

2022

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Annual  
**REPORT**

**Community State Bank**

*...with you every step of the way*

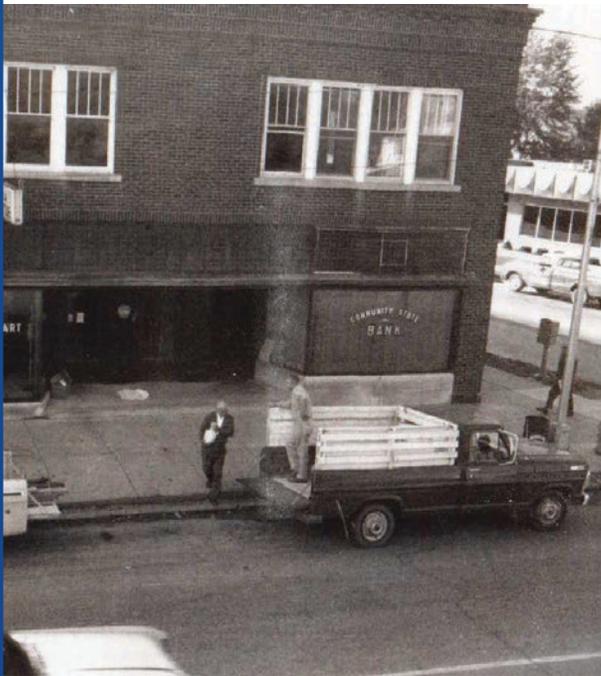
Community State Bank



# Your letter from the President

**Dear CSB Customers, Partners, and Shareholders,**

Back in 1931, a group of local merchants and farmers saw the demand for a bank focused on serving the small town of Avilla and made it happen. Over the years, we have grown from a small community bank with 4-5 employees and \$25,000 in capital to a bank of 60+ employees sitting around \$37 million in capital. We believe that serving our communities is best done as an independently owned bank which allows us to keep in step with your needs.



The team members of your Community State Bank had a terrific year in 2022. We experienced strong loan and deposit growth, 30% and 19%, respectively. Furthermore, we were able to replace the one-time income from the Federal Government Paycheck Protection Program and to grow net income to a record level of \$4,308,847, while expanding our footprint into Northern Allen County with a new Loan Production Office.

As we usher in 2023, the economic environment has an entirely different feel than this time last year. The harsh economic impacts of rising inflation on businesses and consumers alike, coupled with the looming potential of a recession, are reasons for caution. Organizationally, we believe we are well positioned to assist our communities and clients as they weather the challenges that lie ahead this coming year.

In fiscal year 2023, we will continue to look for opportunities to expand our footprint in Allen County and further add technology to improve the lives of our customers. Given the increasing threats of fraud and customer identity theft, we are focused on rolling out products to assist in protecting our Business and Consumer clients. Furthermore, we continue to invest in technologies that allow businesses to maximize their excess cash, whether it be to earn more interest or lessen their interest expense.

Our team is excited to announce we will be opening a new CSB branch in Allen County.

## ...the future of CSB

Making the decision to establish a presence in Allen County was not something that the Board of Directors and Management Team took lightly. Initially, we observed the market is absent from any true community banks. Our approach of providing valuable advice and client-centered service separates us from the existing competitors. Additionally, we have experienced significant, positive feedback from those clients currently residing in Allen County. At present, we have a foothold of nearly \$20,000,000 of loans and \$15,000,000 of deposits that are based in Allen County.

All of these factors help instill confidence as we embark on building a new branch location. We see this as an opportunity to bring the “CSB way” to this new market. On the following pages, you can review the financial performance of fiscal year 2022. I trust you will be pleased, and I am grateful to the solid group of professionals that work at Community State Bank on a daily basis. Our income performance is favorable to our peers, and our balance sheet is well positioned for the future.

