



**3<sup>RD</sup> QUARTER**

**Board of Directors**

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

**James R. Milroy**  
President & CEO

**Richard O. Goedert**

**Mitzi M. Dimitroff**

**Joseph R. Fabiano II**

**Michael L. Hanisko**

**Max D. Holman**

**Paul J. Barbeau**

**Carrie Mahar Kessel**

**Tim Hausbeck**

**Kip Northrup**

**Alan Gurski**

**Thomas Basil**



**Bauer Financial, Inc.**  
A 5-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,



I am pleased to share that the Board of Directors has appointed Todd Gregory, Executive Vice President, and Chief Lending Officer to be 1<sup>st</sup> State Bank's next President & CEO. This transition will be effective July 1, 2024, as I retire from my role the same day. The smooth transition of leadership from one CEO to the next is critical to our continued success and mission of helping the businesses of the Great Lakes Bay Region succeed. I am pleased and confident that Todd, along with the support of myself, our Board, and staff, will produce a successful transition over the next eight months. Please see the reverse side of the newsletter for a copy of the press release being provided to the public shortly.

I am also pleased to report on our 2023 financial performance. Net income for the 3rd quarter totaled \$1,764,000 producing a Return on Average Assets of 1.46%, both excellent results. Growth in net interest income, controlled expenses along with zero loan loss expense resulted in a strong quarter. Year to date, net income stands at \$4,314,000, an increase of 30% over the prior year, again driven by growth in net interest income. Return on Average Assets for the year stands at 1.21%.

On October 19, 2023, your Board of Directors approved a quarterly cash dividend of \$.08 per share to be paid on November 21, 2023, to shareholders of record on November 10, 2023.

As a reminder, if you would like to receive shareholder communications via email, please contact Jennifer Ciesla at JenniferC@1ststate.bank or 989.275.7507.

As always, we appreciate your support of 1<sup>st</sup> State Bank.

Sincerely,

James Milroy  
President & CEO

**Financial Report**

**CONSOLIDATED BALANCE SHEETS (unaudited)**

<u>Assets</u>	<u>9/30/2023</u>	<u>12/31/2022</u>	<u>9/30/2022</u>
Cash Equivalents and Investments	\$ 171,926,934	\$ 182,946,849	\$ 203,023,756
Loans, net of reserve for loan losses	278,068,292	267,471,049	257,686,230
Other assets	29,115,482	28,774,319	29,029,295
<b>Total Assets</b>	<b>\$ 479,110,708</b>	<b>\$ 479,192,217</b>	<b>\$ 489,739,281</b>
<b>Liabilities and Shareholders' Equity</b>			
Deposits	\$ 427,963,726	\$ 426,290,500	\$ 436,233,708
Other Borrowings & Other Liabilities	10,013,436	15,702,771	17,468,072
<b>Total Liabilities</b>	<b>437,977,162</b>	<b>\$ 441,993,271</b>	<b>453,701,780</b>
<b>Total Shareholders' Equity</b>	<b>41,133,546</b>	<b>37,198,946</b>	<b>36,037,501</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 479,110,708</b>	<b>\$ 479,192,217</b>	<b>\$ 489,739,281</b>

**CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

	<u>THREE MONTHS ENDING</u>		<u>NINE MONTHS ENDING</u>	
	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2023</u>	<u>9/30/2022</u>
Net Interest Income	\$ 4,451,976	\$ 3,979,507	\$12,629,406	\$ 10,178,017
Provision for Loan Losses	0	0	150,000	0
Net Interest Income After Provision for Loan Losses	4,451,976	3,979,507	12,479,406	10,178,017
Other Income	715,050	796,892	1,986,369	2,714,958
Other Expense	2,942,391	3,027,620	9,035,309	8,716,619
Net Income Before Federal Income Tax	2,224,635	1,748,779	5,430,466	4,176,356
Federal Income Tax	460,300	359,300	1,116,800	859,100
Net Income Available to Common Shareholders	<u>\$ 1,764,335</u>	<u>\$ 1,389,479</u>	<u>\$ 4,313,666</u>	<u>\$3,317,256</u>

