

Wherever you are in life
YOUR NEXT *adventure* STARTS HERE



FIRST STATE | BANK

2022 Annual Report



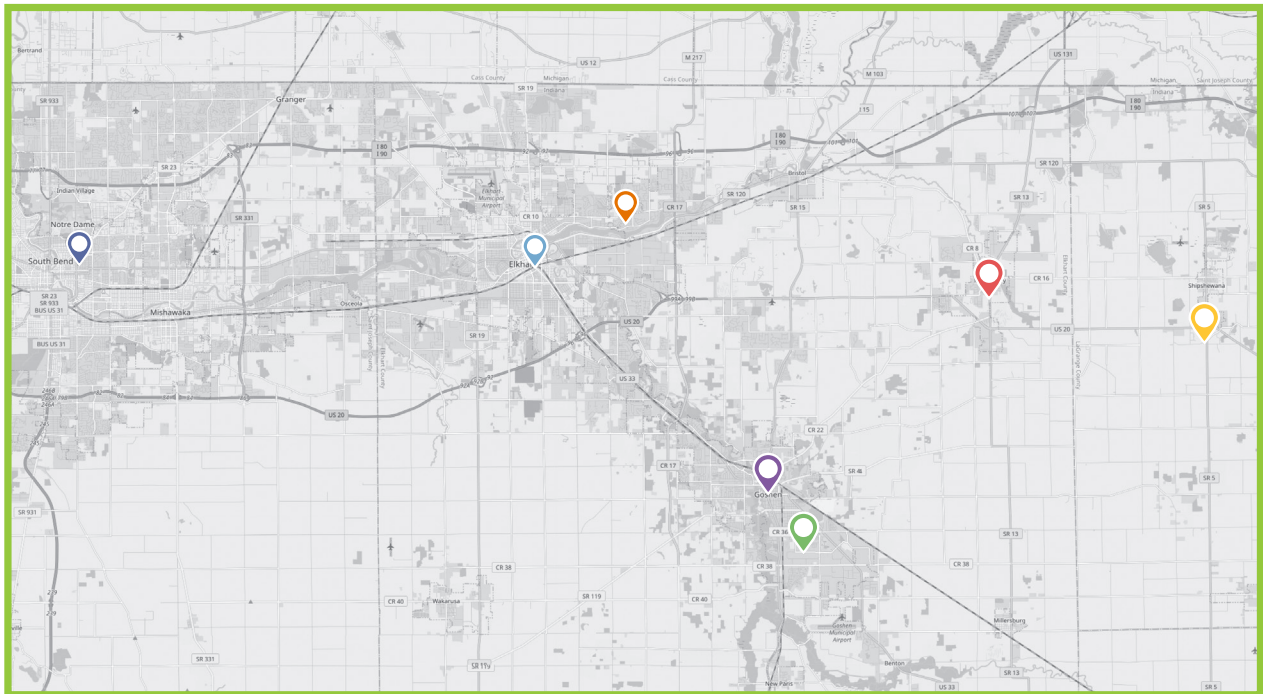


FIRST STATE BANK

Hometown Values Since 1910

First State Bank is a locally owned and independent community bank providing consumer, agricultural, business and commercial financial services since 1910. Our mission is to provide the highest quality products and services to you, our valued customers.

First State Bank Locations



 Middlebury
111 S Main St.,
Middlebury, IN 46540

 Riverwalk
200 NIBCO Pkwy.
Elkhart, IN 46516

 Loan Office
1800 W US 20
Shipshewana, IN 46565

 Goshen
201 N Main St.
Goshen, IN 46526

 Cobblestone
1515 Cobblestone Blvd.
Elkhart, IN 46514

 Greencroft
1820 Greencroft Blvd.
Goshen, IN 46526

 South Bend
1015 South Bend Ave.
South Bend, IN 46617

CEO's Message to Shareholders

DEAR SHAREHOLDERS & FRIENDS,

BFirst Bankers love adventures! Elijah just returned from a Safari adventure in Kenya. Sam has a muscle car that is always good for a new adventure. Jacob has played in a football state championship game. Brent, Jan, and Dean just started the long-awaited adventure of retirement. Emily is enjoying the adventure of motherhood. Sheila loves Caribbean adventures. Olivia just bought her first car. Wherever you are in life your next adventure starts here! We are pleased that you, our shareholders, future shareholders, friends, and customers joined us for the adventure that was 2022 for First State Bank and our holding company, Crystal Valley Financial Corporation (CYVF).

