 724,023</u> |

The reasons for the difference between the income tax expense at the federal statutory income tax rate and the recorded income tax expense are summarized as follows:

| | 2024 | 2023 |
|--|---------------------|-------------------|
| Income before income taxes | \$ 6,943,280 | \$ 4,934,396 |
| Income tax expense at federal statutory rate (21 percent in 2024 and 2023) | 1,458,000 | 1,036,223 |
| Low-income housing tax benefits, net of investment amortization | (58,000) | (62,000) |
| Captive insurance benefit | - | (116,000) |
| Increases (decreases) from nontaxable income - Net of nondeductible expenses | 54,000 | (134,200) |
| Total income tax expense | <u>\$ 1,454,000</u> | <u>\$ 724,023</u> |

The details of the net deferred tax asset are as follows:

| | 2024 | 2023 |
|--------------------------------|---------------------|---------------------|
| Total deferred tax liabilities | \$ (1,253,000) | \$ (1,465,000) |
| Total deferred tax assets | 5,934,000 | 7,361,000 |
| Total | <u>\$ 4,681,000</u> | <u>\$ 5,896,000</u> |

Deferred tax liabilities consist of depreciation, prepaid expenses, and unrealized gains on investment securities – available for sale. Deferred tax assets consist of allowance for credit losses, unvested stock compensation, deferred compensation, unrealized losses on investment securities – available for sale, and deferred fees on loan originations.

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Notes to Consolidated Financial Statements

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Note 10 – Income Taxes (continued)

The Corporation does not expect the total amount of unrecognized net tax benefits to significantly increase or decrease in the next twelve months.

The Corporation and its subsidiaries are subject to U.S. federal income tax. The Corporation is no longer subject to examination by taxing authorities for years before 2021. There was no interest or penalties related to income taxes recorded in the consolidated statements of income for the years ended December 31, 2024 and 2023.

Note 11 – Off-Balance-Sheet Activities

Credit-Related Financial Instruments

The Corporation is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Corporation's exposure to credit loss is represented by the contractual amount of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

Contract Amounts

As of December 31, 2024 and 2023, the following financial instruments whose contract amounts represent credit risk were outstanding:

| | 2024 | 2023 |
|--|---------------|---------------|
| Commitments to grant loans | \$ 17,138,000 | \$ 11,490,000 |
| Unfunded commitments under lines of credit | 187,278,000 | 193,453,000 |
| Commercial and standby letters of credit | 462,000 | 1,388,000 |

Commitments to grant loans are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers.

Commercial and standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved is extending loan facilities to customers.

The total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained for commitments, if it is deemed necessary by the Corporation, is based on management's credit evaluation of the customer.

Legal Contingencies

Various legal claims also arise from time to time in the normal course of business, that, in the opinion of management, will have no material effect on the Corporation's consolidated financial statements.

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Notes to Consolidated Financial Statements

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Note 12 - Minimum Regulatory Capital Requirements

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on investment securities – available for sale is not included in computing regulatory capital. Management believes as of December 31, 2024, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

Actual and required capital amounts (in thousands) and ratios are presented below at year-end. These tables do not include the 2.5% capital conservation buffer requirement which effectively increases the required minimum total risk-based, Common Tier 1 (CET 1), and tier 1 risk based capital ratios. A Bank with a capital conservation buffer greater than 2.5% of risk-weighted assets would not be restricted by payout limitations. However, if the 2.5% threshold is not met, the Bank would be subject to increasing limitations on capital distributions and discretionary bonus payments to executive officers as the capital conservation buffer approaches zero.