**PERFORMANCE RATIOS**

	<u>9/30/2023</u>	<u>12/31/2022</u>	<u>9/30/2022</u>
Return on Average Assets - YTD	1.21%	0.92%	0.94%
Return on Average Equity - YTD	14.67%	12.00%	12.08%
Independent Valuation Stock Price	\$ 24.80	\$ 24.05	\$ 23.05
Net Book Value per Share	\$ 22.85	\$ 20.83	\$ 20.11
Price to Book Value	1.09	1.15	1.15
Earnings per Share	\$ 2.40	\$ 2.46	\$ 1.86
Dividends paid per share	\$ 0.24	\$ 0.30	\$ 0.23

# Quarterly Highlights

## Todd C. Gregory to Become President & CEO of 1<sup>st</sup> State Bank; Milroy to Retire



The Board of Directors of 1<sup>st</sup> State Bank is pleased to announce the appointment of Todd C. Gregory as the bank's new President & CEO, effective July 2024. The appointment is part of a planned succession of current President & CEO, James R. (Jim) Milroy, who is retiring on July 1, 2024. Milroy will continue to serve on the Board of Directors of 1<sup>st</sup> State Bank.

As a part of this plan, the Board is also pleased to announce Gregory's appointment to the Board of Directors of 1<sup>st</sup> State Bank, effective immediately.

Todd Gregory joined 1<sup>st</sup> State Bank in 2017 as Senior Vice President, Business Lending Manager and was promoted to Executive Vice President, Chief Lending Officer in 2020. In addition to his duties as Chief Lending Officer, Gregory oversees various functions within the bank including branch administration, mortgage origination, public funds, and marketing.

Prior to joining 1<sup>st</sup> State Bank, Gregory had 20 years of banking experience, serving as Business Banking Manager and Saginaw Community President for Huntington Bank, as well as their Community President in Gaylord, Michigan. He began his banking career with Fort Wayne National Bank.

"We are fortunate to have someone with Todd's talent and experience. Since our opening in 2004, we have been able to promote our CEO's from within. From Rick Goedert to Jim Milroy and now to Todd Gregory, having a smooth and orderly transition of leadership to individuals that know our bank and culture has been a tremendous benefit to our employees, customers, shareholders, and the business community" stated Phil List, 1<sup>st</sup> State Bank's Board Chair.

Todd Gregory holds a Bachelor of Science degree in Finance from Central Michigan University. He is also a graduate of the Stonier Graduate School of Banking. Committed to the Great Lakes Bay Region, Todd serves as Vice Chair of the Saginaw Community Foundation, and board member of Bay Future Inc. and the Saginaw Downtown Development Authority. He has previously served as Board Chair of the Saginaw County Chamber of Commerce, board member of Ascension Health Mid-Michigan and on the Investment Committee of Saginaw Catholic Diocese.

Gregory and his wife Anne reside in Saginaw Township and have two adult children, Allyson, and Christopher.

## Cybersecurity Awareness Month - Banks Never Ask That

Throughout the month of October, 1<sup>st</sup> State Bank joined the American Bankers Association to promote a social media campaign educating consumers about the persistent threat of phishing scams. The FTC estimates that consumers lost \$8.8 billion to phishing and other fraud in 2022, an increase of 44% compared to 2021.

To combat phishing, the #BanksNeverAskThat campaign uses attention-grabbing humor and other engaging content to empower customers to identify fake bank communications asking for sensitive information like their passwords and social security numbers. Learn more about this important topic at [BanksNeverAskThat.com](https://BanksNeverAskThat.com).



## 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](mailto:JenniferC@1stState.Bank)

## Events of Note

**1st State Bank is Closed**

**Thanksgiving - Thursday, November 23**

**Christmas - Monday, December 25**

**New Year's - Monday, January 1**

