

Dear Fellow Shareholder:

During 2003, the employees, officers and directors of **baybank** again set new records in net income, total assets, total capital and total loans serviced. Specific highlights of this success include:

- Net income of \$ 792,000 represents a 22% increase over the previous year. The return on average assets for your corporation was 1.27% and return on average equity was over 13%.
- Total assets increased 7% to \$ 64,106,000.
- Total loans serviced increased 20% from \$ 65,600,000 to \$ 78,700,000. I am very proud to tell you that this marks the third consecutive year in which the employees of your corporation originated, funded, and serviced loan growth in excess of 20% or more.
- Asset quality remains good. Our investment portfolio has net unearned income of \$177,000 at yearend.
- Our success in increasing profitability again allowed us to increase dividends per share 12% from \$ 2.05 to \$ 2.30. Total equity capital of your corporation also increased 9.7% and now totals over \$ 6,163,000.
- The strength and soundness of your corporation continues to be solid.

We opened the doors on our fourth full-service office in April. Our new Wells location on Lincoln Road will allow us to serve the needs of people living on the "Bluff" areas as well as Wells and Escanaba Townships. Previously, our Gladstone and Escanaba offices did not provide a convenient location to these residents.

We also replaced our "main frame" computer system during the year and updated technology in just about every banking area.

Excellent customer service continues to be the primary mission which drives every **baybank** employee every day. I would like to thank all members of the **baybank** family; our employees, our directors, our customers, and you, our shareholders, for making 2003 a year of significant accomplishment for your corporation.

Sincerely,

Donald P. St.Germaine
President