| (000s omitted from dollar amounts) | Actual | | Minimum For Capital Adequacy Purposes | | To be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|--------------------------------|--------|---------------------------------------|-------|--|-------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | As of December 31, 2024 | | | | | |
| Common Tier 1 (CET1) to risk-weighted assets | \$ 87,323 | 10.71% | \$ 36,699 | 4.50% | \$ 53,010 | 6.50% |
| Total Capital to risk-weighted assets | 97,532 | 11.96 | 65,243 | 8.00 | 81,553 | 10.00 |
| Tier 1 (Core) Capital to risk-weighted assets | 87,323 | 10.71 | 48,932 | 6.00 | 65,243 | 8.00 |
| Tier 1 (Core) Capital to average assets | 87,323 | 8.99 | 38,842 | 4.00 | 48,552 | 5.00 |
| As of December 31, 2023 | | | | | | |
| Common Tier 1 (CET1) to risk-weighted assets | \$ 83,528 | 10.10% | \$ 37,213 | 4.50% | \$ 53,752 | 6.50% |
| Total Capital to risk-weighted assets | 93,888 | 11.35 | 66,156 | 8.00 | 82,695 | 10.00 |
| Tier 1 (Core) Capital to risk-weighted assets | 83,528 | 10.10 | 49,617 | 6.00 | 66,156 | 8.00 |
| Tier 1 (Core) Capital to average assets | 83,528 | 8.63 | 38,734 | 4.00 | 48,418 | 5.00 |

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Note 13 - Restrictions on Dividends, Loans, and Advances

Banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Corporation.

Prior approval of the Bank's federal regulator is required if the total dividends declared by the Bank in a calendar year exceed the sum of the net profits of the Bank for the preceding three years, less any required transfers to surplus. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum standards.

Note 14 – Share-Based Compensation

At December 31, 2024, the Corporation has a share-based compensation plan, which is described below. The compensation cost that has been charged against earnings for the plan was \$763,006 and \$762,166 for 2024 and 2023, respectively. There were no significant deferred income tax benefits recognized in the consolidated statements of income for share-based compensation arrangements for both 2024 and 2023.

The Corporation's stock option and restricted stock plan (the "Plan"), which is stockholder approved and monitored by the board, permits the grant of stock awards to its employees for up to 500,000 shares of common stock. The Corporation believes that such awards better align the interests of its employees with those of its stockholders.

Option awards are generally granted with an exercise price equal to the market price of the Corporation's stock at the date of grant; those option awards generally vest over three years of continuous service. Restricted stock awards generally vest over five years of continuous service. The calculated value of each option award is estimated on the date of grant using a Black-Scholes option valuation model that uses the weighted-average assumptions noted in the following table. Expected volatilities are based on similar volatilities of comparable banks. The Corporation uses comparable bank data to estimate option exercise and employee termination within the valuation model and expects all granted options to fully vest. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. In 2024, the Corporation granted 2,500 options at a strike price of \$40.00. In 2023, the Corporation granted 2,500 options at a strike price of \$53.50. Information used to measure the 2024 and 2023 options granted are as follows:

| | <u>2024</u> | <u>2023</u> |
|--------------------------|-------------|-------------|
| Expected volatility | 20.00% | 20.00% |
| Expected term (in years) | 10 | 10 |
| Risk-free rate | 4.15% | 3.67% |

A summary of option activity under the Plan for the year ended December 31, 2024 is presented below:

| Options | Number of Shares | Weighted-Average Exercise Price | Weighted-average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|----------------------------------|------------------|---------------------------------|--|---------------------------|
| Outstanding at December 31, 2023 | 55,034 | \$ 34.67 | 4.59 | \$ 293,240 |
| Granted | 2,500 | 40.00 | | |
| Exercised | <u>(6,545)</u> | 21.00 | | |
| Outstanding at December 31, 2024 | <u>50,989</u> | 36.69 | 4.17 | 321,852 |
| Exercisable at December 31, 2024 | 45,656 | 35.55 | 3.54 | 340,019 |

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Note 14 – Share-Based Compensation (continued)

The weighted-average grant-date fair calculated value of options granted during 2024 and 2023 was \$26.52 and \$21.14, respectively.

The intrinsic value of options exercised in 2024 and 2023 was \$134,890 and \$91,093, respectively.