“Why should I bank at Community State Bank?” is often asked of me. My answer lies within the knowledge and dedication of our competent professionals. Our team will walk with you towards identifying a unique solution that fits your unique needs. Whether it be purchasing your first home, starting a new business, expanding an existing business, or planning for the future, you will find a CSB team member ready to help you take that first step.



A white, handwritten signature of William Thatcher III, written in a cursive style, set against a dark blue background.

**William Thatcher III**  
Community State Bank President & CEO

# Our Impact

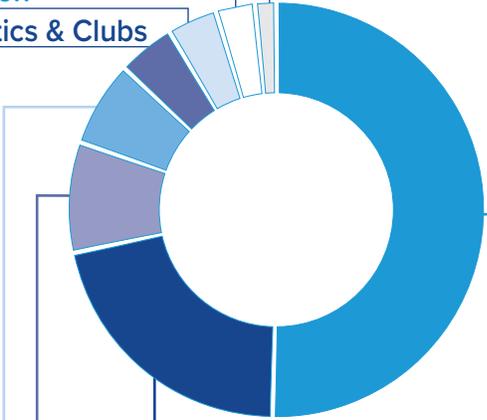
On any day of the week, the CSB team can be found out in the community making a difference. Some employees organize and participate in fundraisers; others are on community organization boards such as Big Brothers Big Sisters, Matthew 25 Health and Care, County 4-H, and Junior Achievement; and others sometimes get their hands a little dirtier like being volunteer firemen.



# Community Giving

At Community State Bank, they do not simply say that community is what they are all about: they show it. The CSB team is dedicated to building products and services that better reach and impact the community because they are a part of the community too. In this past year alone, the CSB team has volunteered individually and as a team to support over 50 community events, nonprofit organizations, and community boards. Working at Community State Bank is only one way the team makes the community a better place to live.

Family  
Education  
Religion  
Athletics & Clubs



## Donation Industry Breakdown

Here are some of the community organizations and events financially supported by CSB in 2022 broken down by industry.

### Community

- Kendallville Chamber
- Auburn Police Dept.
- Onion Days Parade
- Sylvan Cellars
- DeKalb United Way
- Avilla Freedom Festival
- DeKalb Economic Development
- Auburn Main Street



### Youth



- Big Brothers Big Sisters
- Albion JR Baseball
- Avilla Ball Association
- NASA Soccer
- Noble & DeKalb Co. 4-H
- Noble Co. Venom Softball
- East Noble Youth Football
- Anthony Wayne Area Boy Scouts

### Health

- Common Ground
- Serenity House
- St. Martin's Health Clinic
- Council on Aging
- Women's Care Center
- Drug Free Noble Co.
- Hearten House
- DeKalb Relay for Life



### Parks & Recreation



- DeKalb YMCA
- Cole Center YMCA
- Heritage Park
- Albion Park Department
- Hidden Ego
- Activate Noble County
- Kendallville Parks
- Noble Hawk Golfing

# guiding your steps to a better future...



Long before Washler Inc. began serving their communities through their garbage and recycling business, they were physically building up the community through new home construction. From the beginning, Jeff and Mandy Washler have provided outstanding service to their clients and focused on building a better community. They have assembled a team that is passionate about the work being done and proud of the customer service they are able to offer every day.

“ The support we have received from CSB has encouraged our growth and kept us grounded to our goal: building a great company with great people that produces great results. ”

▣ **Jeff Washler**, President & Owner

On multiple occasions, the Washler team has been able to take advantage of unexpected growth opportunities with the support of the CSB team who came alongside leadership as a sounding board and advisor to bring an outside perspective.



CUSTOMER SINCE **2011**

CUSTOMER SINCE 2020



RECON

Whether creating a Hummer e-bicycle or building their inventory of electric vehicle (EV) bikes for the FBI and other law enforcement agencies, Recon Power Bikes has found their way into the growing EV industry. In order to keep up with the demand of supplying larger businesses, such as General Motors, Recon Power Bikes needed a bank able to move with them and to support their rapid growth and innovative product offerings.

