2020 Annual Report

FS B FIRST STATE BANK

Celebration

"Life should not only be lived, it should be celebrated"

- Osho



DEAR SHAREHOLDERS & FRIENDS,

A celebration to commemorate 2020? While the last year is certainly one many of us want to forget, Crystal Valley Financial Corporation (CYVF) wants to pause and applaud the outstanding performance, resiliency, and spirit of optimism of our companies, BFirst Bankers, and communities.

Early in the pandemic, our leadership decided to take steps to protect our BFirst Bankers as best we could. Bankers worked from home while assisting children and grandchildren with education. Bankers quarantined with family members or alone within their own homes. Some bankers came to their respective offices every day, putting on face coverings, working behind protective barriers, and closing the door to their office. While our banking lobbies were mostly closed, BFirst Bankers served customers via drive-throughs, mobile banking, temporary walk-up windows, even car side – or buggy side in Middlebury. We learned to use Zoom and Microsoft Teams. Through it all, BFirst Bankers rose to the occasion and adapted to each modification that came their way. I couldn't be more proud of them. Their collective efforts resulted in a record year for our corporation in terms of assets, efficiencies, net income, and shareholder value.

Net income for 2020 reached \$11 million, a robust year-over-year increase of 21%. Much of this increase came from two areas that we do not expect to occur again in 2021. First, our team was a leader regarding participation in the Payroll Protection Program (PPP). Our bankers originated 400 PPP loans, in just a few days, totaling more than \$60 million and preserving more than 7,000 Michiana jobs. Around 70% of the fee income generated from PPP participation was realized in 2020, while the balance is expected to be accounted for during the first quarter of 2021. The second boon to fee income was our consumer mortgage loan production. For years our market has recognized First State Bank as a leader in this arena. Fortunately, we have continued to invest in people, products, and technology to remain at the forefront of this business. Our team was well-positioned to take full advantage of historically low rates to help our clients lower payments, make home improvements, upgrade homes or build new ones during the year. Compared to 2020, gain on loan sales increased a staggering 427%!

Some of you participated in our share repurchase program. Since its inception in October 2019, we have returned capital to owners of 88,950 shares through generous buyback. Not only did this provide liquidity to those desiring it, the program, along with our strong financial performance, bolstered earnings per share to \$7.54, a 26.3% increase relative to year-end, 2019. The remaining shareholders shared in our bounty by receiving record dividends for the year.

I am humbled that you choose to invest in our present and future. BFirst Bankers will continue to work hard to honor that trust. Please contact me at any time to discuss your investment. We can celebrate together!

Upward & Onward,

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D. Joe Caffee President & CEO

FIRST STATE BANK OFFICERS

MIDDLEBURY OFFICERS

D. Joe Caffee President & CEO

Sam H. Hoover III Exec. Vice President & COO

Michael D. Weaver Exec. Vice President & CLO

Jared E. Sponseller Senior Vice President & CFO

Dean R. Miller Senior Vice President

Randall D. Miller Senior Vice President

GOSHEN OFFICERS

Brent L. Carrick Senior Vice President

Louis W. Gerber Vice President & CCO

Duane R. Miller Vice President

Jeff D. Showalter Vice President

Lynda L. Hershberger Banking Officer

ELKHART OFFICERS

Sheila L. Gordy Senior Vice President

Patrece D. Yates Senior Vice President & Trust Officer

Duane S. Klein Vice President

Shannon G. Klein Vice President & Trust Officer

Nicholas B. Corpe Assistant Vice President

Phyllis J. Arroyo Assistant Vice President **Ron L. Yoder** Senior Vice President

