



NEWSLETTER

Your Bank For Business

1ST QUARTER

Board of Directors

Michael D. Bierlein

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Joseph R. Fabiano II

Richard O. Goedert

David M. Hall

Michael L. Hanisko

Scott L. Holman

Phillip L. List

Terry R. Niederstadt

James J. Shiners

Lynn R. Wolgast

Richard T. Watson

Director Emeritus

A Letter from the President

To Our Shareholders,



1st State Bank had a very strong start to 2017. After eight years of historically low interest rates, the Federal Reserve is beginning the process toward normalization. There have been two rate increases during the last three months. These moves provided an improvement in the Bank's net interest margin, which provided the majority of our increase in year-over-year net income. We are proud of our accomplishments and look forward to continued growth.

On April 12, 1st State Bank celebrated thirteen years in business. We have grown significantly since the day we opened. We had 9 employees that first day; now we employ 55 people. We have experienced positive change through our growth and that positive change will continue. 1st State Bank is solidly profitable with a great reputation in the community. We remain focused and committed to our original goal, to provide high quality banking services to the business community in the Great Lakes Bay Region.

1st State Financial will be paying our second quarterly dividend in May. If you have not enrolled in the Dividend Reinvestment Plan for the first dividend please consider doing so this quarter. Contact me if you have any questions. Thank you for your ongoing support.

Sincerely,

Financial Report

CONSOLIDATED BALANCE SHEETS (unaudited)

<u>Assets</u>	<u>03/31/2017</u>	<u>12/31/2016</u>	<u>3/31/2016</u>
Cash and cash equivalents	\$ 36,944,229	\$ 29,933,235	\$ 40,893,962
Investments	12,229,896	13,321,494	15,779,627
Loans, net of reserve for loan losses	170,664,172	168,445,654	158,433,751
Other assets	14,589,971	14,643,840	11,451,694
Total Assets	\$ 234,428,268	\$ 226,344,223	\$ 226,559,035
<u>Liabilities and Shareholder Equity</u>			
Deposits	\$ 195,789,944	\$ 192,516,497	\$ 193,696,303
FHLB and other borrowings	15,500,000	11,000,000	11,500,000
Other liabilities	1,476,776	1,718,399	1,462,279
Total Liabilities	212,766,720	205,234,896	206,658,583
Total Shareholders' Equity	21,661,548	21,109,327	19,900,452
Total Liabilities and Shareholders' Equity	\$ 234,428,268	\$ 226,344,223	\$ 226,559,035

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	<u>THREE MONTHS ENDING</u>	
	<u>03/31/2017</u>	<u>03/31/2016</u>
Interest Income		
Investments	\$ 98,315	\$ 99,926
Loans	2,078,907	1,921,878
Total Interest Income	2,177,222	2,021,804
Interest Expense		
Deposits	88,708	128,392
Other Borrowings	47,167	41,998
Total Interest Expense	135,875	170,390
Net Interest Income	2,041,347	1,851,414
Provision for Loan Losses	75,000	120,000
Net Interest Income After Provision for Loan Losses	1,966,347	1,731,414
Other Income	422,981	366,928
Other Expense	1,687,925	1,562,894
Net Income Before Federal Income Tax	701,403	535,448
Federal Income Tax Expense	239,100	183,100
Net Income Available to Common Shareholders	\$ 462,303	\$ 352,348



Bauer Financial, Inc.

A 4 Star Excellent Rating denotes that 1st State Bank is among the strongest banks in the nation

Quarterly Highlights

12th Annual RUBY Award Recipients

On February 28th a celebration dinner was held to Recognize the Upward Bright and Young of our community. Congratulations to the eleven recipients of the 12th Annual RUBY Award.

Jill Allardyce - Saginaw Valley State University
Kyle Bandlow - The Dow Chemical Company
Carrie Burdzinski - Delta College
Matt Campbell - Select Specialty Hospital
Nathan Collison - Saginaw County Prosecutor's Office
Peter Gudritz - The Dow Chemical Company
Connie Kennedy - Bay City Public Schools
Patrice Lanczak - Covenant Healthcare
Eric Maher - St. Mary's of Michigan - Ascension
Rajani Muraleedharan - Saginaw Valley State University
Karen Palumbo - The Dow Chemical Company



Lori Martin Joins 1st State Bank



1st State Bank is pleased to announce that Lori Martin has joined its business lending staff as a Senior Vice President. Martin has specialized in business lending throughout her 28 year banking career. She is responsible for working with businesses and their owners in the Great Lakes Bay Region. Martin is an active member of our community; currently on the boards of Saginaw County Business & Education Partnership and Hidden Harvest. Lori Martin is a graduate of Northwood University and resides in Auburn.

Employee Changes

Please join us in welcoming the newest additions to our staff!

Celina Harrell-Christopher - Personal Banker
Mary Gantner - Loan Specialist
Emily Provenzano - Staff Accountant
Cynthia Holliday - Deposit Operations Specialist

Annual Shareholder's Meeting

The 1st State Financial Annual Shareholder's Meeting will be held on Wednesday, May 10th at 5:00 pm. This year the event will be held at 1st State Bank's Main Office in our newly renovated second floor conference room. Please be sure to mark your calendar and plan to attend this event for a recap of 2016 and a preview of things to come in 2017!

Customer Updates

1st State Bank will be working to provide new enhanced customer service offerings in 2017.

- **Bill Payment Services** - Personal online banking customers will have the ability to send people to people payments and pay bills through their Mobile Online Banking Application.
- **Debit Card Instant Issue** - Customer will be able to obtain a new or replacement debit card same day.
- **Account Statement Changes** - Account statements will have a new look, providing an improved and easy to view format.

OFFICE LOCATIONS



MAIN OFFICE

Anne Smith
Office Manager
4800 Fashion Square Blvd.
Saginaw, MI 48604
989-799-7500



STATE STREET

Becke Popour
Office Manager
5424 State Street
Saginaw, MI 48603
989-596-7500



DOWNTOWN BAY CITY

Dennis Dinauer
Office Manager
601 N. Madison Ave.
Bay City, MI 48708
989-322-7500



WILDER ROAD

Angy Dixon
Officer Manager
3907 Wilder Road
Bay City, MI 48706
989-439-7500



Shareholder Contact

Tiffany Kukla

(989) 272-7506

TiffanyK@1stStateBk.com

Events of Note

- **13th Annual Shareholder's Meeting - Wednesday, May 10th 5:00 pm, 1st State Bank Main Office, Second Floor**
- **Stevens Center for Family Business - Shepler's Mackinac Island Ferry Service - Thursday, May 11th 4:00 pm, Curtiss Hall, SVSU**
- **Holiday Banking Hours - Memorial Day Monday, May 29th & Independence Day Tuesday, July 4th**