

B

YOUR
FIRST
MATTERS



FIRST STATE | BANK

2021 Annual Report

OUR MISSION

To be a stable, independent, community bank that offers the highest quality products and services to its customers.

CONTENTS

A FEW WORDS FROM PRESIDENT & CEO D. JOE CAFFEE	3	KIDS DAY AT ELKHART COUNTY 4-H FAIR	13
WHY BANK LOCAL?	4-5	COAT DRIVE FOR THE COVE	14
SOUTH BEND 'EDDY STREET' PROGRESS & RIBBON CUTTING	6-7	YOUTH SERVICES BUREAU OVER THE EDGE	15
CUSTOMER APPRECIATION ROOT BEER FLOATS.....	8-9	BCAUSE DAY & STATS	16-17
BOYS & GIRLS CLUB OF MIDDLEBURY STATUE DONATION.....	10	SCHOOL SPIRIT DEBIT CARD PROGRAM.....	18-19
GREENCROFT MIDDLEBURY RETIREMENT FACILITY DONATION.....	11	FIRST STATE BANK OFFICERS & BOARD OF DIRECTORS.....	20-21
ELKHART COUNTY 4-H FAIR SNAP. POST. TAG.	12	2021 FINANCIAL STATEMENT	22-23

DEAR SHAREHOLDERS & FRIENDS,



Firsts matter. First birthdays. First communions. First days of school. First cars. First dates. First jobs. Each of your “firsts” can represent a milestone. Within these pages you will hear from some valued bank partners who have benefitted from our commitment to their firsts. You will find examples of BFirst Bankers putting the needs of others first. We are proud to present to you our 2021 Annual Report filled with our own firsts, or milestones.

Our corporation finished 2021 with record assets exceeding \$750 million – an 11% increase compared to the end of 2020. Like most financial institutions, deposit growth came easy as consumers and businesses continued their flight to liquidity. First State Bank deposits reached an all-time high of nearly \$614 million at year’s end. Industry-wide pressure on net interest margins provided headwinds to growing net income. However, First State Bank’s early commitment to preserving Michiana jobs via the Paycheck Protection Program (PPP) allowed us to realize more than \$1.2 million in PPP fees as we achieved full forgiveness by November of 2021. Steady loan demand coupled with a strong local economy, low mortgage interest rates resulting in strong gains on loan sales, and the realization of those PPP loan fees helped the corporation achieve yet another year of record net income – more than \$11.6 million.

During the year, earnings per share increased by more than 7% to \$8.07. Meanwhile our board remained committed to returning capital to shareholders via increased regular dividends and a generous share repurchase program. Since the inception of our share repurchase program in January 2020, we have retired 114,063 shares of Crystal Valley Financial Stock, increasing your share value and earnings per share. Our board has issued another generous share repurchase program for those investors seeking cash over the next two years.

Your firsts matter! We are humbled that you have chosen to invest in Crystal Valley Financial Corporation.

Upward & Onward,

A handwritten signature in black ink, appearing to read "D. Joe Caffee".

D. Joe Caffee, President & CEO



Why Bank Local?

It is said that small business is the backbone of America and community banks are the engine that drives small business. We asked some of our local business partners what brought them to FSB and what they appreciate about banking local.



"We are happy to have a relationship with a bank who values community as our business does."

Rik Kain & Matt Kain

President & Executive Vice President – Poly Electronics

"We get the service we need without leaving a message at a call center or waiting on hold. This type of personal contact is vital to the success of our business."



Charlie Habic

President – Gillette Generators



Steve Rorie

President – JJ Babbitt

"My bankers know me and I know them. I value their advice and their relationship as much, if not more than the interest rates I may earn."



Jeanne Kern

Owner – The Vine Restaurant

"The convenience of having people nearby who know and care about my business is just what I need."

South Bend 'Eddy Street' Progress & Ribbon Cutting

It was an exciting day in November 2020 when all the discussions about a new banking center in South Bend started to become a reality. Along with our partners at Five Corners LLC, K4 Architecture, and Nuway Construction, we finally broke ground on our third St. Joseph County location. We watched carefully over the winter and spring months as the new building took shape. We celebrated in July with our combined Credit, Lending, and Retail teams to open the new office near Eddy Street Commons. The new space gives us a great spot to connect to business and consumers in a vibrant and appealing community setting.



YOUR FIRST MATTERS



Customer Appreciation Root Beer Floats

An outdoor, low contact event spurred by a pandemic has become a customer favorite! We continued our 'Root Beer Floats 2 Go' event, visiting all our office locations. Thanks to our friends at Dips on the Vine in Middlebury for helping us deliver these sweet treats to our customers.



