



2023 ANNUAL REPORT

FIRST STATE | BANK Headquartered in Middlebury, IN | 111 South Main Street



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.

Locations

Middlebury

111 S Main St.,
Middlebury, IN 46540

Goshen

201 N Main St.
Goshen, IN 46526

Greencroft

1820 Greencroft Blvd.
Goshen, IN 46526

Riverwalk

200 NIBCO Pkwy.
Elkhart, IN 46516

Cobblestone

1515 Cobblestone Blvd.
Elkhart, IN 46514

South Bend

1015 South Bend Ave.
South Bend, IN 46617

Loan Production Office

1800 W US 20
Shipshewana, IN 46565

Dear Shareholders and Friends,

Whether you are a shareholder, future investor, customer, or our next customer, thank you for your interest in our holding company, Crystal Valley Financial Corporation (CYVF), and operating entity, First State Bank. We embrace our heritage and the name our founders gave our bank in 1910, "First State Bank." We refer to ourselves as BFirst Bankers and use "B Statements" expressing our values, accomplishments, and dreams.

B Inspired. BFirst Bankers are an inspiring group. Every day they overcome challenges and solve problems to help our valued customers achieve financial goals. Duane tailors loan products to meet the needs of individual business owners. Peggy works hard to meet the needs of homebuyers and the expectations of realtors. Lori battles fraudsters to protect the assets of our customers. Max listens to the needs of clients and helps them solve problems. Shannon provides concierge-level service to trust and wealth management clients. Real, live BFirst Bankers, like Alyssa and Julie, answer our phones and assist in overcoming obstacles in minutes.

B Invested. BFirst Bankers invested more than 3,000 hours in their respective communities during 2023 by serving a wide range of non-profit organizations through volunteerism. We continued our tradition of using the Federal Reserve Columbus Day holiday to send BFirst Bankers to provide physical support to multiple, local non-profits. We've packaged soup, cleaned landscapes, walked dogs, knotted blankets, painted, cleaned, and much more.

The newest geography to benefit from First State Bank investment is Shipshewana in LaGrange County, Indiana. During the second quarter of 2023 we opened a loan production office in that community. Long time BFirst Banker, Jon Miller, an expert in lending into the Amish community, is successfully leading our efforts there.

B Profitable. For the fourth straight year, we finished the year with consolidated net income of more than \$10 million. The failures of two large banks in New York and California shed much light on the industry and called into question the niche strategies employed by those institutions. Meanwhile, First State Bank stayed the course, doing business with people we know and trust in the communities we serve. Escalating interest rates, deposit flight to the highest rates outside of banks, and uncertainty in the market

impacted nearly all commercial banks in the United States. Consolidated net income was sharply impacted in many of these institutions. While our consolidated net income dropped 8% compared to 2022, we fared better than many of our peers. Our sold mortgage loan income alone was down nearly \$1 million year over year due to the sharp increase in mortgage loan interest rates.

We are pleased to continue sharing these profits with our loyal shareholders. During 2023, we returned more than \$2.2 million to shareholders via quarterly dividends. Additionally, we continued our popular stock buyback program and returned more than \$3.4 million to shareholders desiring liquidity while enhancing shareholder value for others. We remain well capitalized and are always happy to discuss buyback options with shareholders.

B First. The American Bankers Association recognized our fine financial performance by listing First State Bank among their Top 200 Community Banks at #53. While we never manage the bank for inclusion on a list, it is nice to be recognized for the efforts of our BFirst Bankers. Midway through 2023 we executed a well thought out succession plan as two members of our executive team, Randy Miller and Mike Weaver, decided to retire. Both always looked to "BFirst" on behalf of the bank. Randy spent more than 33 years with us building our operations and information technology teams. His legacy is woven into the infrastructure of our company. Mike was a BFirst Banker for 14 years leading the loan team and nearly doubling the size of the loan portfolio in that span.

We sincerely thank you for your interest in Crystal Valley Financial Corporation. We are excited about the future and the potential of our company and your investment. There is little I enjoy more than discussing an investment in Crystal Valley Financial. Please reach out to do so soon.



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

Board of Directors



Derald L. Bontrager
Retired President,
Jayco, Inc.