Darla K. Kauffman Vice President

Jon E. Miller Vice President

Linda C. Poncé Vice President

Eric J. Romzek Vice President

Sue Ann Von Blon Vice President Samuel E. Weirich III Vice President

Julie W. Whitehead Vice President

James L. Neff Assistant Vice President

Lance T. Weirich Assistant Vice President

Casey I. Zitkus Banking Officer & Controller

Jessica E. Hamood Banking Officer

MISHAWAKA & SOUTH BEND OFFICERS

Dana D. Trowbridge Senior Vice President

Elizabeth L. Groulx Vice President

Mike L. Zappia Vice President

Lori A. Faltynski Assistant Vice President

Brandon T. Williamson Business Development Officer

FIRST STATE INSURANCE

Goshen Office Dennis J. Weldy LUTCF, Vice President & Agent

Middlebury Office Richard L. Holderread CLU, Office Manager & Agent

BOARD OF DIRECTORS

lan E. King

Banking Officer

Kirsten T. King

Banking Officer

Tessa A. Trigg

Banking Officer

R. Gordon Lord Chairman of the Board, Attorney, Yoder, Ainlay, Ulmer & Buckingham

D. Joe Caffee President and CEO, First State Bank and CVFC

James G. Hiatt Retired President & CEO, First State Bank and CVFC

Sam H. Hoover III Exec. Vice President & COO, First State Bank and CVFC

Derald L. Bontrager President, Jayco, Inc.

Carl D. Eash Retired Business Owner and Real Estate Investor

John W. Gardner Trustee, Bethel University

Cynthia S. Gillard Partner, Warrick & Boyn LLP

Joe A. Smucker President, Parkland Plastics Inc.

Kip B. Ellis Exec. Vice President & COO, Patrick Industries, Inc. OUR MISSION is to be a stable, independent community bank that offers the highest quality products and services to its customers.

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Jim did an outstanding job of communicating with me through the entire process of applying and eventually procuring a PPP loan. We started the process on Friday April 3rd in the morning and worked through the numerous application changes through the next week and received the funding in our account on April 16th. Without Jim allowing me to contact him with the latest revisions even on a Saturday I don't believe we would have been approved in the first round of funding. First State's commitment to its' customers is why we have continued our banking partnership for 25 years.

-Dave Sheely, President, Arbor Industries

Dewey is a ROCK STAR !

We are very fortunate that Dewey Miller spent 10 minutes educating me on why we should consider the PPP. The process was very simple, from application to funding took approximately 3 weeks. We are thankful for Dewey and the PPP, as of this week we have brought back all of our staff and look forward to growing our business!

> - Troy Lehr, President, Maple City Dispensing

When we first got wind of the Payroll Protection Program the first call I made was to First State Bank. They verified they would be one of the many lenders working with the SBA and would be happy to help us. From the time we completed the application, received approval and gained access to the funds was just over a week and we could not be more satisfied with the people we worked with, their professionalism, communication and clear concern for our needs.

First State Bank and their fine team is not just our financial support institution, they are our partner.

- Steve Rorie, President, JJ Babbitt Company

HONORING OUR CLIENTS COVID-19 & PPP LOANS

FSB was a game changing business partner in every way imaginable during these very uncertain times. From the moment information became available. FSB and their SBA specialist Noah Smith were on the phone communicating pertinent information while guiding us with recommendations that allowed our business to protect our stakeholders (our wonderful employees, our customers, and our partner group). The amazing part was that within ONE day of submitting our application, we received notification from FSB and their SBA specialist that we were approved and funds were allocated to us.

– Matt Kain, Member, Poly Electronics 66_

We would personally like to thank Jeff Showalter & Brent Carrick for making the PPP process a smooth one for us at Woldruff's Footwear & Apparel. They both did an exceptional job!

We appreciate the entire team at First State Bank, it's what hometown banking is all about!

 Scott & Judy Woldruff, Owners, Woldruff's Footwear & Apparel

My experience with FSB was outstanding! Joe and Duane were both all over this process. Their communication was phenomenal, texting me multiple times a day and night even on the weekends. This was all very reassuring in a very unsure time. I appreciate everything you all did for me.

– Jack Cowan, President, Bearcat Corp., Bearcat Anodizing & Transport US

None of our business partners could have expected the events of 2020, or how the pandemic would affect their livelihood. Keeping workers employed and businesses open was the highest priority of our lenders and staff. We are proud to say that in the first round of PPP loans, we funded approximately 400 loans worth more than \$60 million. Leading the charge with these loans, Sr VP Dana Trowbridge stated "It is very satisfying to know we made a positive difference in the lives of that many businesses and people."