In the face of inflationary pressure, economic uncertainty and rising rates managing a bank's balance sheet has been an adventure in 2022. On the asset side of the equation First State Bank realized net loan growth of 11.8% when compared to year end 2021. Increasing rates coupled with this strong loan growth translated into interest income increasing by 8.5% during 2022. Advancing rates increased interest expense by 8.0%. The resulting net interest income increase of nearly \$2 million, or 8.0%, helped offset the 38% decrease in other income. Again, rising interest rates tell the story in this regard as our secondary mortgage sales income was slashed by 62% as the mortgage refinance business dried up and low home inventory joined higher rates to dramatically curb new originations.

The adventure continued in the investment portfolio as the bond market turmoil impacted the balance sheets of nearly every bank, including ours. Once the dust settled at year end, our security portfolio showed an unrealized loss of more than \$23 million. The quality of the portfolio remains high, and we have sold several securities for a small gain along the way. Like all investment portfolios its value is relative to market conditions.

Our 2023 adventure is taking us to Lagrange County, Indiana where we are in the process of establishing a loan production office in Shipshewana. Our Amish friends have long provided a portfolio of loans with outstanding credit metrics. This office will help us meet them where they live. Led by a long time BFirst Banker, we anxiously await its establishment. Additionally, we continue to invest in our future and are bringing two experienced lenders from other nearby financial institutions onto our team during the first quarter of 2023.

We have been pleased to share this adventure with our shareholders in 2022 as we have returned more than \$2.2 million of capital via dividends and over \$4 million of capital via stock buybacks. Feel free to call anytime to discuss your investment in Crystal Valley Financial Corporation.

Upward & Onward,
D. Joe Caffee, President & CEO



D. Joe Caffee, President & CEO

What's Inside

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First State Bank Officers

Middlebury Officers

D. Joe Caffee
President & CEO

Sam H. Hoover III
Exec. Vice President

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

Lance T. Weirich
Senior Vice President

Darla K. Kauffman
Vice President

Jon E. Miller
Vice President

James L. Neff
Vice President

Eric J. Romzek
Vice President

Sue Ann Von Blon
Vice President

Samuel E. Weirich III
Vice President

Julie W. Whitehead
Vice President

Jessica E. Hamood
Assistant Vice President

Kirsten T. King
Assistant Vice President

Debbie L. Gordon
Banking Officer

Tessa A. Trigg
Banking Officer

Rebecca L. Yoder
Banking Officer

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

Peggy Guyas
Mortgage 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

Lori A. Faltynski
Assistant Vice President

South Bend Officers

Dana D. Trowbridge
Senior Vice President

Elizabeth L. Groulx
Vice President

Janice L. Sisti
Banking Officer

First State Bank Board of Directors



Board of Directors

R. Gordon Lord

Chairman of the Board, Attorney, Yoder, Ainlay, Ulmer & Buckingham

D. Joe Caffee

President & CEO, First State Bank and CVFC

James G. Hiatt

Retired President & CEO, First State Bank and CVFC

Sam H. Hoover III

Executive Vice President, 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

Retired President, Parkland Plastics Inc.

Kip B. Ellis

Exec. Vice President & COO, Patrick Industries, Inc.