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



Sam H. Hoover III
Executive Vice President,
First State Bank and CVFC



John W. Gardner
Trustee, Bethel University



Carl D. Eash
Retired Business Owner
and Real Estate Investor



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



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



Cameron D. Boyer
Vice President,
Brinkley RV

Senior Management & Officers

Senior Management

D. Joe Caffee	President & CEO
Samuel H. Hoover III	Executive Vice President
Eric J. Romzek	Senior Vice President, Director of IT
Sheila L. Gordy	Senior Vice President
Duane R. Miller	Senior Vice President
James L. Neff	Senior Vice President
Jared E. Sponseller	Senior Vice President, CFO
Dana D. Trowbridge	Senior Vice President
Lance T. Weirich	Senior Vice President & CLO
Patrece D. Yates	Senior Vice President & Trust Officer

Middlebury Officers

D. Joe Caffee	President & CEO
Sam H. Hoover III	Exec. Vice President
Lance T. Weirich	Senior Vice President & CLO
Jared E. Sponseller	Senior Vice President & CFO
James L. Neff	Senior Vice President
Eric J. Romzek	Senior Vice President
Darla K. Kauffman	Vice President
Jon E. Miller	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
Tessa A. Trigg	Assistant Vice President
Debbie L. Gordon	Banking Officer
Amanda L. Kindig	Banking Officer
Rebecca L. Yoder	Banking Officer

Goshen Officers

Duane R. Miller	Senior Vice President
Louis W. Gerber	Vice President & CCO
Jeff D. Showalter	Vice President
Lynda L. Hershberger	Assistant Vice President
Peggy A. Guyas	Mortgage Officer

Elkhart Officers

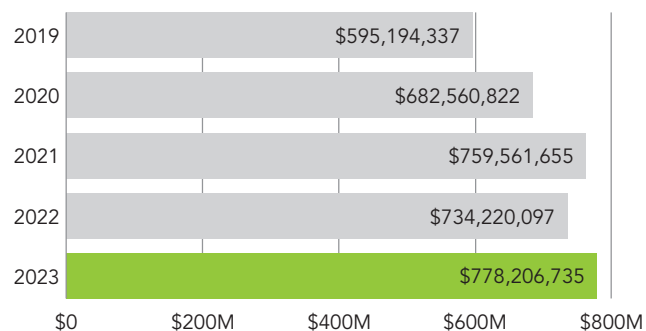
Sheila L. Gordy	Senior Vice President
Patrece D. Yates	Senior Vice President & Trust Officer
Duane S. Klein	Vice President
Shannon G. Klein-Bruggeman	Vice President & Trust Officer
Nicholas B. Corpe	Assistant Vice President
Lori A. Faltynski	Assistant Vice President

South Bend Officers

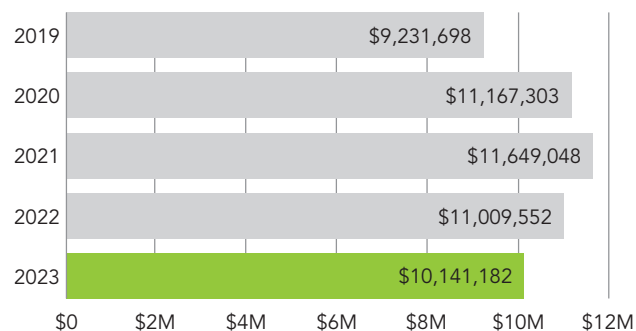
Dana D. Trowbridge	Senior Vice President
Elizabeth L. Groulx	Vice President
Nicholas R. Matthews	Vice President
Matthew N. Kaiser	Assistant Vice President

