

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

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
Sam H. Hoover III	Exec. 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
Cameron D. Boyer	Vice President, Brinkley RV

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

**CRYSTAL VALLEY
FINANCIAL CORPORATION**

The directors and management of Crystal Valley Financial Corporation (CYVF) are pleased to report another year of stable financial performance for the corporation and its subsidiary, First State Bank, for the year ended December 31, 2023. Net income for 2023 totaled \$10,141,182 or \$7.57 per share, versus net income in 2022 of \$11,009,552, or \$7.88 per share. Despite a rising rate environment and economic uncertainties, loan demand was consistent throughout the year. First State Bank's loan portfolio grew by 12%. A quality existing portfolio coupled with this growth and higher interest rates drove our core earnings, interest income, up by 25% for the year. Assets reached an all-time high, \$778 million at year end.

Nationally, banks' interest expense saw historic rises in 2023. First State Bank interest expense increased by 234%. Additionally, we tripled our provision for loan losses as we adjusted to the updated CECL accounting standards. Management worked to keep all other expenses steady compared to 2022. All told, this resulted in a consolidated net income reduction of nearly 8%.

The Board of Directors has approved a first quarter cash dividend of \$0.43 per share for shareholders with a record date of February 1, 2024, and a payable date of February 15, 2024. This represents an increase of 2.4% compared to the dividend paid in the first quarter of 2023.

Recent IRS regulations forced us to unwind our insurance captive, Crystal Valley Insurance, Inc. during the fourth quarter. While it slightly alters our risk management strategy, the impact on net income should be minimal going forward.

During the first few days of 2024 we began executing a well-planned restructuring of some balance sheet components, including liquidation of some under-performing bonds. While this may result in initial and minor balance sheet constriction, ultimately these actions should result in higher performing investments and fund future loan demand.

Upward & Onward,



D. Joe Caffee, President & CEO

Statement of Condition

December 31, 2023
**CRYSTAL VALLEY
FINANCIAL CORPORATION**

and its Principal Subsidiary

FIRST STATE BANK

Statement of Condition
December 31, 2023 and 2022
Unaudited

	2023	2022
Assets		
Cash and Due from Banks	\$9,441,085	\$12,909,920
Interest Bearing Balance with Banks	830,697	2,178,188
Investment Securities	153,974,799	166,528,455
Federal Home Loan Bank Stock	3,530,500	2,702,900
Loans Gross	585,694,488	523,183,540
Less: Allowance for Loan Losses	-7,539,332	-6,712,232
Deferred Loan Fees	-44,688	-66,325
Net Loans	<u>578,110,468</u>	<u>516,404,983</u>
Premises and Equipment	5,378,468	5,283,075
Accrued Interest Receivable	3,013,638	2,807,986
CSV - Life Insurance	12,473,245	12,541,295
Other Assets	11,453,835	12,863,295
Total Assets	<u><u>\$778,206,735</u></u>	<u><u>\$734,220,097</u></u>
Liabilities and Shareholders Equity		
Liabilities		
Non-Interest Bearing Demand	\$134,471,489	\$170,907,541
Interest Bearing Demand	219,387,582	199,176,785
Savings	129,372,681	163,917,161
Time Under \$100,000	33,590,787	25,500,729
Time \$100,000 and over	85,306,610	64,401,832
Total Deposits	602,129,149	623,904,048
Loans Payable	78,564,354	25,881,717
Repurchase Agreements	4,150,032	6,114,355
Federal Funds Purchased	9,888,000	1,994,000
Allowance for Credit Losses on Off-Balance Sheet Credit Exposures	146,709	0
Accrued Interest Payable	725,724	272,563
Other liabilities	8,164,300	9,283,709
Total Liabilities	<u>\$703,768,268</u>	<u>\$667,450,392</u>
Shareholders Equity		
Common Stock	\$2,048,000	\$2,048,000
Surplus	2,179,382	2,179,382
Retained Earnings	113,214,035	105,744,434
Treasury Stock	-22,785,544	-19,343,911
Net Unrealized Gain (Loss) on Securities	-20,217,406	-23,858,200
Total Shareholder Equity	<u>\$74,438,467</u>	<u>\$66,769,705</u>
Total Liabilities and Shareholder Equity	<u><u>\$778,206,735</u></u>	<u><u>\$734,220,097</u></u>
Book Value Per Share	\$56.93*	\$48.91*

* 2023 - Based on 1,307,651 shares outstanding
** 2022 - Based on 1,365,023 shares outstanding

Statement of Income
Year Ended December 31, 2023 and 2022
Unaudited

	2023	2022
Interest Income		
Interest and Fees on Loans	\$32,936,601	\$24,782,691
Interest on B.A.'s & Deposits with Banks	161,106	112,701
Interest on Investment Securities	3,954,726	4,721,338
Other Interest & Dividend Income	4,764	9,780
Total Interest Income	<u>\$37,057,197</u>	<u>\$29,626,510</u>
Interest Expense		
Interest on Deposits	\$6,187,810	\$2,100,882
Interest on FF Purchased/Repos	371,776	62,718
Interest on Other Borrowed Funds	2,751,021	624,380
Total Interest Expense	<u>\$9,310,607</u>	<u>\$2,787,980</u>
Net Interest Income	\$27,746,590	\$26,838,530
Provision for Loan Losses	665,812	210,000
Net Interest Income After Provision for Loan Losses	<u>\$27,080,778</u>	<u>\$26,628,530</u>
Other Income		
Service Charges on Deposit Accounts	\$486,435	\$449,395
Other Service Charges, Commissions, Fees	1,724,235	1,814,554
Trust Income	1,160,411	1,237,013
Gain (Loss) on Sales of Securities	32,015	217,112
Gain (Loss) on Sales of Loans	-70,576	911,344
Gain (Loss) on Other Real Estate	41	0
Other Income	431,019	364,545
Total Other Income	<u>\$3,763,580</u>	<u>\$4,993,963</u>
Other Expenses		
Salaries and Employee Benefits	\$10,211,696	\$10,464,837
Occupancy Expense	1,148,531	1,181,950
Equipment and Processing	2,632,394	2,350,288
Postage & Supplies	310,087	294,875
Legal & Accounting	313,356	309,242
Advertising & Public Relations	842,911	807,847
FDIC Assessment	318,938	208,850
Other Expenses	2,918,780	3,166,240
Total Other Expenses	<u>\$18,696,693</u>	<u>\$18,784,129</u>
Income Before Taxes	\$12,147,665	\$12,838,364
Provision for Income Taxes	2,006,483	1,828,812
Net Income	<u>\$10,141,182</u>	<u>\$11,009,552</u>
Earnings Per Common Share	\$7.57*	\$7.88**

* 2023 - Based on 1,340,238 average shares outstanding
** 2022 - Based on 1,396,538 average shares outstanding