



4TH 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 Jr.

Todd Gregory

A Letter from the President

To Our Shareholders,



Net income for 2023 was \$5.3 million, an increase of \$.9 million or 20% over last year. This performance produced a Return on Average Assets of 1.10% and a Return on Average Equity of 13.19%, both strong measures. Increased net interest income combined with flat overhead expense fueled the results, offsetting reduced other income and increased provision for loan loss expense.

While the Bank's loan and asset quality indicators remain strong, \$275,000 of provision for loan losses was expensed this year. The Bank adopted new required accounting standards for the Allowance for loan losses in 2023, which are more forward-looking, creating greater fluctuation in provision expense each reporting period depending on current economic outlook along with growth in loans.

While rising rates were a catalyst to our financial performance in 2023, they did present their own set of challenges. Higher rates caused some customers to seek alternate investments or pay down existing credit. Despite these challenges, 1st State Bank experienced a strong year of organic growth in both new and expanded deposit relationships as well as new business loan originations. 2024 will bring its own set of challenges, but I believe our experienced bankers and the value they bring to the market will continue to create new 1st State Bank customers.

On January 18, 2024, your Board of Directors approved a quarterly cash dividend of \$.095 per share, an increase of 19% from the previous quarterly dividend of \$.08 per share. The dividend will be paid on February 20, 2024, to shareholders of record on February 9, 2024.

More detail about this year's performance will be provided in our 2023 Annual Report. As always, we appreciate your support of 1st State Bank.

Sincerely,
James Milroy

Financial Report

CONSOLIDATED BALANCE SHEETS (unaudited)

<u>Assets</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
Cash Equivalents and Investments	\$ 179,428,935	\$ 182,946,849
Loans, net of reserve for loan losses	274,440,120	267,471,049
Other assets	<u>28,686,305</u>	<u>28,774,319</u>
Total Assets	<u>\$ 482,555,360</u>	<u>\$ 479,192,217</u>
Liabilities and Shareholders' Equity		
Deposits	\$ 428,147,940	\$ 426,290,500
Other Borrowings & Other Liabilities	10,437,232	15,702,771
Total Liabilities	<u>\$ 438,585,172</u>	<u>441,993,271</u>
Total Shareholders' Equity	<u>43,970,188</u>	<u>37,198,946</u>
Total Liabilities and Shareholders' Equity	<u>\$ 482,555,360</u>	<u>\$ 479,192,217</u>

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	<u>THREE MONTHS ENDING</u>		<u>TWELVE MONTHS ENDING</u>	
	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
Net Interest Income	\$ 4,162,465	\$ 4,187,468	\$16,791,871	\$ 14,365,485
Provision for Loan Losses	125,000	0	275,000	0
Net Interest Income After Provision for Loan Losses	<u>4,037,465</u>	<u>4,187,468</u>	<u>16,516,871</u>	<u>14,365,485</u>
Other Income	317,713	633,869	2,304,082	3,348,827
Other Expense	<u>3,131,736</u>	<u>3,458,303</u>	<u>12,167,045</u>	<u>12,174,923</u>
Net Income Before Federal Income Tax	<u>1,223,442</u>	<u>1,363,034</u>	<u>6,653,908</u>	<u>5,539,389</u>
Federal Income Tax	244,100	285,000	1,360,900	1,144,100
Net Income Available to Common Shareholders	<u>\$ 979,342</u>	<u>\$ 1,078,034</u>	<u>\$ 5,293,008</u>	<u>\$4,395,289</u>

PERFORMANCE RATIOS

	<u>12/31/2023</u>	<u>12/31/2022</u>
Return on Average Assets - YTD	1.10%	0.92%
Return on Average Equity - YTD	13.19%	12.00%
Independent Valuation Stock Price	\$ 25.95	\$ 24.05
Net Book Value per Share	\$ 24.37	\$ 20.83
Price to Book Value	1.06	1.15
Earnings per Share	\$ 2.95	\$ 2.46
Dividends paid per share	\$ 0.32	\$ 0.30



Bauer Financial, Inc.

A 5-Star Superior Rating denotes that 1st State Bank is among the strongest banks in the nation

Quarterly Highlights

You're Invited to the 19th Annual RUBY Award



Tuesday, February 27, 2024

Apple Mountain Conference Center

Cocktails 5:00pm • Dinner Served 5:45pm • Award Celebration 6:25pm

Tickets \$60 per person

RSVP at www.1stState.Bank/RUBYAward

Employee Spotlight

In 2023, the employees at 1st State Bank donated over \$8,000 to organizations throughout the Great Lakes Bay Region. This contribution reached diverse causes, including animal rescues, rescue missions, classroom sponsorships, and mental health programs.

In December, 1st State Bank employees extended the spirit of giving to three families across the Great Lakes Bay Region. The Bank's Employee Activity Committee collaborated with local women's and homeless shelters to coordinate and provide gifts for these families.



BRANCH 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 - Monday, February 19

20th Anniversary of 1st State Bank - April 12