Financials

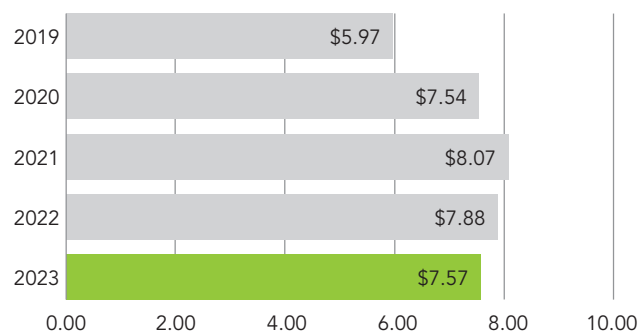
Financial Highlights of 2023



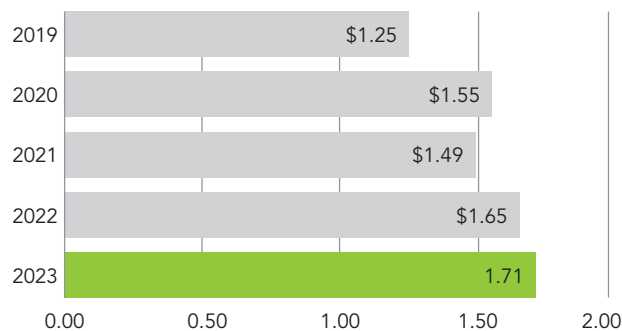
TOTAL ASSETS



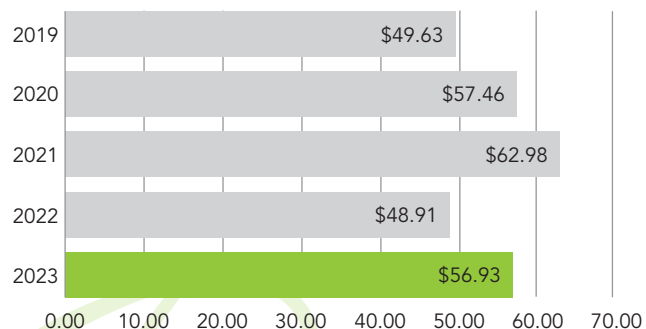
NET INCOME



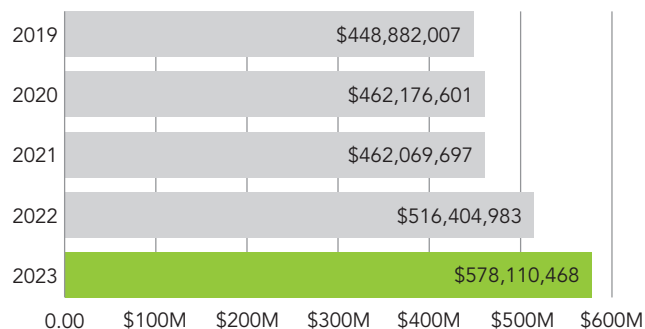
BASIC EARNINGS PER SHARE



DIVIDENDS PER SHARE



BOOK VALUE PER SHARE



TOTAL NET LOANS

Financials

Financial Highlights of 2023

Crystal Valley Financial Corporation Consolidated Balance of Income December 31, 2023

Assets

Cash and Cash Equivalents	\$10,271,782
Investment Securities	153,974,799
Federal Home Loan Bank Stock	3,530,500
Loans, net of allowance for loan losses	578,110,468
Premises and equipment	5,378,468
Accrued interest receivable	3,013,638
CSV - Insurance	12,473,245
Other Assets	11,453,835
Total Assets	<u>\$778,206,735</u>

Liabilities

Demand Deposits	\$353,859,071
Savings Deposits	129,372,681
Time Deposits	118,897,397
Total Deposits	<u>\$602,129,149</u>
Repurchase Agreements	\$4,150,032
Federal Home Loan Bank advances	60,564,354
Other Borrowings	27,888,000
Other Liabilities	9,036,733
Total Liabilities	<u>\$703,768,268</u>

Stockholders' Equity

Common stock	\$2,048,000
Surplus	2,179,382
Retained Earnings	113,214,035
Net unrealized gain (loss) on securities	-20,217,406
Less treasury stock, at cost	-22,785,544
Total stockholders' equity	<u>\$74,438,467</u>
Total Liabilities and stockholders' equity	<u>\$778,206,735</u>
Book value per share of common stock (based on 1,307,651 shares outstanding)	\$56.93

Crystal Valley Financial Corporation Consolidated Statement of Income Year Ended December 31, 2023

Interest Income

Loans, including fees	\$32,936,601
Investment Securities	3,739,569
Other interest and dividend income	381,027
Total Interest Income	<u>\$37,057,197</u>

Interest Expense

Deposits	\$6,187,810
Federal Home Loan Bank advances	2,674,405
Other borrowings/Repos	448,392
Total Interest Expense	<u>\$9,310,607</u>

Net Interest Income	\$27,746,590
Provision for loan losses	665,812

Net Interest Income after Provision for loan losses	<u>\$27,080,778</u>
---	---------------------

Other Income

Service charges on deposit accounts	\$486,435
Other service charges, commissions, fees	1,724,235
Trust income	1,160,411
Net gains on sales of securities	32,015
Net gains (loss) on sales of loans	-70,576
Net gain (loss) on other real estate	41
Other income	431,019
Total Other Income	<u>\$3,763,580</u>

Other Expenses

Salaries and employee benefits	\$10,211,696
Occupancy	1,148,531
Equipment and processing	2,632,394
FDIC Assessment	318,938
Other expenses	4,385,134
Total Other Expenses	<u>\$18,696,693</u>

Income Before Income Taxes	\$12,147,665
Provision for income taxes	2,006,483

Net Income	<u>\$10,141,182</u>
------------	---------------------

Earnings per share	\$7.57
Average shares outstanding	1,340,238

Services

Loan Production Office



Pictured above First State Bank Vice-President Jon Miller, First State Bank employees, and LaGrange County Chamber members pose for the ribbon cutting for the Grand Opening of the Shipshewana Loan Production Office.



