



**1ST 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**

**A Letter from the President**

To Our Shareholders,



Net income for the first quarter totaled \$853,000, producing a Return on Average Equity of 9.25% and exceeding our internal profit plan. The Bank's balance sheet grew nicely, as growth in deposit balances from existing customers along with new customer acquisition combined to increase total deposits \$14.7 million from year-end. Fortunately, this growth was in transaction accounts, keeping the Bank's overall cost of funds low. Loan growth was also strong in the first quarter. Business loans (absent Paycheck Protection Program loans or "PPP" loans) increased by over \$22 million or 10% during the first quarter through both new originations as well as greater use of business lines of credit.

Comparing to the first quarter of 2021, net income was down 39%. Reduced fee income was the primary cause for the decline in earnings as PPP fee income decreased \$410,000 from last year and mortgage loan origination income declined \$234,000. While rising interest rates will positively impact the Bank's net interest margin over time, increased rates in the short-term negatively impact residential mortgage origination volume. In addition, total overhead expense increased 13% over the first quarter in 2021 due primarily to personnel costs and technology related expenses. While a challenging employment environment, the Bank successfully added experienced talent to facilitate future growth opportunities. In addition, the Bank is repositioning its technology framework throughout 2022, resulting in a rise in technology costs this year.

On April 21, 2022, your Board of Directors approved a quarterly cash dividend of \$.075 per share, unchanged from the prior quarter. 1st State Financial will pay dividends on May 18 to shareholders of record on May 6, 2022. As always, we thank you for your continued support.

Sincerely,

James Milroy  
President & CEO

**Financial Report**

**CONSOLIDATED BALANCE SHEETS (unaudited)**

<u>Assets</u>	<u>3/31/2022</u>	<u>12/31/2021</u>	<u>3/31/2021</u>
Cash Equivalents and Investments	\$ 187,911,726	\$ 186,858,771	\$ 152,499,882
Loans, net of reserve for loan losses	254,992,309	244,219,793	282,026,052
Other assets	<u>26,242,668</u>	<u>25,385,120</u>	<u>23,901,292</u>
<b>Total Assets</b>	<b><u>\$ 469,146,703</u></b>	<b><u>\$ 456,463,684</u></b>	<b><u>\$ 458,427,226</u></b>
<b><u>Liabilities and Shareholders' Equity</u></b>			
Deposits	\$ 417,114,943	\$ 402,435,063	\$ 402,175,382
Other Borrowings & Other Liabilities	15,465,154	16,088,542	21,898,300
<b>Total Liabilities</b>	<b>432,580,097</b>	<b>\$ 418,523,605</b>	<b>424,073,682</b>
<b>Total Shareholders' Equity</b>	<b><u>36,566,606</u></b>	<b><u>37,940,079</u></b>	<b><u>34,353,544</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$ 469,146,703</u></b>	<b><u>\$ 456,463,684</u></b>	<b><u>\$ 458,427,226</u></b>

**CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

	<b>THREE MONTHS ENDING</b>	
	<u>3/31/2022</u>	<u>3/31/2021</u>
<b>Net Interest Income</b>	<b>\$ 2,882,179</b>	<b>\$ 2,741,332</b>
Provision for Loan Losses	0	250,000
<b>Net Interest Income After Provision for Loan Losses</b>	<b>2,882,179</b>	<b>2,491,332</b>
<b>Other Income</b>	<b>1,034,530</b>	<b>1,801,439</b>
<b>Other Expense</b>	<b><u>2,843,390</u></b>	<b><u>2,518,486</u></b>
<b>Net Income Before Federal Income Tax</b>	<b>1,073,319</b>	<b>1,774,285</b>
Federal Income Tax	220,800	369,800
<b>Net Income Available to Common Shareholders</b>	<b><u>\$ 852,519</u></b>	<b><u>\$ 1,404,485</u></b>

**PERFORMANCE RATIOS**

	<u>3/31/2022</u>	<u>12/31/2021</u>	<u>3/31/2021</u>
Return on Average Assets - YTD	0.74%	1.16%	1.29%
Return on Average Equity - YTD	9.25%	14.84%	16.95%
Independent Valuation Stock Price	\$ 22.15	\$ 22.00	\$ 20.80
Net Book Value per Share	\$ 20.54	\$ 21.38	\$ 19.54
Price to Book Value	1.08	1.03	1.06
Earnings per Share	\$ 0.48	\$ 3.00	\$ 0.80
Dividends paid per share	\$ 0.075	\$ 0.260	\$ 0.065



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

# Quarterly Highlights

## 17th Annual RUBY Award

This year 1st State Bank hosted a digital event to celebrate the 17th Annual RUBY Award. The event was streamed on the RUBY Award Facebook page and is still available to view. The event honored 10 incredible young professionals in the Great Lakes Bay Region.

Jennifer Chappel – Midland County Habitat for Humanity  
Paddy Hobohm – SPACE, Inc.  
Kati Krueger – Yeo & Yeo Medical Billing & Consulting  
Benjamin Marsh – Creation Coffee  
Ty Mier – Garber Management Group  
Smirti Pant – Great Lakes Bay Health Centers/ Saginaw Valley State University  
Jacob Spence – Creation Coffee  
Scott Staszak – Game Changer Pediatric Therapy Services  
Jeff Stoutenburg – Dow  
Lisa Thompson – Self Love Beauty



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## 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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## Events of Note

**1st State Bank is Closed  
Memorial Day - May 30**

