

4TH QUARTER

Board of Directors

Phillip List
Chairman of the Board

James Milroy
President & CEO

Richard Goedert

Lynn Wolgast

Mitzi Dimitroff

Joseph Fabiano II

Michael Hanisko

Max Holman

Paul Barbeau

Carrie Mahar Kessel

Tim Hausbeck

Kip Northrup

Alan Gurski

Thomas Basil



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

A Letter from the President

To Our Shareholders,



I am pleased to report 2022 was another successful year for 1st State Bank. Our reputation as “the bank for business” continued to grow as our experienced team of bankers capitalized on the changing financial services landscape by providing service in ways valued by the business community. As a result, we were able to grow total loans by approximately 10% or \$23 million year-over-year. In addition, total deposits increased 6% or \$24 million in 2022, almost entirely in core relationship non-interest and interest-bearing demand deposit balances.

Net income for 2022 was \$4.4 million, producing a Return on Average Assets of .92% and a Return on Average Equity of 12.0%. Significant growth in net interest income helped to offset a decline in mortgage origination income, PPP fee income as well as increased expenses related to information technology services.

2022 was a successful year for your investment in 1st State Bank. Our independent stock valuation price increased from \$22.00 on December 31, 2021, to \$24.05 on December 31, 2022. Combining cash dividends of \$.30 per share this year, your investment produced a 10.7% return during a period of very challenging returns elsewhere in the market.

On January 19, 2023, your Board of Directors approved an increase to our quarterly cash dividend to \$.08 per share to be paid on February 22 to shareholders of record on February 10, 2023.

More detail about this year’s performance will be provided in our 2022 Annual Report. As always, we appreciate your support of 1st State Bank.

Sincerely,

James Milroy
President & CEO

Financial Report

CONSOLIDATED BALANCE SHEETS (unaudited)

<u>Assets</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Cash Equivalents and Investments	\$ 182,946,849	\$ 186,858,771
Loans, net of reserve for loan losses	267,471,049	244,219,793
Other assets	28,774,319	25,385,120
Total Assets	\$ 479,192,217	\$ 456,463,684
<u>Liabilities and Shareholders' Equity</u>		
Deposits	\$ 426,290,500	\$ 402,435,063
Other Borrowings & Other Liabilities	15,702,771	16,088,542
Total Liabilities	\$ 441,993,271	418,523,605
Total Shareholders' Equity	37,198,946	37,940,079
Total Liabilities and Shareholders' Equity	\$ 479,192,217	\$ 456,463,684

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	<u>THREE MONTHS ENDING</u>		<u>TWELVE MONTHS ENDING</u>	
	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Net Interest Income	\$ 4,187,468	\$ 2,932,375	\$14,365,485	\$ 11,105,894
Provision for Loan Losses	0	0	0	300,000
Net Interest Income After Provision for Loan Losses	4,187,468	2,932,375	14,365,485	10,805,894
Other Income	633,869	1,730,594	3,348,827	6,783,972
Other Expense	3,458,303	3,000,139	12,174,923	10,914,537
Net Income Before Federal Income Tax	1,363,034	1,662,830	5,539,389	6,675,329
Federal Income Tax	285,000	342,100	1,144,100	1,385,100
Net Income Available to Common Shareholders	<u>\$ 1,078,034</u>	<u>\$ 1,320,730</u>	<u>\$ 4,395,289</u>	<u>\$5,290,229</u>

PERFORMANCE RATIOS

	<u>12/31/2022</u>	<u>12/31/2021</u>
Return on Average Assets - YTD	0.92%	1.16%
Return on Average Equity - YTD	12.00%	14.84%
Independent Valuation Stock Price	\$ 24.05	\$ 22.00
Net Book Value per Share	\$ 20.83	\$ 21.38
Price to Book Value	1.15	1.03
Earnings per Share	\$ 2.46	\$ 3.00
Dividends paid per share	\$ 0.300	\$ 0.260

Quarterly Highlights

You're Invited to the 18th Annual RUBY Award



Tuesday, February 28, 2023

Apple Mountain Conference Center

Cocktails 5:00pm • Dinner Served 5:45pm • Award Celebration 6:15pm

Tickets \$60 per person

Join the Celebration! RSVP at www.1stState.Bank/RUBYAward

Jake Shiners Retires from Board of Directors



At the December 2022 Board of Director's meeting, Jake Shiners was honored with the title of Director Emeritus. Jake was instrumental in the formation of 1st State Bank, helping to attain regulatory approval and raising the initial capital needed to open the Bank's doors in 2004. Jake served as a Board Member since its inception, participating in numerous Board Committees, providing ongoing counsel, guidance, and assistance to Bank staff in countless ways. We wish all of life's best to Jake and his family and thank him for contributions to the Bank's success.

Tom Basil Joins 1st State Bank Board of Directors



1st State Bank is proud to welcome Tom A. Basil to our Board of Directors. Basil is a partner and managing attorney at Shiners & Cook, a law firm based in the Great Lakes Bay Region. For the past thirty years, he has focused his efforts on assisting clients with business transactions, real estate purchases, mergers, and acquisitions.

He is a member of the Michigan, Wisconsin, and Saginaw Bar Associations and is a licensed real estate broker. Basil is a Board Member of the Kochville Township Downtown Development Authority, 100 Club of Saginaw, the Hartley Foundation, and the Saginaw County Chamber of Commerce. He is also a graduate of the Saginaw County Chamber of Commerce Leadership Saginaw program.

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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Jennifer Ciesla

(989) 272-7507

JenniferC@1stState.Bank

Events of Note

1st State Bank is Closed

President's Day - February 20

April 12 - Happy 19th Anniversary of 1st State Bank