Growing again to better serve our customers, we opened a new Loan Production Office near the intersection of US 20 & SR 5 in Shipshewana. Vice-President Jon Miller relocated his office to fill a lending need in that area. After a short remodeling time early in 2023, the office opened in late June and officially celebrated with a ribbon cutting in September. Guests enjoyed a slice of locally made pie, giveaways, and chances to win great prizes. With a full-service ATM at this location, we also had many chances to win bonus cash for anyone using the ATM during that week. It's been great working with customers and businesses in that area and being part of yet another vibrant community.

Services

Trust & Wealth Management



**Shannon
Klein-Bruggeman**
Vice President,
Trust Officer

Amy Chupp
Trust Operations
Specialist

**Patrece Yates
(Patty)**
Senior Vice President,
Trust Officer

Martha Bayes
Trust Operations
Specialist

At First State Bank, we recognize that navigating the complexities of wealth management can feel overwhelming. Our dedicated Trust & Wealth Management team is here to simplify the process for you! We provide a comprehensive array of personalized Wealth Management services to ensure your journey is as seamless as possible. Whether you're looking to discuss retirement planning, trusts, estate planning, 401(k) rollovers, financial planning, IRAs, or investment management agency services, we've got you covered. Our team adheres to an investment philosophy centered on principles such as asset allocation, portfolio structure, and continuous portfolio management. We believe that this approach will not only optimize returns but also mitigate risks,

helping you achieve your investment objectives. Reach out to us today to discover more about our Trust and Wealth Management services.



Products

School Spirit Debit Card Program



As the only program of its kind in our area, the School Spirit Debit Card Program has been successful in providing needed

funding for our local schools in the areas of music, art, athletics, and beyond. With every signature-based transaction customers make using the school-branded debit card, First State Bank donates \$.05 to the school.

Now in the 10th year of this amazing program, almost HALF of the debit cards issued at First State Bank are school-branded cards or account holders have elected to connect their standard card to benefit a school. At the end of 2023, the donations to participating schools totals almost \$350,000.

Participating Schools:

Bethany Christian
Clinton Christian
Concord
Elkhart Christian Academy
Elkhart Education Foundation
Fairfield Jr./Sr. High
Goshen
Granger Christian
Jintown
Marion
Northridge
Premier Arts Academy
St. John's the Evangelist
Westview Jr./Sr. High



Products

Main Street Rewards Checking

TAKE ADVANTAGE OF MAIN STREET REWARDS CHECKING



Our Main Street Rewards checking account is an excellent way to earn more on your deposits and take advantage of other benefits. With requirements like using your debit card a certain number of times per month, receiving electronic statements, and having at least one direct deposit, you can earn higher interest rates AND cash back on purchases. Plus, when coupled with one of our partnering schools for a School Spirit Debit Card, you'll be helping local students as well. If you're looking to maximize your savings and get more out of your checking account, a rewards checking account may be a great option for you.

Below are the benefits of a First State Bank Main Street Rewards checking account, and since the benefits are tiered, the more you use your debit card, the more rewards you earn.

- High rate of interest with qualifying debit card transactions
- No minimum balance to earn interest
- A \$0.10 rebate for each signature-based transaction (based on qualifying debit card transactions)
- Refunded ATM fees (based on qualifying debit card transactions)
- No monthly service charge with E-Statements
- 20 Free Starter Checks
- Free Online Banking
- Free ATM/VISA® Check Card
- Free 24 Hour Hometown Phone Connection
- Free First State Bank ATM Transactions
- Bounce Protection available
 - Limit \$750 on qualifying accounts

Community Highlights from 2023



BCause Day Our Annual Volunteer Day

Now in our 5th year of B Cause Day, the projects continued to challenge and fulfill our BFirst Bankers. We use our Columbus Day holiday as a way for all staff to give back in our communities. This year, as in past, has found our bankers building, painting, cleaning, and creating for one of nine local non-profit organizations.

The Depot

We vacuumed up 5,247 dust bunnies and assembled 32 artificial Christmas trees! The Depot staff was very excited and appreciative about the fact that we were cleaning.



Dogtown Resort

We trimmed and pruned trees in the walking yard and along the driveway, including many bushes and shrubs. Additionally, we removed overgrown vines from the various fences around the property and fixed a chained link fence door that was not opening. We also rolled up and picked up black walnuts, cleaned up the landscaping around the front entrance sign, and walked the dogs at the end of the day.

The Cove of Elkhart

We found ourselves hanging several large pallets of clothing for their resale store. We were told that timing was perfect to assist them in hanging the children's clothing for an upcoming Children's Resale Event at the RV Hall of Fame. We all worked diligently, but had fun and some great conversation while doing so. There were many of us who had not met, so this was also an opportunity to meet some new FSB co-workers.