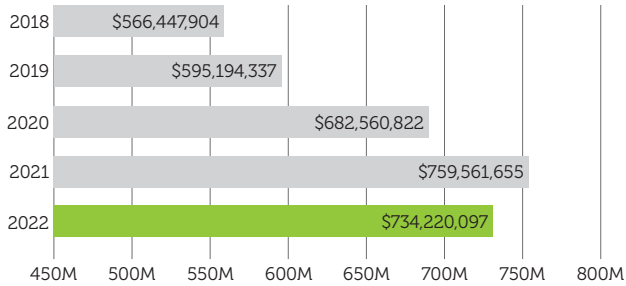
Anne F. Hayes

President, Hayes Towers

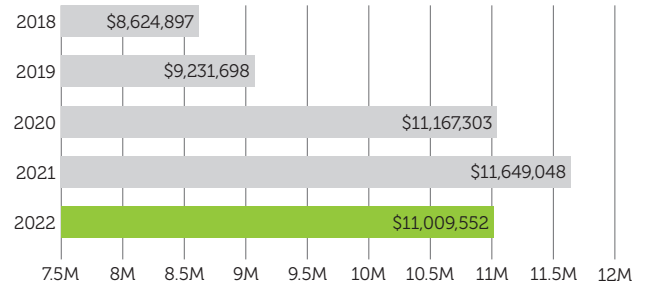




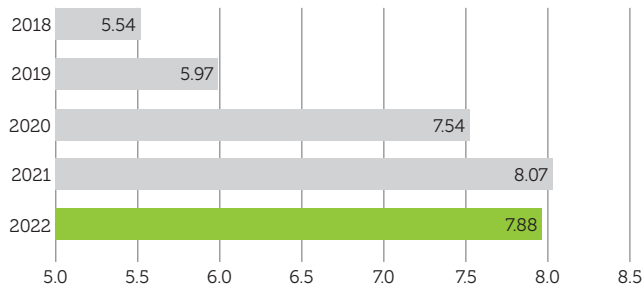
2022 Financial Statement



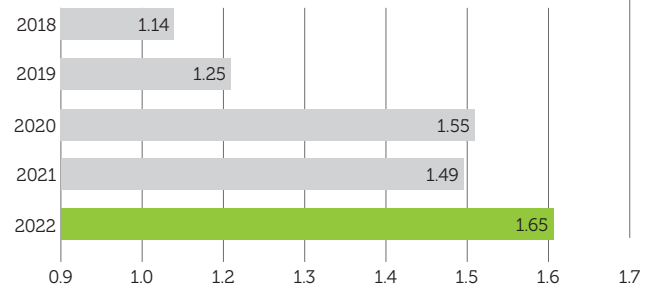
TOTAL ASSETS



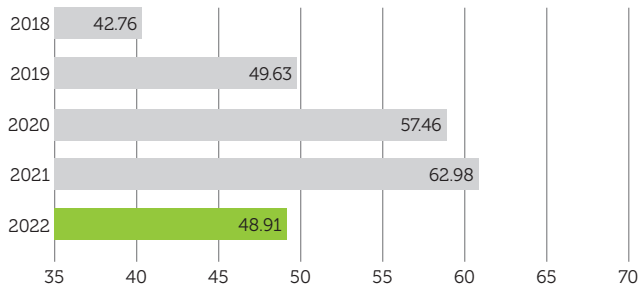
NET INCOME



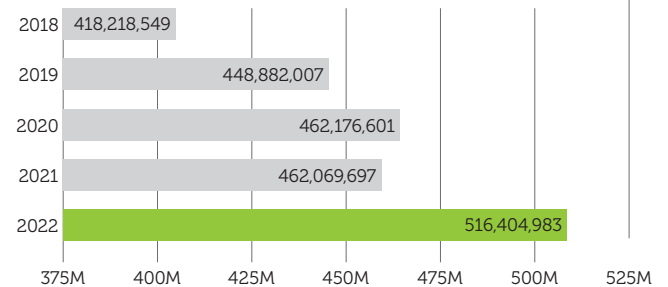
BASIC EARNINGS PER SHARE



DIVIDENDS PER SHARE



BOOK VALUE PER SHARE



TOTAL NET LOANS

Wherever you are in life
YOUR NEXT *adventure* STARTS HERE



2022 Financial Statement

Crystal Valley Financial Corporation Consolidated Balance of Income December 31, 2022