YOUR FIRST MATTERS



Boys & Girls Club of Middlebury Statue Donation

Community banks are also vital in providing leadership and philanthropic support to local non-profits. One example of this was seen as the First State Bank Board of Directors donated a memorial statue honoring the legacy of Neal Myers which was unveiled outside the newly renovated Boys & Girls Club of Middlebury.



Greencroft Middlebury Retirement Facility Donation

Another thoughtful donation in the community is furthering the mission of compassionate care at Greencroft Middlebury. We are invested in an assisted living facility to break ground in 2022.



Elkhart County 4-H Fair Snap. Post. Tag.

We were fortunate to connect with and give back to several non-profits this year through our Snap. Post. Tag. Promotion at the Elkhart County 4-H Fair. These agencies were identified as important community partners by our BFirst Bankers. This year's recipients were ADEC, Dogtown Resort, RETA, and the Elkhart County 4-H Fair. We are excited to support such important missions in our area!



Kids Day at the Elkhart County 4-H Fair

On what might have been the hottest day of the 9-day Elkhart County 4-H Fair, our BFirst Bankers hosted some piggy bank races during Kids Day activities. Who knew those pigs could move so fast!



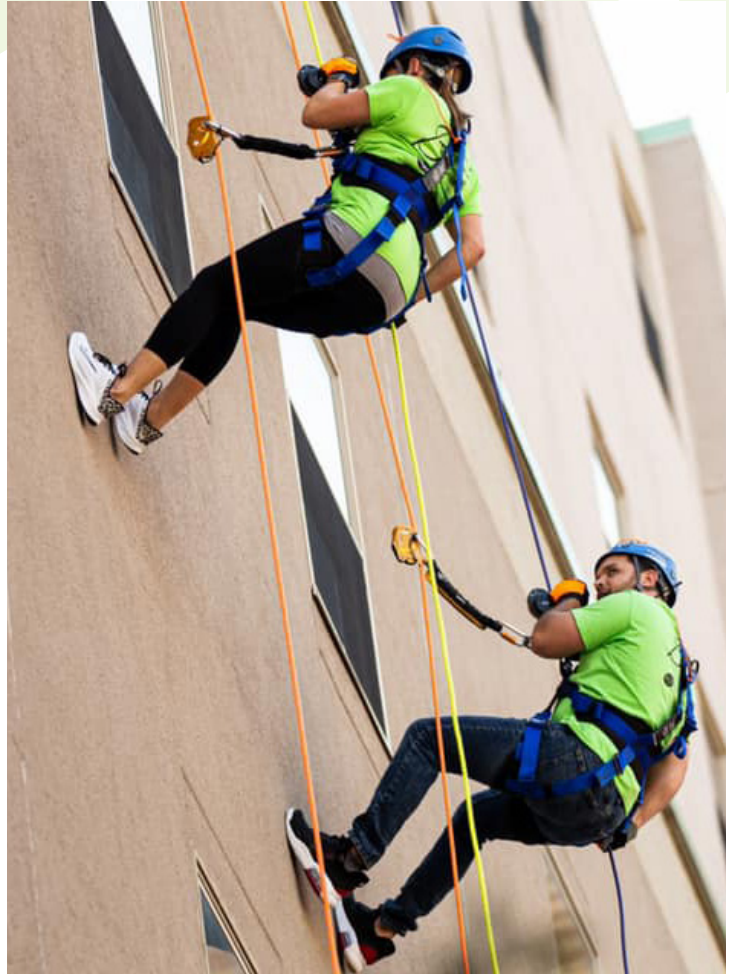
Coat Drive for the Cove

Our 2nd annual coat drive was successful in providing more than 60 men, women, and children with a layer of warmth for the winter. The Cove Elkhart was thrilled to receive the donation for the community to select from.



Youth Services Bureau Over the Edge

In our first event with Youth Services Bureau in St. Joseph County, we sent a banker 'Over the Edge' to raise funds and awareness of their programs. Casey Zitkus was excited to participate and invited his wife Emily to join him!



BCause Day

We can never say enough good things about B Cause Day, and not just what our BFirst Bankers contribute to the community, but what giving back does in return. FSB & FSI employees spent their day at one of eleven different agencies doing a variety of chores. What a great day this is for everyone!





B CAUSE DAY STATS

Cultivate Culinary

Packaged over 1700 frozen meals.

Church Community Services

Cleaned a 1/2 acre Seed to Feed garden.

Dogtown Resort

Trimmed trees & bushes, cleared all fenceline and cleaned landscaping around buildings.

Habitat for Humanity

Painted all interior walls of 3-bedroom home.

Sleep in Heavenly Peace

Delivered and assembled 11 children's beds in 3 different locations.