Community Highlights from 2023

Cultivate Culinary

In the morning, we helped in the docking area loading orders into vans and helped sort through new inventory. We sorted through 80 bushels of apples, and labeled food containers. Cultivate uses thousands of containers each week to package food! After lunch, we started the food-packaging process. We prepped and packaged 1764 meals, serving over 280 children 6 meals each for the week! We helped out in the kitchen at different times throughout the day, got to use a commercial dishwasher, and had to wash a commercial mixer by hand! That was an experience!

Church Community Services & Soup of Success

Their goal for the week was 600 bags of soup and we did 786! Everyone worked hard. The Soup of Success Team said that "We loved having this group from First State Bank! They were able to put a huge dent in what was needed for the holiday season, producing 786 bags of soup and 2,222 soup spice packets!"

The Elkhart County 4-H Fairgrounds

A group restored the 'Disney' tram the Fair acquired from Disney a few years back. This is a historical piece. It was completely sanded, cracks filled and re-finished. It is now in great shape to be used for Fair purposes. Another group gathered all the recycled benches from all over the fairgrounds which were put into winter protection storage. Each bench weighs around 200 pounds, so it was quite a chore. Also, we took down the banners in high areas around the clock tower. These are time consuming projects that would not have happened without volunteer labor.

Habitat of Humanity of Elkhart

We spent the morning hanging sheathing on the gables of the roof and bending and installing aluminum flashing to go around the foundation. In the afternoon, we installed the vapor barrier on the gables, taped windows, finished the exterior walls for insulation and installed the starter strips for the siding.

The group had a lot of fun working together and we all walked away tired, but happy for the experience.

Non-Profit Support

This group is a bit different as the items they create are distributed to other local non-profits and hospitals. Stacks of fabric are cut, matched, pinned, stitched, and stuffed to create blankets, pillowcases, hats, gloves, and pillows for various uses. Our group of volunteers stuffed 204 cardiac rehab pillows, pinned over 300 pillowcases, and completed over a dozen quilts.

Stable Grounds

Two coats of sealer were painted on wood in the arena, windows were washed, and window encasements were cleaned. Stall bars and ceiling areas were dusted, and dirt was shoveled around the new arena foundation. Additionally, water troughs were cleaned, flowering bushes were pruned, and bushes were trimmed. The hay area was cleaned of chaff, swept, and removed, and stone was purchased and spread in low areas where water stands. This group worked hard and had fun in the process.



Community Highlights from 2023



In a continuous collaboration with B100 Radio, First State Bank proudly supports the B100 Book Club. By visiting the B100 website, listeners have the opportunity to nominate a Kindergarten through 3rd-grade classroom for a special visit from on-air personality Brittney Bailey, who will read to the students. Monthly, a fortunate teacher is selected from the entries, and Brittney, accompanied by a representative from First State Bank, pays a visit. Each student in the chosen classroom receives a copy of the featured book to keep, along with a special surprise courtesy of First State Bank.



Here are the classrooms we had the pleasure of visiting in 2023.

Edwardsburg Primary School
Mrs. Canarecci's Kindergarten Class

Twin Branch Elementary School
Mrs. Marchi's 1st, 2nd, and 3rd Grade Classes

Bristol Elementary School
Mrs. Atkinson's Kindergarten Class

Clay K-8 International Academy
Mrs. Davis' 1st Grade Class

Cleveland Elementary School
Mrs. Baker's 1st Grade Class

Growing Kids Summer Camp
South Bend

La Petite Academy Mishawaka

St. Jude Catholic School
Ms. Weber's 2nd Grade Class

Moran Elementary School
Mrs. Bennett's 2nd Grade Class

Nappanee Elementary School
Mrs. Andrews' 2nd Grade Class

Lincoln Elementary School
Mrs. Eppert's 2nd Grade Class

Elm Road Elementary
Mrs. Mattison's Kindergarten Class

Community Highlights from 2023



Elkhart County Career Quest 2023 provided interactive pathway exhibits for 3,000+ 7th grade students.



The Field of Dreams Career Expo provided 7th to 12th grade students with insights into various careers and job opportunities.



Kids Day at the Elkhart County 4-H Fairgrounds offers a wonderful chance for children to discover the importance of saving money and have fun racing piggy banks.



Customer Appreciation Day, our customers' favorite, where each office signs up in shifts to distribute orange and root beer floats.



Employees generously volunteered their time to assist with Elkhart County Fairgrounds Trick or Treat Day.