Assets

Cash and Cash Equivalents	\$15,088,108
Investment Securities	166,528,455
Federal Home Loan Bank Stock	2,702,900
Loans, net of allowance for loan losses	516,404,983
Premises and equipment	5,283,075
Accrued interest receivable	2,807,986
CSV - Insurance	12,541,295
Other Assets	12,863,295
Total Assets	<u><u>\$734,220,097</u></u>

Liabilities

Demand Deposits	\$370,084,326
Savings Deposits	163,917,161
Time Deposits	89,902,561
Total Deposits	<u>\$623,904,048</u>
Repurchase Agreements	\$6,114,355
Advances from Federal Home Loan Bank	25,881,717
Other Borrowings	1,994,000
Other Liabilities	9,556,272
Total Liabilities	<u>\$667,450,392</u>

Stockholders' Equity

Common stock	\$2,048,000
Surplus	2,179,382
Retained Earnings	105,744,434
Net unrealized gain (loss) on securities	-23,858,200
Less treasury stock, at cost	-19,343,911
Total stockholders' equity	<u>\$66,769,705</u>
Total Liabilities and stockholders' equity	<u><u>\$734,220,097</u></u>
Book value per share of common stock (based on 1,365,023 shares outstanding)	\$48.91

Crystal Valley Financial Corporation Consolidated Statement of Income Year Ended December 31, 2022

Interest Income

Loans, including fees	\$24,782,691
Investment Securities	4,628,125
Other interest and dividend income	215,694
Total Interest Income	<u>\$29,626,510</u>

Interest Expense

Deposits	\$2,100,882
Federal Home Loan Bank advances	624,380
Other borrowings/Repos	62,718
Total Interest Expense	<u>\$2,787,980</u>

Net Interest Income	\$26,838,530
Provision for loan losses	210,000

Net Interest Income after Provision for loan losses	<u>\$26,628,530</u>
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Other Income

Service charges on deposit accounts	\$449,395
Other service charges, commissions, fees	1,814,554
Trust income	1,237,013
Net gains on sales of securities	217,112
Net gains on sales of loans	911,344
Net gain (loss) on other real estate	0
Other income	364,545
Total Other Income	<u>\$4,993,963</u>

Other Expenses

Salaries and employee benefits	\$10,464,837
Occupancy	1,181,950
Equipment and processing	2,350,288
FDIC Assessment	208,850
Other expenses	4,578,204
Total Other Expenses	<u>\$18,784,129</u>

Income Before Income Taxes	\$12,838,364
Provision for income taxes	1,828,812

Net Income	<u><u>\$11,009,552</u></u>
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Earnings per share	\$7.88
Average shares outstanding	1,396,538



FIRST STATE | BANK

Trust & Wealth Management

At First State Bank, we understand that managing your wealth can be a complex and daunting process. Our Trust & Wealth Management team is here to help! We offer a full range of Wealth Management services personally designed to make your journey smoother. We are available to meet with you to discuss retirement planning, trusts, estate planning, 401(k) rollovers, financial planning, IRAs, and investment management agency services. Our team adopts an investment philosophy that revolves around the principles of asset allocation, portfolio structure, and continual portfolio management. We believe this approach will help you achieve your investment objectives by enhancing returns and reducing risk. Contact us today to learn more about our Trust and Wealth Management services.

Patrece "Patty" Yates
Sr. Vice President,
Trust Officer

Shannon Klein
CTFA, Vice President,
Trust Officer

Martha Bayes
Trust Operations
Specialist

Amy Chupp
Trust Operations
Specialist



Mortgage Department



The world of consumer mortgage has been on a roller coaster for several years and First State Bank mortgage loan officers have been steady throughout. First State Bank truly believes the right home starts with the right mortgage and works hard to provide the right product for each buying situation. From resources for the first-time home buyer to knowledgeable advice about refinancing or home equity options, First State Bank provides the answers. In 2022, First State Bank held the 2nd place spot for total mortgages funded in Elkhart County – no easy feat.