HONORING OUR ESSENTIAL WORKERS Supporting First Responders

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GOSIE

Fire Der









To say THANK YOU to some of our essential first responders, we celebrated some fun 'National Days' in October. For National Coffee Day on October 1, 2020 our branch operations managers delivered fresh, hot coffee to fire stations in our service areas.

October 28, 2020 was National Chocolate day and National First Responders day, so our staff delivered delicious chocolate chip cookies to our local police. Just a small thank you from FSB for all that they do for our communities daily!





HONORING OUR COMMUNITY Elkhart County 4-H Fair Food Drive







Over 13% of residents in Northern Indiana struggle with food insecurity and with the Covid-19 pandemic. It's a greater issue than ever before. That's why we partnered with Elkhart County 4-H Fairgrounds to fight hunger in Elkhart County! On August 8th we hosted a food drive benefiting the Middlebury Food Pantry and Church Community Services. 32 FSB bankers volunteered to work during the day and collected 2,082 pounds of food and 45 pounds of hygiene products.

HONORING OUR HERITAGE 110th Anniversary Celebration

DADS



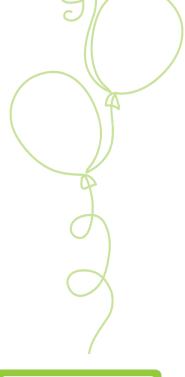






We celebrated our special anniversary a little differently than we had planned, but it was fun nonetheless. Using the nice summer weather, we treated our customers to Root Beer Floats to Go at our Middlebury and Goshen locations. We all enjoyed the extra time outside with our customers.







SCAN ME



HONORING OUR CUSTOMERS Customer Appreciation Day







Continuing our anniversary celebration and to show appreciation to customers in our Elkhart region, an ice cream truck handed out creamy treats one afternoon. Customers lined up with their children and grandchildren for a sweet delicacy. We were ecstatic to see our customers reactions and to give a little something back, for all they do for us.



HONORING OUR NEIGHBORS B Cause Day 30









For the second year, we closed our doors on Columbus Day for an all-staff community service day – B Cause Day. It gives us such a sense of honor to partner with non-profit organizations in our local areas and serve our neighbors in need. We sent our BFirst Bankers out to volunteer at one of eleven local non-profit agencies to package food, clean, paint, organize, make blankets and clean gardens. We may have even played with a few puppies along the way. To say we were energized in return is an understatement. Check out our stats!

STATS

2,910 MEALS PACKAGED at Cultivate Culinary

85% HOUSE BUILT with Habitat For Humanity

50 CHRISTMAS TREES PUT TOGETHER at the Depot

20 TUBS OF CLOTHING SORTED at Shepherd's Cove

3 APARTMENT FLOORS CLEANED & PAINTED with LaCasa

28 BLANKETS MADE FOR THE HOMELESS for Non-Profit Support

113 TEMPERATURES SCANNED at the Boys and Girls Club

500FT. CLEANED at Dogtown Resort

13 HORSE PASTURES CLEANED at Loveway

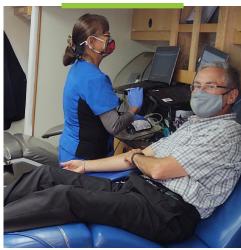
12 LOADS OF LAUNDRY at the Humane Society

PREPPED & PLANTED for Church Community Services



HONORING OUR NEIGHBORS Blood Drive & Coat Drive









We continued to reach others in need by hosting a "Week of Giving" in September. The South Bend Medical Foundation brought their mobile blood donation unit to three of our office parking lots to accept donations from BFirst Bankers, customers and the general public. Then in November, we hosted our first coat drive benefiting Shepherds Cove Clothing Pantry in Elkhart. By collecting new coats in our office lobbies, we were able to help 80 individuals stay warm for the winter.





