



CAMELS FINANCIAL OPTICS REPORT

COMPANY OVERVIEW

1st State Financial, Ltd./1st State Bank

Company Description

1st State Financial, Ltd. (the Company) is a Michigan corporation headquartered in Saginaw, Michigan. The Company incorporated in 2003 and is a registered bank holding company under the Bank Holding Company Act of 1956, as amended. The Company is the parent holding company for its wholly owned subsidiary, 1st State Bank (the Bank), which was formed in 2004.

The Company is a customer-driven banking institution that targets business owners and professionals as well as other segments of the financial market that offer unique opportunities for growth and profitability. The Bank's structure positions customers directly with front-line personnel, whose decision-making authority allows them to respond quickly and efficiently. This streamlined process enables the Bank to quickly respond to almost any situation to meet the needs of its customers.

Business Insights/COVID-19

1st State Bank's core purpose as a business bank is to help businesses succeed. In Phase I of the Paycheck Protection Program (PPP), a total of 380 loans were submitted totaling \$77 million of committed funds. An additional 100 loans were prepared for submission in Phase II. Our lenders were able to process customer requests themselves without having to go through a bureaucratic maze all the big banks designed to accommodate their client base. We are pleased of the response provided our many business customers through our dedicated lending staff.

COVID-19 will have an extended impact on the bank's operating results for the remainder of 2020 and into 2021. Decline in interest rates and prime rate will impact net interest margin. Anticipating loan losses, the bank increased loan loss reserves in all quarters of 2020. The bank anticipates problem loan indicators will reflect impact of COVID-19 in latter half 2020 and early 2021. The PPP program will, however, generate significant fee income in the 2nd/3rd quarters that will help offset bank actions being taken.

Investor Information

The Company is privately held and does not trade on any exchange. The Company's stock is traded through the Bank's internal trading desk and is the Company's transfer agent. The Company offers a Dividend Re-Investment Plan (DRIP), Employee Stock Ownership Plan ("ESOP") and accommodates the purchase of Company stock through an individual Self-Directed IRA offered by the Bank.



Headquarters

4800 Fashion Square Blvd.
 Saginaw, MI 48604

Investor Relations Contact

Kevin Fraser/
 Chief Financial Officer
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March 31, 2020

Stock Price (FMV)	\$20.60
Price to Book Value	117%
Book Value Per Share	\$17.54
YE 2019 Stock Price	\$20.60
Income Per Share	\$0.43
Shares Outstanding	1,723,298
Dividend Per Share (2020)	\$0.06

Financial Data (000)

Assets	\$317,796
Deposits	\$269,896
Equity	\$30,224
Loans	\$213,643
Net Income	\$731,756

Key Highlights (1st State Bank)

- **Assets:** Bank assets were \$317,734,000, as of 1Q 2020 compared to \$285,518,000 for the same period 2019.
- **Deposit:** Bank deposits \$270,596,000, as of 1Q 2020 compared to \$240,825,000 for the same period 2019.
- **Loans:** Bank loans \$205,512,000, as of 1Q 2020 compared to \$197,664,000 for the same period 2019.
- **Earnings:** Bank earned \$751,000, as of 1Q 2020 compared to \$721,000 for the same period 2019.
- **Net Interest Margin:** Bank earned 3.72%, as of 1Q 2020 compared to 4.27% for the same period 2019.
- **Efficiency Ratio:** 64.67%, as of 1Q 2020 compared to 67.62% for the same period 2019.

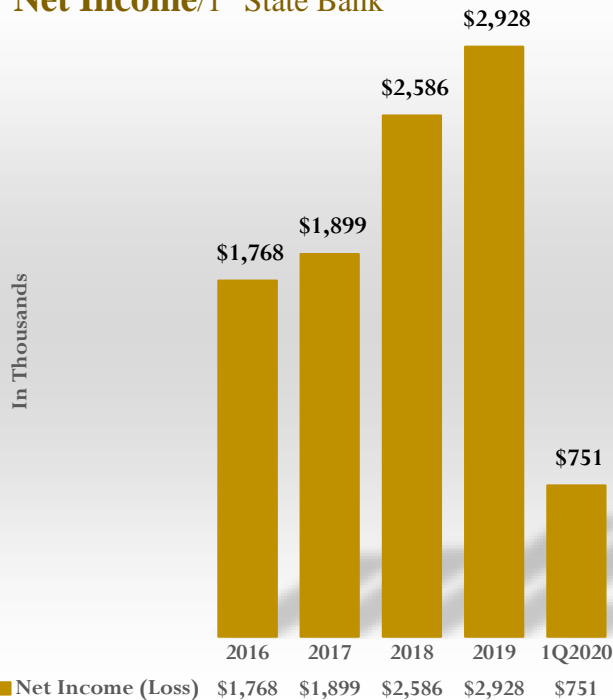
Performance Ratios (1st State Bank)

Return on Average Assets	0.92%
Return on Average Common Equity	10.13%
Yield on Loans	5.30%
Total Loans to Deposits	78.95%
Demand Deposits to Total Deposits	44.07%
Risk Based Capital/Risk Weighted Assets*	12.56%
Non-Performing Loans to Total Assets	1.17%
Allowance for Loan Losses to Total Loans	1.61%
Net Charge offs to Total Loans	(0.12%)

*(Well-Capitalized 10%/FDIC Regulatory Benchmark)

1st State Financial, Ltd utilizes a third-party firm that specializes in determining the fair market value of privately held financial institutions common stock. The Company's performance and market analytics are reviewed quarterly for price per share valuation. The stock price has been updated reflecting current FMV. Inquiries contact Kevin Fraser CFO of the Company.

Net Income/1st State Bank



Stock Price Per Share (Fair Market Value)



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