Educating clients and prospects is key and First State Bank has an entire site built into BFirst.bank with almost limitless information. Articles on how to build credit, mortgage affordability and debt payoff calculators, coaching sessions, short real-life scenarios and so much more are available. With the right tools, 'Your Next Adventure Starts Here'

Lance Weirich
Sr. Vice President
NMLS#905879

Jon Miller
Vice President
NMLS#441181

Peggy Guyas
Mortgage Officer
NMLS#449831

Edwin Carrillo
Mortgage Originator
NMLS#2040981





WHAT'S YOUR GAME PLAN?

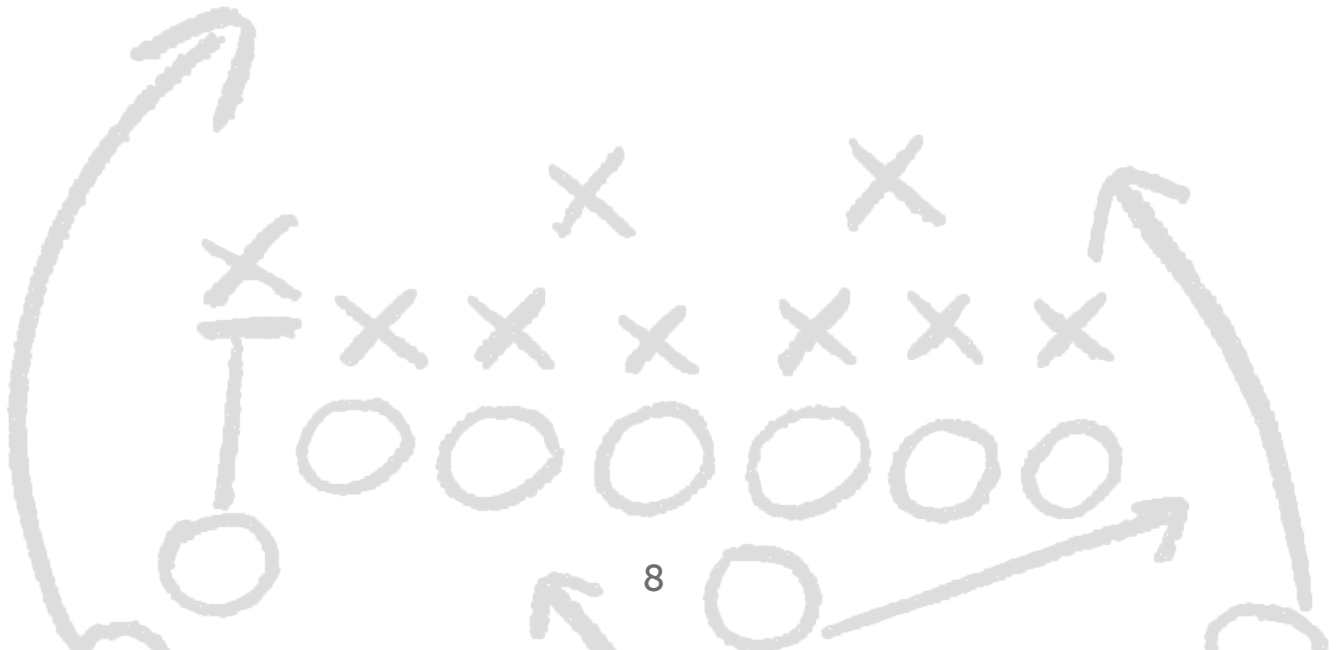
School Spirit Debit Card Program

School Spirit Debit Card Program



At First State Bank, we are committed to supporting our local schools and advancing the education of our students. Our School Spirit Debit Card Program allows us to do just that: with every signature-based transaction customers make using the school-branded debit card, we donate \$.05 to the school. This partnership is beneficial to both the school and First State Bank, as funds are intended for the direct benefit of students through programs such as music, art, athletics, and more. There is no cost to the consumer for participating in the program, and since 2013 we have issued over 4,500 School Spirit Cards and have donated over \$335,000.00 to the thirteen participating schools. Schools currently

partnering in the program are: Bethany Christian School, Clinton Christian School, Concord High School, Elkhart Christian Academy, Elkhart Education Foundation, Fairfield Community Schools, Goshen Community Schools Foundation, Granger Christian School, Jimtown High School, Marian High School, Northridge High School, St. John's Catholic School, and Westview High School.





