

1ST 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,



2023 is off to a strong start. Net income for the 1st quarter totaled \$1,324,000, a 55% increase over the \$853,000 earned the same period in 2022. Business loan growth, combined with a significantly improved net interest margin, produced an increase in net interest income of \$1.2 million, year over year. As mentioned in previous letters, our balance sheet was well positioned for rising interest rates, and we see the benefit of that today.

Much has been in the news regarding the Silicon Valley Bank and Signature Bank failures in March and the so-called banking crisis. We believe these failures are isolated due to their unique circumstances. However, these failures certainly raised scrutiny of bank balance sheets industry wide.

As for 1st State Bank, we believe the Bank is well positioned from a liquidity standpoint. We have a diverse mix of deposit customers; an investment portfolio with a short duration period of 2.5 years; over 12% of our assets are held in cash; we have access to several alternative funding sources; our capital reserves are well in excess of regulatory minimums; and we are producing strong profits. For these reasons, we believe our customers' deposits are as secure today as they were last month, last year and since their initial deposit.

On April 20, 2023, your Board of Directors approved a quarterly cash dividend of \$.08 per share to be paid on May 17 to shareholders of record on May 8, 2023.

As always, we appreciate your support of 1st State Bank.

Sincerely,
James Milroy
President & CEO

Financial Report

CONSOLIDATED BALANCE SHEETS (unaudited)

	<u>3/31/2023</u>	<u>12/31/2022</u>	<u>3/31/2022</u>
Assets			
Cash Equivalents and Investments	\$166,321,447	\$ 182,946,849	\$ 167,911,726
Loans, net of reserve for loan losses	278,032,328	267,471,049	254,992,309
Other assets	28,587,909	28,774,319	26,242,668
Total Assets	\$472,941,684	\$ 479,192,217	\$469,146,703
Liabilities and Shareholders' Equity			
Deposits	\$423,036,536	\$ 426,290,500	\$ 417,114,943
Other Borrowings & Other Liabilities	\$10,763,463	15,702,771	15,465,154
Total Liabilities	\$433,799,999	\$ 441,993,271	432,580,097
Total Shareholders' Equity	\$39,141,685	37,198,946	36,566,606
Total Liabilities and Shareholders' Equity	\$472,941,684	\$ 479,192,217	\$ 469,146,703

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	<u>THREE MONTHS ENDING</u>	
	<u>3/31/2023</u>	<u>3/31/2022</u>
Net Interest Income	\$ 4,089,623	\$ 2,882,179
Provision for Loan Losses	0	0
Net Interest Income After Provision for Loan Losses	4,089,623	2,882,179
Other Income	608,464	1,034,530
Other Expense	3,034,764	2,843,390
Net Income Before Federal Income Tax	1,663,323	1,073,319
Federal Income Tax	339,800	220,800
Net Income Available to Common Shareholders	\$ 1,323,523	\$ 852,519

PERFORMANCE RATIOS

	<u>3/31/2023</u>	<u>12/31/2022</u>	<u>3/31/2022</u>
Return on Average Assets - YTD	1.13%	0.92%	0.74%
Return on Average Equity - YTD	14.14%	12.00%	9.25%
Independent Valuation Stock Price	\$ 24.05	\$ 24.05	\$ 22.15
Net Book Value per Share	\$ 21.86	\$ 20.83	\$20.54
Price to Book Value	1.10	1.15	1.08
Earnings per Share	\$0.74	\$ 2.46	\$ 0.48
Dividends paid per share	\$0.080	\$ 0.300	\$ 0.075

Quarterly Highlights

18th Annual RUBY Award Recipients

Daniel Buzzell – Ace Hardware & Sports
Aneasha Gogineni – Saginaw Valley State University
Stephanie LaPointe – OptumRx
Bethany Law – Northern Michigan Alliance for Children & Modern Realty
Patrick McElgunn – Grove Tea Lounge
Keith McIntyre – McIntyre Cabinets
Lindsay McNalley-Kerry – McNalley Office Service
Kevin Parker – Artigiano, Artisan Cheese Shoppe
Adam Pfenninger – Nexteer Automotive



1st State Bank Staff Update

1st State Bank's Downtown Midland location has been managed by Meleah Retzloff since opening in October 2018. Retzloff, who has 20 years of banking experience and specializes in Business Banking, has been promoted to Customer Engagement Officer. In this role, she will lead business development activities in the Midland community and support service enhancements across the Bank business segment. Meleah serves as a board member of the Midland Downtown Business Association, is an Ambassador for Associated Builders and Contractors, and is a Leadership Midland Alumni Association Board Member and current Secretary.

Carl Ahearn Joins 1st State Bank

1st State Bank welcomes Carl Ahearn as Branch Manager of its Downtown Midland Branch. In this role, he will serve Bank customer needs and manage the daily operations of 1st State Bank's Midland Branch. Ahearn has had a notable career in banking in the Midland area and has over 40 years of branch experience. He is also a graduate of the Michigan Banker's Association Perry School of Banking. Carl is a past board member of Big Brothers Big Sisters of the Great Lakes Bay Region and is currently participating in Leadership Midland.

Rockin' the River Concert Series

We are proud to announce that 1st State Bank will be a title sponsor for the Bay City Rockin' the River Concert Series! This concert series brings national live music to Wenonah Park in Bay City, and hosts thousands of audience members at each event. The Rockin the River Concert Series shines a bright light on the Great Lakes Bay Region and provides a significant economic impact to Bay City's business community.



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

Matt Foster

(989) 272-7580

MatthewF@1stState.Bank

Jennifer Ciesla

(989) 272-7507

JenniferC@1stState.Bank

Events of Note

1st State Bank is Closed

Memorial Day - May 29

Juneteenth - June 19 (Community Volunteer Day)

