



# NEWSLETTER

## Your Bank For Business

3<sup>RD</sup> QUARTER**Board of Directors**

Michael D. Bierlein

Mitzi M. Dimitroff

Joseph R. Fabiano II

Richard O. Goedert

Michael L. Hanisko

Scott L. Holman

Phillip L. List

James R. Milroy

Terry R. Niederstadt

James J. Shinnars

Lynn R. Wolgast

**A Letter from the President**

To Our Shareholders,



The Bank had another record quarter, earning over \$756,000. We are \$422,600 ahead of last year's earnings. The fourth quarter is shaping up to be strong as well. Three factors are contributing to the strong performance. The change in the corporate tax rate, the normalization of the interest rates by the Federal Reserve and solid growth of the balance sheet of over 8%.

After a great deal of planning, training, promotion and anticipation the Midland Office opened for business October 1<sup>st</sup>. Our long term plan of servicing all three counties has come to fruition. We are excited about the future opportunities.

Jim Milroy, Executive Vice President, and I have been working on the transition plan for my retirement next spring. Jim, with over 30 years of banking experience, including 11 years with 1<sup>st</sup> State Bank, has contributed greatly to our success. Our first step in the transition was in May when Jim was elected to the Board of Directors. We will be making a formal public announcement shortly after the first of the year. I will remain on the Board to help guide the Bank in the future.

On October 18<sup>th</sup>, your Board of Directors approved a quarterly cash dividend of \$0.04 per share, the same as last quarter. The dividend will be payable on November 20<sup>th</sup> to shareholders of record November 9<sup>th</sup>.

Sincerely,

**Financial Report****CONSOLIDATED BALANCE SHEETS (unaudited)**

<u>Assets</u>	<u>09/30/2018</u>	<u>12/31/2017</u>	<u>09/30/2017</u>
Cash and cash equivalents	\$ 60,647,189	\$ 57,460,096	\$ 51,650,780
Investments	7,345,752	8,560,457	10,324,306
Loans, net of reserve for loan losses	187,716,840	180,133,819	174,948,047
Other assets	16,405,745	14,499,828	14,749,037
<b>Total Assets</b>	<b>\$ 272,115,526</b>	<b>\$ 260,654,200</b>	<b>\$ 251,672,170</b>
<u>Liabilities and Shareholders' Equity</u>			
Deposits	\$ 227,521,598	\$ 217,523,011	\$ 207,753,127
FHLB and other borrowings	16,500,000	20,450,000	20,000,000
Other liabilities	2,051,872	1,188,873	1,180,016
<b>Total Liabilities</b>	<b>246,073,470</b>	<b>239,161,884</b>	<b>228,933,143</b>
<b>Total Shareholders' Equity</b>	<b>26,042,056</b>	<b>21,492,316</b>	<b>22,739,027</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 272,115,526</b>	<b>\$ 260,654,200</b>	<b>\$ 251,672,170</b>

**CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

	<u>THREE MONTHS ENDING</u>		<u>NINE MONTHS ENDING</u>	
	<u>09/30/2018</u>	<u>09/30/2017</u>	<u>09/30/2018</u>	<u>09/30/2017</u>
<b>Interest Income</b>				
Investments	\$ 292,140	\$ 161,234	\$ 736,011	\$ 379,216
Loans	2,560,632	2,250,066	7,266,650	6,501,166
<b>Total Interest Income</b>	<b>2,852,772</b>	<b>2,411,300</b>	<b>8,002,661</b>	<b>6,880,382</b>
<b>Interest Expense</b>				
Deposits	192,386	86,985	440,141	265,025
Other Borrowings	66,783	66,695	226,599	172,585
<b>Total Interest Expense</b>	<b>259,169</b>	<b>153,680</b>	<b>666,740</b>	<b>437,610</b>
<b>Net Interest Income</b>	<b>2,593,603</b>	<b>2,257,620</b>	<b>7,335,921</b>	<b>6,442,772</b>
Provision for Loan Losses	85,000	115,000	210,000	265,000
<b>Net Interest Income After Provision for Loan Losses</b>	<b>2,508,603</b>	<b>2,142,620</b>	<b>7,125,921</b>	<b>6,177,772</b>
<b>Other Income</b>	<b>572,963</b>	<b>516,451</b>	<b>1,503,792</b>	<b>1,448,225</b>
<b>Other Expense</b>	<b>2,123,101</b>	<b>1,793,292</b>	<b>6,109,185</b>	<b>5,248,069</b>
<b>Net Income Before Federal Income Tax</b>	<b>958,465</b>	<b>865,779</b>	<b>2,520,528</b>	<b>2,377,928</b>
Federal Income Tax Expense	201,900	296,500	531,600	811,600
<b>Net Income Available to Common Shareholders</b>	<b>\$ 756,565</b>	<b>\$ 569,279</b>	<b>\$ 1,988,928</b>	<b>\$ 1,566,328</b>



Bauer Financial, Inc.

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

# Quarterly Highlights



**We're Open for Business!**  
Stop by 400 Ashman to see our brand new office in Midland.

## 1<sup>st</sup> State Financial Stock Alerts

Would you like to be notified if there is 1<sup>st</sup> State Financial stock available for sale?

We are in the process of developing an email notification process to alert people when stock becomes available.

The email notification will include:

- Number of shares available
- Asking price from the seller
- Current third party valuation
- Most recent selling price
- Book value
- Timeline to reply
- Instructions on how to communicate your interest in a purchase

If there are requests totaling more than the number for shares for sale, the shares would be prorated to all parties.

If you are interested in receiving Stock Alerts, please respond to RickG@1stStateBk.com.

## Online Mortgage Center

1<sup>st</sup> State Bank has launched an online mortgage center. This platform includes information about our mortgage services, profiles of our four mortgage lenders, calculators and a online mortgage application. The Online Mortgage Center can be found under the Personal tab on 1stStateBk.com.



## Fraud Protection - Positive Pay

Combat check and ACH fraud on your business checking account with Positive Pay! This browser-based system ensures that funds are not released from your checking account unless specific information on each check presented for payment exactly matches the list you provided us electronically. ACH items will be viewed daily to ensure only approved transactions can post to your account. Any discrepancies are flagged so that you can approve or decline the request for payment. Stop by any of our offices or call 989-799-7500 for more information.

## 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

**Kevin Fraser**

(989) 272-7585

KevinF@1stStateBk.com

## Events of Note

### • Bank Holiday Closures

**Thanksgiving Day** - Thursday, November 22

**Christmas Eve** - Monday, December 24 - Closing at 1pm

**Christmas Day** - Tuesday, December 25

**New Year Day** - Tuesday, January 1