Bethany Christian



Clinton Christian



Concord



Elkhart Christian Academy



Elkhart Education Foundation



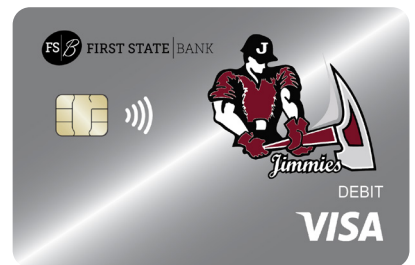
Fairfield



Goshen



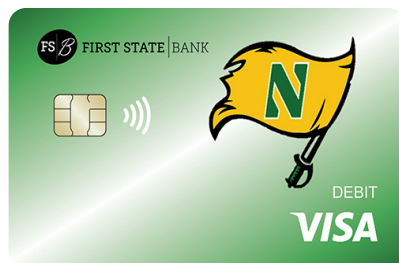
Granger Christian



Jimtown



Marian



Northridge



St. John's Catholic School



Westview



Business & Commercial

First State Bank is proud to support a wide variety of Michiana businesses with commercial banking services. As the recovery from the pandemic has led to uncertain economic times, First State Bank has maintained its underwriting standards and enjoys industry-leading credit quality. Our lending team has successfully leveraged its collective experience for positive net loan growth in 2022 and looks to continue that trajectory in 2023.

First State Bank has a strong focus on customer service, offering personalized advice and assistance to meet the needs of local business owners.

We truly believe
Wherever you are in life

YOUR NEXT *adventure* STARTS HERE



Social Media Snap Shots



Facebook

1,209 New Followers
2,585 Total Followers
15,496 Page Visits
***A 512% increase
from last year***
122,439 Reached