HONORING OUR FUTURE Ground Breaking Ceremony



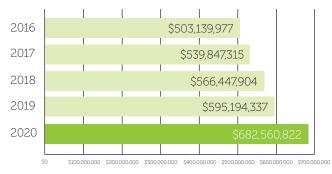




November 9th was a big day as our plans for a new location near Eddy Street in South Bend finally came to fruition. With the help of our friends at K4 Architecture & NuWay Construction, ground was broken on South Bend Avenue and the building process is under way. We are excited to see what the future holds for us as we expand even further in the St. Joseph County Market.

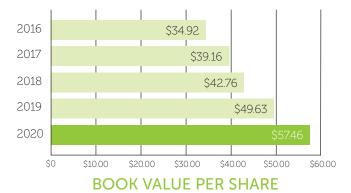


2020 FINANCIAL STATEMENT



TOTAL ASSETS











NET INCOME

Crystal Valley Financial Corporation Consolidated Statement of Income December 31, 2020

Assets

Cash and Cash Equivalents Investment Securities Federal Home Loan Bank Stock Loans, net of allowance for Ioan Iosses Premises and equipment Accrued interest receivable Real Estate Limited Partnerships CSV - Insurance Other Assets	\$70,796,503 124,572,424 2,613,800 462,176,601 3,905,256 2,313,105 0 11,873,581 4,309,552
Total Assets	\$682,560,822
Liabilities Demand Deposits Savings Deposits Time Deposits	\$301,539,600 127,015,611 99,999,374
Total Deposits	\$528,554,585
Repurchase agreements Advances from Federal Home Loan Bank Other Borrowings Other Liabilities	\$5,183,624 58,019,872 0 7,180,323
Total Liabilities	\$598,938,404
Stockholders' Equity Common stock Surplus Retained Earnings Net unrealized gain (loss) on securities Less treasury stock, at cost	\$2,048,000 2,179,382 87,550,278 5,549,576 -13,704,818
Total stockholders' equity	\$83,622,418
Total Liabilities and stockholders' equity	\$682,560,822
Book value per share of common stock (based on 1,455,422 shares outstanding)	\$57.46

Crystal Valley Financial Corporation Consolidated Statement of Income Year Ended December 31, 2020

Interest Income

interest income	
Loans, including fees Investment Securities Other interest and dividend income	\$25,826,373 2,782,279 174,385
Total Interest Income	\$28,783,037
Interest Expense	
Deposits Federal Home Loan Bank advances Other borrowings/Repos	\$2,594,908 768,781 13,000
Total Interest Expense	\$3,376,689
Net Interest Income Provision for loan losses	\$25,406,348 1,270,000
Net Interest Income after Provision for loan losses	\$24,136,348
Other Income Service charges on deposit accounts Other service charges, commissions, fees Trust income Net gains on sales of securities Net gains on sales of loans Net gain (loss) on other real estate Other income	\$413,882 1,959,379 1,084,677 779,225 2,646,013 -288,000 189,041
Total Other Income	\$6,784,217
Other Expenses	
Salaries and employee benefits Occupancy Equipment and processing FDIC Assessment Other expenses	\$10,503,450 1,112,737 2,171,270 147,265 3,733,183
Total Other Expenses	\$17,667,905
Income Before Income Taxes Provision for income taxes	\$13,252,660 2,085,357
Net Income	\$11,167,303
Earnings per share Average shares outstanding	\$7.54 1,480,887

FIRST STATE BANK

Middlebury

111 S. Main St. 574.825.2166

Goshen

201 N. Main St. 574.533.8277

1820 Greencroft Blvd. 574.533.8459

Mishawaka

4101 Edison Lakes Pkwy. 574.807.8256

Elkhart

1515 Cobblestone Blvd. 574.266.2888

200 NIBCO Pkwy. 574.295.3949

South Bend 17977 Cleveland Rd. 574.968.9720

Trust & Wealth Management

200 NIBCO Pkwy, Elkhart, IN 574.295.3949

First State Insurance

FARTA

118 S. Main St., Middlebury, IN 574.825.5458