Working with CSB was an easy decision for the Recon Power Bikes leadership team for many reasons. Being able to talk directly to decision makers and to build a plan together was crucial to Recon Power Bikes' decision to bank with CSB. As they look toward their next adventure in this fast-paced industry, Recon Power Bikes is confident in CSB and their ability to serve them well and is excited for where these possibilities will take them next.

“For a company that needs speed and agility, there is no better team than the one here at Community State Bank.”

□ Jeff Fuze, President



stepping out into the unknown...

# Your Leadership Team

The CSB leadership team has been instrumental in the success experienced up to this point; and moving forward, they are the key to growth as a successful financial institution. In 2022, CSB added various key leadership positions. The Retail Banking team welcomed Joe Palazzolo as Director of Consumer Banking and Skyla Vincent as Retail Operations Manager. The Commercial Banking team welcomed Timothy Kuhnen as Commercial Banking Manager as well as Kyle Newman and Brad Stanfield as Senior Lenders serving Allen County customers.

## Market Development Officers

Carla Fandt, Albion  
 Doug Hanes, Avilla/Kendallville  
 Lindsay Shook, Auburn

## Senior Lenders

Timothy Kuhnen, Comm Banking Mgr  
 Brad Stanfield, Fort Wayne  
 Jill Coy, Kendallville  
 Kyle Newman, Fort Wayne  
 Matt Blair, Auburn

## Executive Team

William Thatcher <b>President &amp; CEO</b>	Aaron Schaffer <b>Chief Banking Officer</b>
Bonita Flynn <b>Chief Risk Officer</b>	Cody Brooks <b>Chief Credit Officer</b>
Joe Palazzolo <b>Director of Consumer Banking</b>	Tira Bussing <b>Director of HR</b>

## Board of Directors



Alan Osterlund	Michel Shuherk	Jeffrey Turner, Board Chairman	Mark Demske	Loren Troyer
	Don Monesmith	Dr. Thomas Jansen	Scott Frick, CPA	



# Every step has brought us closer to this moment.

The motivation to work through the logistics of budgets, growth goals, staffing models, and everything else that comes with managing the day-to-day of a bank is never-ending because of the impact the CSB team is able to have on their community. The communities where their branches are located all have unique cultures and needs that keep the team constantly adapting the products and services they offer. In order to keep up with growing demands, CSB recognizes the need to be flexible and forward-thinking. The team at CSB believes in Northeast Indiana and has worked hard to make their communities believe in them.

## What will CSB's next step be?

# Your Financial Statements

CONSOLIDATED BALANCE SHEET	2022	2021	2020
<b>ASSETS</b>			
Cash and cash equivalents	\$44,701,910	\$74,267,382	\$44,007,121
Investment securities	48,771,274	48,450,202	34,292,824
Loans – Net	327,655,275	251,706,762	245,137,576
Premises and equipment – Net	3,851,296	3,802,961	3,934,428
Accrued interest receivable	1,505,252	1,050,600	1,076,042
Other assets	6,211,577	4,534,219	4,430,668
<b>Total assets</b>	<b>\$432,696,584</b>	<b>\$383,812,126</b>	<b>\$332,878,659</b>

## LIABILITIES AND STOCKHOLDERS' EQUITY

<b>Liabilities</b>			
Non-interest bearing	\$197,981,473	\$139,385,843	\$112,761,396
Interest bearing	196,230,486	192,006,299	164,281,698
<b>Total deposits</b>	<b>394,211,959</b>	<b>331,392,142</b>	<b>277,043,094</b>
Borrowings	-	10,000,000	16,000,000
Accrued interest payable	227,042	157,534	220,924
Accrued and other liabilities	651,292	585,415	485,059
<b>Total liabilities</b>	<b>395,090,293</b>	<b>342,135,091</b>	<b>293,749,077</b>
<b>Stockholders' Equity</b>			
Common stock and surplus	426,594	745,787	996,252
Retained earnings	42,416,969	39,410,024	36,377,579
Accumulated other comprehensive income (loss)	(5,237,272)	1,521,224	1,755,751
<b>Total stockholders' equity</b>	<b>37,606,291</b>	<b>41,677,035</b>	<b>39,129,582</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$432,696,584</b>	<b>\$383,812,126</b>	<b>\$332,878,659</b>