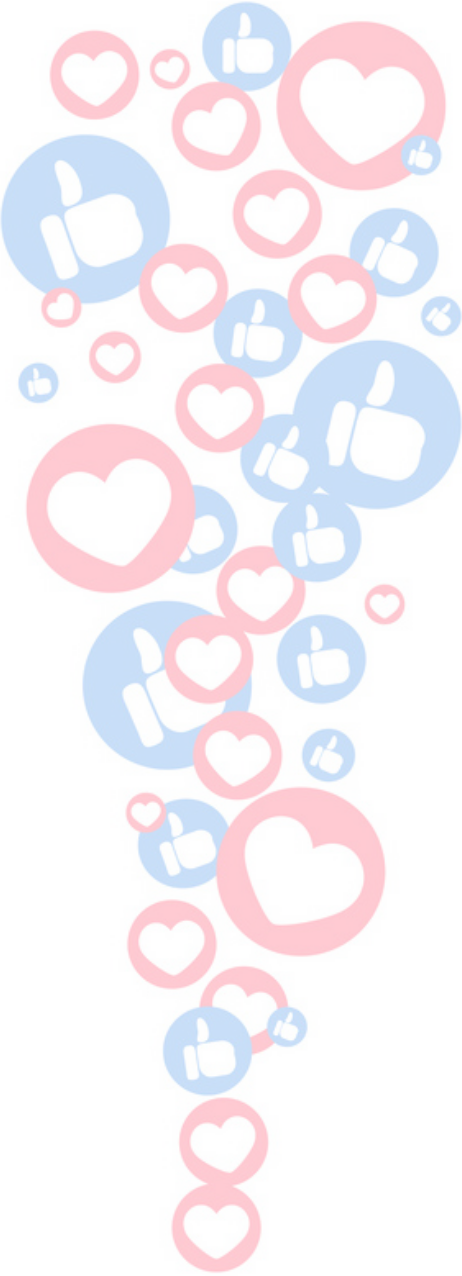
Instagram

97 New Followers
268 Total Followers
740 Page Visits
***A 38% increase
from last year***
1,510 Reached



LinkedIn

84 New Followers
527 Total Followers
1975 Page Visits
***A 1119% increase
from last year***



312,000 Website visits in 2022



Spring Training

Held on President's Day, Spring Training is the day each year we get to spend time together as a team learning important things related to each of our daily jobs. First Baptist Church of Elkhart is our gracious host allowing us to break into smaller groups for individualized training. From peer presenters to community professionals, there are many different topics covered such as:

- Bank products and services
- Customer service topics
- Hands-on computer training
- Vendor-specific training
- Tax & investment information
- Health, wellness & self-care topics

It's always nice to have everyone in one place for even a short time. Getting to connect with co-workers face-to-face instead of computer-to-computer or phone-to-phone is refreshing and important for our team.

Spring Training is a great time for connecting, learning, growing, and having fun with our FSB team!

ALL *the* RIGHT INGREDIENTS FOR SPRING TRAINING 2022



BCause Day



All of our BFirst Bankers spent their Columbus Day holiday volunteering in their local communities for our Fourth Annual BCause Day service day. There are so many stories to share about the outcomes of this service, both on the side of the agencies we served and the employees who participated. This day is about so much more than just cleaning, painting, trimming, or playing with animals. Below is list of agencies that benefited this year.

Elkhart County 4-H Fairgrounds: Power-washed, sanded & painted signs, moved benches & did landscaping

Dogtown Resort: Trimmed trees and bushes, cleaned fence row, reorganized garage, and walked dogs

Humane Society of Elkhart County: Cleaned & weeded dog trail, socialized with cats, and walked dogs

Bashor Home: Painted living area and rooms of one cottage

The Depot: Cleaned shelving, try-on rooms, and vacuumed in the retail area, assembled artificial Christmas trees for sale

Non-Profit Support: Pinned fabric for blankets, knotted blankets, stuffed cardiac pillows

Ronald McDonald House of Michiana: Prepared prize bags & signage for an upcoming event, cleaned & organized kids toy room

Church Community Services: Cleaned community garden, cleaned and organized garden supplies, and bagged non-perishable items for the food pantry



Elkhart County 4-H Fairgrounds



Dogtown Resort



Humane Society of Elkhart Co.



Bashor Home



The Depot



Non-Profit Support



Ronald McDonald House



Church Community Services



Food Pantries and Jeans Days



When you work in a professional setting, it's nice occasionally, to take a break from professional wear, so allowing employees to wear blue jeans to work is a TREAT! At First State Bank, those opportunities are usually pay-it-forward events. Typically, the last several paydays of the year are reserved for employee blue jean days, with a donation to one of our local food pantries.

Employee collections over four paydays produced, as an organization, over \$1,800 benefiting the Middlebury Food Pantry, The Window in Goshen, Guidance Ministries in Elkhart, and the Food Bank of Northern Indiana in South Bend. We are thrilled to support our communities in this meaningful way!

**Over \$1,000
in Donations**



B100 Book Club



As part of an ongoing partnership with B100 Radio, First State Bank continues to sponsor the B100 Book Club. Through the B100 website, listeners can nominate a Kindergarten – 3rd Grade classroom to have on-air talent Brittney Baily visit and read to their students. Each month, a winning teacher is drawn from the entries, and Brittney visits along with a First State Bank representative. Every child in the classroom gets a copy of the book to keep as well as a fun surprise compliments of First State Bank. We've had the privilege of visiting the following classrooms in 2022.

