



3RD QUARTER

Board of Directors

- Phillip L. List**
Chairman of the Board
- James R. Milroy**
President & CEO
- Richard O. Goedert**
- Terry R. Niederstadt**
- James J. Shiners**
- Lynn R. Wolgast**
- Mitzi M. Dimitroff**
- Joseph R. Fabiano II**
- Michael L. Hanisko**
- Max D. Holman**
- Paul J. Barbeau**
- Carrie Mahar Kessel**
- Tim Hausbeck**

A Letter from the President

To Our Shareholders,



Through September 30, 2021, net income stands at \$3,969,000 compared to the \$2,561,000 earned through the same time in 2020. As a common refrain for the past several quarters, fee income related to the Paycheck Protection Program (“PPP”) as well as mortgage origination volume are driving the increase in net income.

You will notice on the Consolidated Balance Sheet, cash equivalents and investments totaled \$180 million at September 30, an increase of \$28 million from June 30, 2021. Loan forgiveness on PPP loans provided \$32 million of cash during the quarter. While management anticipated increased cash as PPP loans were forgiven, we also anticipated a decline in deposit levels. However, new customer deposit relationships along with existing customers retaining higher levels of dollars in their accounts has resulted in stability in total dollars of deposits. At September 30, the Bank still had \$36 million of PPP loans remaining on the balance sheet which we believe will mostly be forgiven during the 4th quarter of this year, creating additional cash for the Bank.

You will also notice that during the 3rd quarter of this year, no expense was recorded toward the Provision for Loan Losses. At the onset and during the worst of the pandemic, management anticipated potential hardship for our business customers, setting aside a corresponding level of provision expense. Thankfully, this hardship has not materialized resulting in minimal loan losses in 2021. In analyzing the adequacy of the Allowance for Loan Losses at quarter end, management determined additional levels of provision expense were not needed. Barring any unforeseen events, we do not anticipate the need for any provision expense during the 4th quarter of this year as well.

At the October 21, 2021 regular meeting of the Board of Directors, Terry Niederstadt received Director Emeritus status in acknowledgement of his retirement from the Board. More detail of Terry’s service to 1st State Bank can be found on the following page. Your Board of Directors also approved a quarterly cash dividend of \$.065 per share. The dividend will be paid on November 16th to shareholders of record on November 5, 2021.

To you our shareholders, we appreciate your support, your business as well as your referrals of new customers to the Bank.

Sincerely,

James Milroy
President & CEO

Financial Report

CONSOLIDATED BALANCE SHEETS (unaudited)

<u>Assets</u>	<u>9/30/2021</u>	<u>12/31/2020</u>	<u>9/30/2020</u>
Cash Equivalents and Investments	\$ 180,436,475	\$ 115,593,422	\$ 104,911,408
Loans, net of reserve for loan losses	247,084,062	273,526,315	285,957,749
Other assets	24,775,043	23,876,175	17,579,373
Total Assets	\$ 452,295,580	\$ 412,995,912	\$ 408,448,530
<u>Liabilities and Shareholders' Equity</u>			
Deposits	\$ 395,935,127	\$ 360,461,410	\$ 354,163,685
Other Borrowings & Other Liabilities	19,290,564	19,351,293	22,194,317
Total Liabilities	415,225,691	379,812,703	376,358,002
Total Shareholders' Equity	37,069,889	33,183,209	32,090,528
Total Liabilities and Shareholders' Equity	\$ 452,295,580	\$ 412,995,912	\$ 408,448,530

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	<u>THREE MONTHS ENDING</u>		<u>SIX MONTHS ENDING</u>	
	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2021</u>	<u>9/30/2020</u>
Net Interest Income	\$ 2,669,304	\$ 2,669,900	\$ 8,173,519	\$ 8,143,389
Provision for Loan Losses	0	350,000	300,000	825,000
Net Interest Income After Provision for Loan Losses	2,669,304	2,319,900	7,873,519	7,318,389
Other Income	1,787,670	1,320,998	5,053,379	3,162,459
Other Expense	2,636,533	2,506,222	7,914,399	7,230,080
Net Income Before Federal Income Tax	1,820,441	1,134,676	5,012,499	3,250,768
Federal Income Tax	379,000	240,500	1,043,000	689,900
Net Income Available to Common Shareholders	<u>\$ 1,441,441</u>	<u>\$ 894,176</u>	<u>\$ 3,969,499</u>	<u>\$ 2,560,868</u>

PERFORMANCE RATIOS

	<u>9/30/2021</u>	<u>12/31/2020</u>	<u>9/30/2020</u>
Return on Average Assets - YTD	1.17%	0.94%	0.90%
Return on Average Equity - YTD	15.13%	11.09%	11.09%
Independent Valuation Stock Price	\$ 21.55	\$ 20.80	\$ 20.80
Net Book Value per Share	\$ 20.97	\$ 18.92	\$ 18.35
Price to Book Value	1.03	1.10	1.13
Earnings per Share	\$ 2.26	\$ 2.10	\$ 1.48
Dividends paid per share	\$ 0.195	\$ 0.24	\$ 0.18



Bauer Financial, Inc.
A 4-Star Superior Rating denotes that 1st State Bank is among the strongest banks in the nation

Quarterly Highlights

Terry Niederstadt Retires from Board of Directors

At the October 21, Board of Director's meeting, Terry Niederstadt was honored with the title of Director Emeritus. Terry was recognized for his contribution to 1st State Bank as the founding President and CEO and for his continued leadership and support as a Director.

In 2003, Terry worked to secure 1st State Bank's charter and began formation of the Bank. During this time Terry work alongside the Founding Directors to raise the capital to open 1st State Bank in April 2004. Terry held the position of President and CEO from 2004 until his retirement in 2007.

Terry thanked the Directors for the amazing opportunity to help form a locally owned, bank for businesses. Terry and his wife will be moving to Austin, Texas this fall to be close to family. We wish all life's best to Terry and his family.



1st State Bank voted Best Bank by Midland Daily News

We are thrilled to announce that 1st State Bank was voted Best Bank by the readers of the Midland Daily News for the Reader's Choice Awards! Thank you to our customers for voting, and to our employees for providing excellent customer service and expertise. Congratulations to Ali Ellis for being a finalist in the Best Mortgage Lender category!



Employee Changes

Please join us in welcoming the newest additions to the 1st State Bank staff

IlaMae Mahon – Deposit Operation Specialist

Melissa Rapp – Personal Banker

Caitlyn Spencer – Personal Banker

Shareholder Contact

Kevin Fraser

(989) 272-7585

KevinF@1stState.Bank

Ashley Swartz

(989) 272-7580

AshleyS@1stState.Bank

Events of Note

RUBY Award Nominations: Accepted through October 29

1st State Bank is Closed

Thanksgiving - Thursday, November 25

Christmas Eve - Friday, December 24 closed at 1:00 pm

Christmas Day - Saturday, December 25

OFFICE LOCATIONS



MAIN OFFICE

4800 Fashion Square Blvd.

Saginaw, MI 48604

989.799.7500



STATE STREET

5424 State Street

Saginaw, MI 48603

989.596.7500



DOWNTOWN BAY CITY

601 N. Madison Ave.

Bay City, MI 48708

989.322.7500



WILDER ROAD

3907 Wilder Road

Bay City, MI 48706

989.439.7500



DOWNTOWN MIDLAND

400 Ashman Street

Midland, MI 48640

989.492.7500