FINANCIAL SUMMARIES	Peer Group	2022	2021	2020
<b>Key Ratios</b>				
Return on Average Assets	0.97%	1.10%	1.17%	1.28%
Return on Average Total Equity	11.63%	13.34%	12.52%	13.75%
Net Interest Margin	3.16%	3.47%	3.48%	4.18%
Efficiency	66.6%	60.40%	56.10%	56.51%

CONSOLIDATED STATEMENT OF INCOME	2022	2021	2020
<b>INTEREST INCOME</b>			
Interest & fees on loans	\$14,211,600	\$12,294,178	\$12,246,065
Interest and dividends on securities and deposits	1,685,764	1,145,817	979,564
<b>Total interest income</b>	<b>15,897,364</b>	<b>13,439,995</b>	<b>13,225,629</b>
<b>INTEREST EXPENSE</b>			
Interest on deposits	1,551,363	579,791	1,033,166
Interest on borrowings	133,849	196,137	248,083
<b>Total interest expense</b>	<b>1,685,212</b>	<b>775,928</b>	<b>1,281,249</b>
<b>Net Interest Income</b>	<b>14,212,152</b>	<b>12,664,067</b>	<b>11,944,380</b>
<b>Provision for Loan Losses</b>	<b>309,197</b>	<b>650,000</b>	<b>333,000</b>
<b>Net Interest Income after Provision for Loan Losses</b>	<b>13,902,955</b>	<b>12,014,067</b>	<b>11,611,380</b>
<b>NONINTEREST INCOME</b>			
Service charges on deposit accounts	50,317	191,423	343,359
Mortgage banking income	44,061	44,254	30,909
Other income	779,711	704,081	610,067
<b>Total noninterest income</b>	<b>874,089</b>	<b>939,758</b>	<b>984,335</b>
<b>NONINTEREST EXPENSE</b>			
Salaries and employee benefits	5,528,275	4,095,372	3,970,295
Net occupancy expense	1,841,298	1,653,879	1,742,637
Advertising expense	155,306	142,777	144,058
Directors and committee fees	175,020	218,964	158,819
FDIC insurance expense	169,694	91,416	88,116
Professional fees	349,832	364,630	359,714
Other expenses	978,230	869,543	765,135
<b>Total noninterest expense</b>	<b>9,197,655</b>	<b>7,436,581</b>	<b>7,228,774</b>
<b>Income Before Income Tax Expense</b>	<b>5,579,389</b>	<b>5,517,244</b>	<b>5,366,941</b>
<b>Income Tax Expense</b>	<b>1,270,902</b>	<b>1,307,495</b>	<b>1,285,672</b>
<b>Consolidated Net Income</b>	<b>\$4,308,487</b>	<b>\$4,209,749</b>	<b>\$4,081,269</b>

FINANCIAL SUMMARIES	2022	2021	2020
<b>PER SHARE DATA</b>			
Basic Net Income Per Common Share	\$11.90	\$11.62	\$11.21
Cash Dividends Per Common Share	\$3.60	\$3.25	\$3.17
Dividend Payout	\$1,301,281	\$1,177,304	\$1,152,136

...it's time for you to take your next step.

**AVILLA**

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PO Box 79  
Avilla, IN 46710  
**260.897.3361**

**ALBION**

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Albion, IN 46701  
**260.636.3744**

**AUBURN**

708 W 7th St.  
Auburn, IN 46706  
**260.925.3567**

**FORT WAYNE\***

11130 Coldwater Rd.  
Fort Wayne, IN 46845

**KENDALLVILLE**

506 E North St.  
PO Box 5079  
Kendallville, IN 46755  
**260.347.9000**

Community State Bank



\*Loan Production Office