January 2022: Westside Elementary, Elkhart
Mrs. Nelson - 2nd grade

February 2022: Jimtown Elementary, Elkhart
Mrs. Merillett - 1st grade

March 2022: York Elementary, Middlebury
Mrs. Bromley - 1st grade

April 2022: Horizon Elementary, Granger
Ms. McCambridge - Kindergarten

May 2022: Marshall Traditional, South Bend
Mrs. LaSane - Kindergarten

June 2022: Parents Day Off Summer Camp,
South Bend

July 2022: Boys & Girls Club of Nappanee

August 2022: Christ the King School, South Bend
Mrs. Tupper - Kindergarten

September 2022: Trinity Lutheran, Elkhart
Mrs. Blystone - 3rd grade

October 2022: Webster Elementary, Plymouth
Mrs. Locsi - Kindergarten

November 2022: Elsie Rogers Elementary,
Mishawaka
Mrs. Minegar - 2nd grade

December 2022: Eastwood Elementary, Elkhart
Mrs. Elbert - 2nd grade





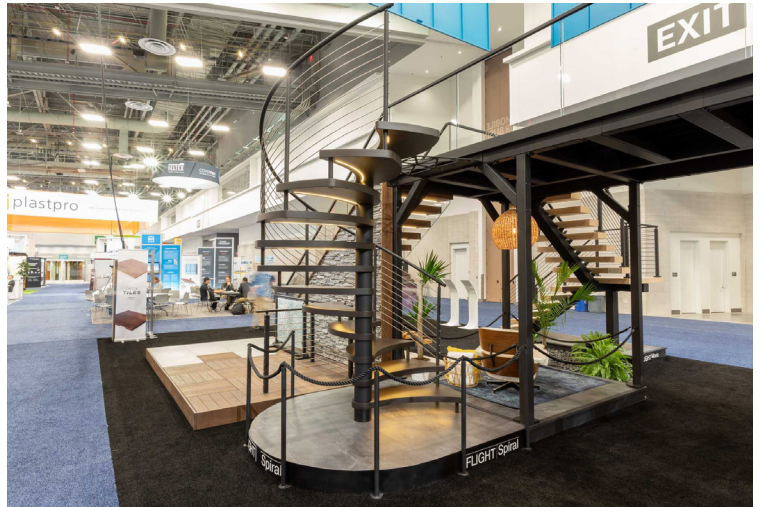
FIELD TRIP "FRIDAYS"

BFirst Bankers and customers are the lifeblood of our business. Often loan and retail staff are the only staff who interact with our customers. We want to change that and give every BFirst Banker the opportunity to meet customers and see what their business is all about. A chance to go somewhere. A chance to gain a fresh perspective. A chance to have some fun. A chance to learn something different. While our Field Trips may not always fall on a Friday, we want them to be looked forward to and enjoyed like a Friday, thus the name.

On October 19, we took our very first Field Trip touring the Viewrail training center in Goshen, IN. As the nations leading provider of modern stairs and railings, Viewrail uses domestically sourced, locally produced raw materials to design custom stair and railing systems.



One of our employees had this to say about the trip: "As a loan assistant, I read about our business customers in a summary on loan presentations. It was a great experience being able to hear their story and see what they do firsthand. The facility was designed flawlessly for their needs and I was impressed by how smooth each part of the process was."



IN LOVING MEMORY



It was a tough year for First State Bank as we lost two well-known and highly respected lenders in 2022.



Ronald L. Yoder

August 18, 1956 - March 16, 2022

After a 42-year banking career at First State Bank, Ron Yoder retired at the conclusion of 2021. Ron was a well-respected part of the Middlebury community, a no-nonsense lender, and a fun co-worker. It was rare to be at a public event without someone mentioning his name. In an unfortunate turn, Ron retired only shortly before his sudden passing in March, 2022. Clients, staff, and directors all considered Ron a friend and still miss him dearly.



Dennis E. Davis

March 8, 1954 - October 21, 2022

We also continue to mourn the loss of our friend Denny Davis who passed away in October, 2022. Denny worked at First State Bank for 6 ½ years as a Mortgage Loan Originator in the Goshen office until he retired at the end of 2020. Denny was well-known in the real estate and mortgage business and was a very focused and dedicated lender. He worked hard for his clients and was the king of cultivating referrals.

**We are proud to honor these two fine men
who represented their communities and our bank so well.**

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www.BFirst.Bank

