



# NEWSLETTER

## *Your Bank For Business*

### 4<sup>TH</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,



2018 was a record year for earnings, return on assets and return on equity. This was fueled by a strong economy, favorable tax rates and normalization of interest rates. Total assets grew by 8.5%, loans by 8.5% and deposits by 9.4%. More importantly was the strong foundation that was set for future success of the Bank. We completed the goal of servicing the Great Lakes Bay Region with the opening of the Midland Office with a full staff. We added 35 new shareholders in our community as we fully subscribed our \$2.9 million capital raise. This brings the number of shareholders to 300 community members with a stake in the success of the Bank. The banking environment changed substantially this last year. Chemical Bank moved its headquarters from Midland to Detroit and Wolverine sold to Horizon Bank from Michigan City, Indiana. We are one of two banks, along with Freeland State Bank, with headquarters still in the Great Lakes Bay Region. We believe this all bodes well for the future of 1<sup>st</sup> State Bank.

On January 17<sup>th</sup>, your Board of Directors increased the quarterly dividend from \$ 0.04 to \$ 0.05 per share. The dividend will be payable on February 20<sup>th</sup> to shareholders of record on February 8<sup>th</sup>.

In April, Jim Milroy will become President and CEO of 1<sup>st</sup> State Bank. Jim joined the Bank as CFO in November of 2007. In 2008 the Bank became profitable and has been profitable since then. Much of the Bank's success is the result of Jim's financial and strategic leadership. We are fortunate to have someone of Jim's caliber to lead the Bank going forward. On page two of this newsletter is a profile of Jim's career.

We would like to thank all of you for your support of the Bank. It is critical to our success and the success of the Region. Your referrals are very much appreciated.

Sincerely,

Rick Goedert  
President & CEO

### Financial Report

#### CONSOLIDATED BALANCE SHEETS (unaudited)

<u>Assets</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Cash Equivalents and Investments	\$ 69,658,686	\$ 66,020,553
Loans, net of reserve for loan losses	195,782,132	180,133,819
Other assets	17,468,747	14,499,828
<b>Total Assets</b>	<b>\$ 282,909,565</b>	<b>\$ 260,654,200</b>
<u>Liabilities and Shareholders' Equity</u>		
Deposits	\$ 237,874,223	\$ 217,523,011
Other Borrowings & Other Liabilities	18,457,189	21,638,873
<b>Total Liabilities</b>	<b>256,331,412</b>	<b>239,161,884</b>
<b>Total Shareholders' Equity</b>	<b>26,578,153</b>	<b>21,492,316</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 282,909,565</b>	<b>\$ 260,654,200</b>

#### CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	<u>THREE MONTHS ENDING</u>		<u>TWELVE MONTHS ENDING</u>	
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
<b>Net Interest Income</b>	<b>\$ 2,718,083</b>	<b>\$ 2,305,025</b>	<b>\$10,054,004</b>	<b>\$ 8,747,797</b>
Provision for Loan Losses	240,000	165,000	450,000	430,000
<b>Net Interest Income After Provision for Loan Losses</b>	<b>2,478,083</b>	<b>2,140,025</b>	<b>9,604,004</b>	<b>8,317,797</b>
<b>Other Income</b>	<b>504,620</b>	<b>476,861</b>	<b>2,008,412</b>	<b>1,925,086</b>
<b>Other Expense</b>	<b>2,328,338</b>	<b>1,877,941</b>	<b>8,437,523</b>	<b>7,126,010</b>
<b>Net Income Before Federal Income Tax</b>	<b>654,365</b>	<b>738,945</b>	<b>3,174,893</b>	<b>3,116,873</b>
Federal Income Tax Expense	138,500	250,400	670,100	1,062,000
Deferred tax valuation adjustment	0	230,000	0	230,000
<b>Net Income Available to Common Shareholders</b>	<b>\$ 515,865</b>	<b>\$ 258,545</b>	<b>\$ 2,504,793</b>	<b>\$ 1,824,873</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

## Get to Know Jim Milroy



In April of this year, Jim Milroy will become President and CEO of 1<sup>st</sup> State Bank. Jim joined 1<sup>st</sup> State Bank in 2007 as Senior Vice President and Chief Financial Officer and was promoted to Executive Vice President in 2013. In May 2018, Jim was appointed to the Board of Directors. In addition to his duties as Chief Financial Officer, Milroy oversees various functions within the bank including deposit operations, information systems, human resources, compliance and audit.

Prior to joining 1<sup>st</sup> State Bank, Jim led Shoreline Bank in Benton Harbor, Michigan as President. After a merger with Chemical Bank, Jim transferred to their headquarters in Midland in 2002, serving as the company's EVP Chief Operating Officer and Chief Risk Management Officer. Jim has 28 years of banking experience.

Jim is a graduate of Michigan State University with a Bachelor of Arts Degree in Accounting. Upon graduation, he joined CPA firm Crowe Chizek initially in Michigan City, Indiana and subsequently in their Grand Rapids, Michigan office, serving in their financial institutions audit group. Milroy is also a graduate of the Stonier Graduate School of Banking.

Actively engaged in the Great Lakes Bay Region, Jim's current involvement includes Treasurer, Board of Directors Covenant Healthcare; Vice Chairman, Junior Achievement of North Central Michigan; Investment Committee member, Saginaw Community Foundation; and Treasurer, Saginaw Valley Lutheran Foundation. He has also given his time to Saginaw Valley Lutheran High School, serving on the board and in other volunteer capacities and is a graduate of the Great Lakes Bay Regional Alliance Institute for Leaders.

Jim and his wife Lori reside in Saginaw Township and have two daughters, Erin (Curtis) and Ellen (Jack) who reside in Oklahoma City, Oklahoma and Raleigh, North Carolina, respectively.

## 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 - President's Day** Monday, February 18
- **14<sup>th</sup> Annual RUBY Award Celebration Dinner** - Tuesday, February 26  
5:00pm, Apple Mountain Conference Center