



**4<sup>TH</sup> QUARTER**

**Board of Directors**

**Phillip L. List**  
Chairman of the Board

**James R. Milroy**  
President & CEO

**Richard O. Goedert**

**James J. Shinnars**

**Lynn R. Wolgast**

**Mitzi M. Dimitroff**

**Joseph R. Fabiano II**

**Michael L. Hanisko**

**Max D. Holman**

**Paul J. Barbeau**

**Carrie Mahar Kessel**

**Tim Hausbeck**



**Bauer Financial, Inc.**

A 4-Star Superior Rating denotes that 1<sup>st</sup> State Bank is among the strongest banks in the nation

**A Letter from the President**

To Our Shareholders,



2021 brought another year of unique challenges, unexpected opportunities and rewarding experiences. I am extremely proud of our staff and how they performed, and grateful for such a supportive Board of Directors. 1st State earned \$5.3 million in 2021, an increase of 45.1% over 2020, resulting in a Return on Average Equity of 14.8%. Income from Paycheck Protection Program (“PPP”) loans and residential mortgage origination activity drove these results.

Entering 2022, the pandemic continues. COVID along with rising inflation and increasing costs; workforce challenges; dramatically less PPP fee income and reduced mortgage activity; and a compressed net interest margin are anticipated to create a financially challenging year in 2022 compared to 2021.

Despite these challenges, we remain very optimistic about the longer term. Disruptions in the marketplace due to mergers and acquisitions are creating new customer and talent acquisition opportunities. 1st State Bank’s brand continues to strengthen, enhanced by our performance with PPP over the past two years. Prospects for somewhat higher interest rates and hopefully an end to the pandemic should provide a more normal operating environment. Our balance sheet is strong with adequate capital and loan loss reserves and our loan quality is good. We are well positioned both financially and organizationally for continued growth.

On January 20, 2022, your Board of Directors approved an increase to the quarterly cash dividend to \$.075 per share. This represents an increase of 15% over the previous quarter’s dividend and will be paid on February 15, 2022 to shareholders of record on February 4, 2022.

Thank you for your continued support. Referrals of others to 1st State Bank are greatly appreciated and contribute toward your investment in us.

Sincerely,

James Milroy  
President & CEO

**Financial Report**

**CONSOLIDATED BALANCE SHEETS (unaudited)**

	<u>12/31/2021</u>	<u>12/31/2020</u>
<b>Assets</b>		
Cash Equivalents and Investments	\$ 186,858,771	\$ 115,593,422
Loans, net of reserve for loan losses	244,219,793	273,526,315
Other assets	25,385,120	23,876,175
<b>Total Assets</b>	<b><u>\$ 456,463,684</u></b>	<b><u>\$ 412,995,912</u></b>
<b>Liabilities and Shareholders’ Equity</b>		
Deposits	\$ 402,435,713	\$ 360,461,410
Other Borrowings & Other Liabilities	16,088,542	19,351,293
<b>Total Liabilities</b>	<b>418,524,255</b>	<b>379,812,703</b>
<b>Total Shareholders’ Equity</b>	<b><u>37,939,429</u></b>	<b><u>33,183,209</u></b>
<b>Total Liabilities and Shareholders’ Equity</b>	<b><u>\$ 456,463,684</u></b>	<b><u>\$ 412,995,912</u></b>

**CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

	<u>THREE MONTHS ENDING</u>		<u>TWELVE MONTHS ENDING</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Net Interest Income	\$ 2,932,375	\$ 3,058,199	\$11,105,894	\$ 11,201,588
Provision for Loan Losses	0	775,000	300,000	1,600,000
Net Interest Income After Provision for Loan Losses	2,932,375	2,283,199	10,805,894	9,601,588
Other Income	1,730,594	2,000,111	6,783,972	5,162,570
Other Expense	<u>3,000,789</u>	<u>2,906,178</u>	<u>10,915,187</u>	<u>10,136,258</u>
Net Income Before Federal Income Tax	1,662,180	1,377,132	6,674,679	4,627,900
Federal Income Tax	342,100	291,500	1,385,100	981,400
Net Income Available to Common Shareholders	<b><u>\$ 1,320,080</u></b>	<b><u>\$ 1,085,632</u></b>	<b><u>\$ 5,289,579</u></b>	<b><u>\$ 3,646,500</u></b>

**PERFORMANCE RATIOS**

	<u>12/30/2021</u>	<u>12/31/2020</u>
Return on Average Assets - YTD	1.16%	0.94%
Return on Average Equity - YTD	14.84%	11.09%
Independent Valuation Stock Price	\$ 22.00	\$ 20.80
Net Book Value per Share	\$ 21.38	\$ 18.92
Price to Book Value	1.03	1.10
Earnings per Share	\$ 3.00	\$ 2.10
Dividends paid per share	\$ 0.26	\$ 0.24

# Quarterly Highlights

## Laura B. Yockey Joins 1st State Bank



1st State Bank welcomes Laura B. Yockey as Senior Vice President, Business Lending Manager. Yockey has had a notable career as a business lender in the Saginaw area for many years. Most recently she was a Group Manager with Chemical Bank and then served as Market Manager and Great Lakes Bay Region Community President for Huntington Bank. Laura began her banking career at Michigan National Bank. Yockey is currently serving as Board Chair for the Saginaw Community Foundation. She also serves on the Board of Saginaw Promise and is a member of the Saginaw Valley State University Board of Fellows. She is a Past Board Chair of the Saginaw County Chamber of Commerce and of Junior Achievement of North Central Michigan.



## Amy Grochowski Promoted to Branch Manager

Amy Grochowski has been promoted to Branch Manager of 1st State Bank's Wilder Road Branch in Bay City. Grochowski joined 1st State Bank in 2016 as a Personal Banker. She has over 20 years of customer service experience.

## 1st State Bank Welcomes Keith Wenzel



Keith Wenzel has joined 1st State Bank as the Main Office Branch Manager in Saginaw. Wenzel has over 30 years of banking and branch management experience, most recently with Huntington Bank. In addition to his work experience, Keith is a 2004 graduate of the Richard M. Perry School of Banking. Wenzel has been involved over his banking career with several community focused organizations, and currently serves as a Board Member for the Saginaw Township Business Association and an Ambassador for the Saginaw County Chamber of Commerce.

## Put CASHBACK in Your Pocket

Points you earn on the 1<sup>st</sup> State Bank Business Charge Card can be redeemed for cash rewards! Points can also be redeemed for name-brand merchandise or travel rewards.

Ask your banker how you can apply for a 1<sup>st</sup> State Bank Business Charge Card today! Visit [ScoreCardRewards.com](http://ScoreCardRewards.com) to redeem your points.

Points can be redeemed for a credit to your statement, travel, and merchandise. Minimum point redemption amount applies. You earn Cash Back Rewards on all qualifying net purchases. The following do not earn points: balance transfers, cash advances, convenience checks, fees, interest, ATM withdrawals and payments. Your account must be in good standing to earn and redeem points. Terms and conditions apply to awards purchased with points. Certain restrictions and fees apply to travel awards. Review the program's terms and conditions at [www.scorecardrewards.com](http://www.scorecardrewards.com) or call ScoreCard Customer Service at 1-800-854-0750. The program's rules can change at any time without notice. Void where prohibited or restricted by law.



## 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



## Shareholder Contact

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**Ashley Swartz**

(989) 272-7580

AshleyS@1stState.Bank

## Events of Note

**1st State Bank is Closed  
President's Day - February 21**

**April 12 - 18th Anniversary of 1st State Bank**