The Cove

Hung up over 1,000 clothing items.

The Depot

Assembled 25 Christmas trees for sale and boxed 5225 lbs of shoes and accessories for distribution.

Bashor Home

Assembled 25 desks, weighted 20 chairs and footstools with sand, and moved landscaping blocks.

Elkhart County 4H Fairgrounds

Unloaded 1520 chairs from a storage trailer, washed them and returned them to the trailer. Washed an additional 200 chairs.

Humane Society of Elkhart County

Washed & dried 40 loads of laundry, washed pet bowls and did general cleaning.

Non-Profit Support

Stuffed dozens of cardiac care pillows, counted quilt blocks for blankets and pinned 53 twin sized blankets for stitching.



School Spirit Debit Card Program

2021 was the year that we surpassed \$250,000 in donations to our partnering schools through the School Spirit Debit Card Program. Originally started in 2013, the program is the only one of its kind in our area. What began with a single high school, has grown into 13 different public & private schools and school foundations. The goal of the program is to offer a school-branded debit card to our customers, demonstrating our commitment to local schools and helping to advance the education of our students. By making a donation to the school for every signature-based transaction, we hope to create an ongoing partnership that is financially beneficial to both the school and First State Bank. Donations are intended for the direct benefit of students.



YOUR FIRST MATTERS



Bethany Christian Schools



Clinton Christian



Concord



Elkhart Christian Academy



Elkhart Education Foundation



Fairfield



Goshen



Granger



Jimtown



Marian



Northridge



Saint John the Evangelist
Catholic School



Westview

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

Ron L. Yoder
Senior Vice President

Darla K. Kauffman
Vice President

Jon E. Miller
Vice President

Eric J. Romzek
Vice President

Sue Ann Von Blon
Vice President

Lance T. Weirich
Vice President

Samuel E. Weirich III
Vice President

Julie W. Whitehead
Vice President

James L. Neff
Assistant Vice President

Casey I. Zitkus
Assistant Vice President &
Controller

Amyian M. Freeto
Banking Officer

Debbie L. Gordon
Banking Officer

Jessica E. Hamood
Banking Officer

Ian E. King
Banking Officer

Kirsten T. King
Banking Officer

Tessa A. Trigg
Banking Officer

Rebecca L. Yoder
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

Phyllis J. Arroyo
Assistant Vice President

Nicholas B. Corpe
Assistant Vice President

Lori A. Faltynski
Assistant Vice President

First State Bank Officers

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
Assistant Vice President

South Bend Officers

Dana D. Trowbridge
Senior Vice President

Elizabeth L. Groulx
Vice President

Mike L. Zappia
Vice President

Janice L. Sisti
Banking Officer

Board of Directors

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
Retired President, Jayco, Inc.

Carl D. Eash
Retired Business Owner
and Real Estate Investor

John W. Gardner
Trustee, Bethel University

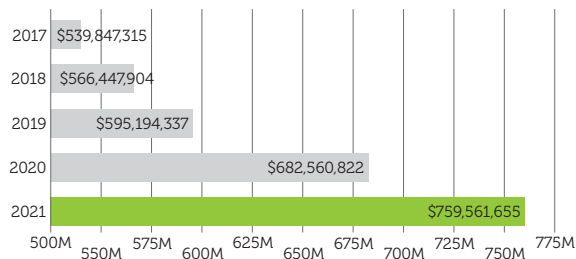
Cynthia S. Gillard
Partner, Warrick & Boyn LLP

Joe A. Smucker
President, Parkland Plastics
Inc.

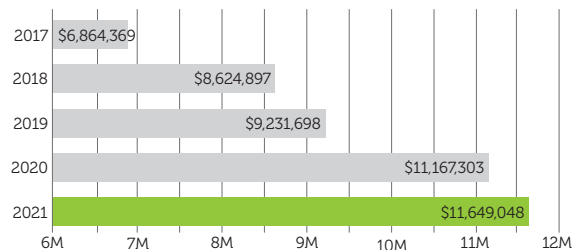
Kip B. Ellis
Exec. Vice President & COO,
Patrick Industries, Inc.