As of December 31, 2024 there was approximately \$51,000 of total unrecognized compensation cost related to non-vested options granted under the Plan. That cost is expected to be recognized through December 31, 2027. In 2024 and 2023, the Corporation also awarded 14,280 and 15,880 restricted shares, respectively. The fair value of the awards is based on the value of the stock at the grant date and will be recognized in compensation expense over the vesting period, which is five years. The weighted-average grant-date fair calculated value in 2024 and 2023 was \$571,700 (\$40.04 per share) and \$846,605 (\$53.31 per share), respectively. The unrecognized cost for restricted share awards was approximately \$1,626,000 at December 31, 2024 and is expected to be recognized through December 31, 2029. The weighted-average fair value of shares vested during the years ended December 31, 2024 and 2023 was \$704,733 (\$48.77 per share) and \$613,134 (\$46.67 per share), respectively.

A summary of changes in the Corporation's nonvested restricted shares for the year ended December 31, 2024 follows:

| Nonvested Restricted Shares | Number of Shares | Weighted-Average Grant-Date Fair Value | Weighted-Average Remaining Vesting Term (in years) |
|--------------------------------|------------------|--|--|
| Nonvested at December 31, 2023 | 50,976 | \$ 49.87 | 3.17 |
| Granted | 14,280 | 40.04 | |
| Vested | (14,450) | 48.77 | |
| Forfeited | <u>(4,709)</u> | 48.19 | |
| Nonvested at December 31, 2024 | <u>46,097</u> | 47.34 | 2.83 |

Note 15 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Corporation's assets measured at fair value on a recurring basis at December 31, 2024 and 2023 and the valuation techniques used by the Corporation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Corporation has the ability to access. The Corporation's Level 1 investment securities consisted of US Treasuries.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Note 15 - Fair Value Measurements (continued)

Fair values determined by Level 2 inputs use other inputs that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals. The Corporation's Level 2 investment securities consisted primarily of U.S. government and federal agency, certificate of deposit investments, corporate, state and municipal, and mortgage-backed securities.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

| Assets Measured at Fair Value on a Recurring Basis at December 31, 2024 | | | | |
|--|--|--|------------------------------------|-----------------------|
| Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at December 31, 2024 | |
| Assets | | | | |
| Investment securities – available for sale: | | | | |
| U.S. government and federal agency | | | | |
| \$ - | \$ 45,340,218 | \$ - | \$ - | \$ 45,340,218 |
| 17,205,782 | - | - | - | 17,205,782 |
| - | 1,656,701 | - | - | 1,656,701 |
| - | 20,319,336 | - | - | 20,319,336 |
| - | 28,895,468 | - | - | 28,895,468 |
| - | 57,458,081 | 712,254 | - | 58,170,335 |
| <u>\$ 17,205,782</u> | <u>\$ 153,669,804</u> | <u>\$ 712,254</u> | <u>\$ -</u> | <u>\$ 171,587,840</u> |

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Note 15 - Fair Value Measurements (continued)

| Assets Measured at Fair Value on a Recurring Basis at December 31, 2023 | | | | |
|--|--|--|------------------------------------|-----------------------|
| Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at December 31, 2023 | |
| Assets | | | | |
| Investment securities – available for sale: | | | | |
| U.S. government and federal agency | | | | |
| \$ - | \$ 62,461,316 | \$ - | \$ - | \$ 62,461,316 |
| 22,099,289 | - | - | - | 22,099,289 |
| - | 2,055,891 | - | - | 2,055,891 |
| - | 24,003,592 | - | - | 24,003,592 |
| - | 32,534,620 | - | - | 32,534,620 |
| - | 69,906,686 | 1,000,844 | - | 70,907,530 |
| <u>\$ 22,099,289</u> | <u>\$ 190,962,105</u> | <u>\$ 1,000,844</u> | <u>\$ -</u> | <u>\$ 214,062,238</u> |

There were no assets measured at fair value on a nonrecurring basis at December 31, 2024 and 2023.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Corporation has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include reviewing other similar municipal investments, the yield curve, and ratings of the issuer. The change in Level 3 investment securities related to state and municipal securities from December 31, 2023 to December 31, 2024 was due to maturities and paydowns on these investment securities. There were no sales or transfers in and out of Level 3 for state and municipal securities with Level 3 inputs. Additional disclosures of quantitative information are not material to these consolidated financial statements.