Anne F. Hayes
President, Hayes Towers

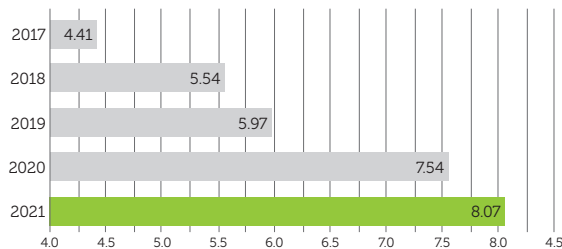
2021 Financial Statement



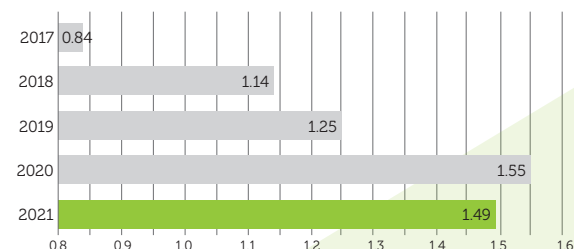
TOTAL ASSETS



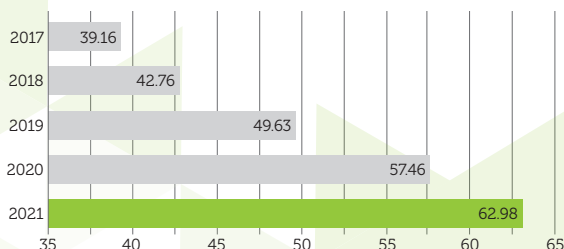
NET INCOME



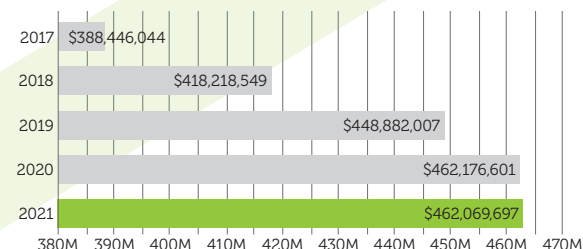
BASIC EARNINGS PER SHARE



DIVIDENDS PER SHARE



BOOK VALUE PER SHARE



TOTAL NET LOANS

Crystal Valley Financial Corporation Consolidated Balance of Income December 31, 2021

Assets

Cash and Cash Equivalents	\$45,125,720
Investment Securities	224,091,857
Federal Home Loan Bank Stock	2,745,700
Loans, net of allowance for loan losses	462,069,697
Premises and equipment	5,736,833
Accrued interest receivable	2,547,293
CSV - Insurance	12,201,545
Other Assets	5,043,010
Total Assets	<u>\$759,561,655</u>

Liabilities

Demand Deposits	\$360,850,185
Savings Deposits	159,123,728
Time Deposits	93,837,350
Total Deposits	<u>\$613,811,263</u>
Repurchase agreements	\$5,555,216
Advances from Federal Home Loan Bank	40,690,598
Other Borrowings	0
Other Liabilities	9,416,976
Total Liabilities	<u>\$669,474,053</u>

Stockholders' Equity

Common stock	\$2,048,000
Surplus	2,179,382
Retained Earnings	97,044,868
Net unrealized gain (loss) on securities	4,063,903
Less treasury stock, at cost	-15,248,551
Total stockholders' equity	<u>\$90,087,602</u>
Total Liabilities and stockholders' equity	<u>\$759,561,655</u>
Book value per share of common stock (based on 1,430,309 shares outstanding)	\$62.98

Crystal Valley Financial Corporation Consolidated Statement of Income Year Ended December 31, 2021

Interest Income

Loans, including fees	\$23,376,443
Investment Securities	3,803,233
Other interest and dividend income	144,401
Total Interest Income	<u>\$27,324,077</u>

Interest Expense

Deposits	\$1,823,073
Federal Home Loan Bank advances	621,879
Other borrowings/Repos	7,726
Total Interest Expense	<u>\$2,452,678</u>

Net Interest Income	\$24,871,399
Provision for loan losses	220,000

Net Interest Income after Provision for loan losses	<u>\$24,651,399</u>
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Other Income

Service charges on deposit accounts	\$322,975
Other service charges, commissions, fees	2,409,876
Trust income	1,228,689
Net gains on sales of securities	626,081
Net gains on sales of loans	2,382,967
Net gain (loss) on other real estate	-138,999
Other income	1,268,761

Total Other Income	<u>\$8,100,350</u>
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Other Expenses

Salaries and employee benefits	\$11,074,566
Occupancy	1,352,310
Equipment and processing	2,174,321
FDIC Assessment	183,556
Other expenses	4,334,536

Total Other Expenses	<u>\$19,119,289</u>
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Income Before Income Taxes	\$13,632,460
Provision for income taxes	1,983,412

Net Income	<u>\$11,649,048</u>
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Earnings per share	\$8.07
Average shares outstanding	1,443,087



Middlebury

111 S. Main St.
574.825.2166

Goshen

201 N. Main St.
574.533.8277

1820 Greencroft Blvd.
574.533.8459

Elkhart

1515 Cobblestone Blvd.
574.266.2888

200 NIBCO Pkwy.
574.295.3949

South Bend

1015 South Bend Avenue
574.968.9720

www.Bfirst.bank

