

2023

ANNUAL REPORT

UNIVERSAL FINANCIAL SERVICES, INC.
HOLDING COMPANY OF FIRST STATE BANK AND TRUST & VALLEY AGENCIES, INC.

FIRST STATE 
BANK AND TRUST **VALLEY** 
AGENCIES

Achieve More. Together.™

DESPITE CHALLENGING MARKET CONDITIONS, FIRST STATE BANK AND TRUST AND VALLEY AGENCIES CELEBRATED MANY SUCCESSES IN 2023 INCLUDING STRONG BALANCE SHEET GROWTH, EXPANDING NET INTEREST MARGINS, A STABLE CAPITAL POSITION, AND INDUSTRY BEST ASSET QUALITY—ALL LEADING TO STRONG PROFITS FOR THE YEAR.

While many other financial institutions faced liquidity challenges, outflows of deposits and shrinking margins throughout the year, we saw core deposit expansion providing us the opportunity to continue our growth plans serving the financial needs of our St. Croix Valley community.

None of this would be possible without the commitment and energy of our dedicated staff. As a community bank, we take great pride in creating lasting connections with our clients and community. We have always believed banking, trust services, and insurance is done best with engaging, local staff that are able to partner with our clients to help them navigate their financial journey. The market disruptions during 2023 proved once again the benefits of strong client and community connections. We are thankful to work alongside our clients each and every day.

As we look ahead to 2024, we have identified several strategic priorities to keep us on a path of long-term, sustainable growth; allowing us to remain an independent community bank; serving our key stakeholders. Our 2024 priorities include the following:

Growth—we will continue to focus on growth and improved financial performance of our key business units including insurance, trust, mortgage, branch banking, and commercial banking.

Client Experience—we will work hard to enhance our client experience setting ourselves apart from competition and strive to become the organization of choice for our clients and community.

Employee Engagement—we will promote and encourage employee engagement across the organization to enhance the client experience, ensure consistency of systems and processes, and provide opportunities for staff growth and development.

Technology Utilization—we will identify opportunities to better leverage our existing technology and communication systems to support growing operations.

Key projects for 2024 include redesign of www.fsbt.com; remodeling of our Bayport branch; more proactive engagement with our clients; enhancements to our employee onboarding and development programs; and assessments of our key technology systems including investments in training and expanded vendor relationships. We are well positioned to be the financial services provider of choice in the St. Croix Valley and beyond.

On behalf of our employees, we appreciate your continued support of Universal Financial Services, Valley Agencies, and First State Bank and Trust. As always, please do not hesitate to reach out at any time (jhoward@fsbt.com or 651.351.3731).

Sincerely,



Jason A. Howard
PRESIDENT / CEO



2023 BOARD OF DIRECTORS

Greg Benson
Ryan Cari
Peter Clements (Board Chair)
Dwight Cummins
Chris Galvin
Jason Howard
Keith Olson
Andy Rollwagen
Mel Sullivan
Michael Swisher
Tom Wagner
Monica Weekes

2023 MILESTONE ANNIVERSARIES

JOE ROSELL – 5 yrs
ANDY SEXE – 5 yrs
MARY BRIGGS – 5 yrs
LAURIE DUFFERT – 5 yrs
ANGIE LASKA – 5 yrs
VINNIE FERRARO – 5 yrs
ALEX ZEIEN – 10 yrs
KATHY ELBERT – 25 yrs
LORI MARTIN – 25 yrs
HEATHER BARTLEY – 40 yrs

*CONGRATULATIONS AND THANK YOU
TO OUR EMPLOYEES WHO CELEBRATED
MILESTONE SERVICE ANNIVERSARIES IN 2023*

CONGRATULATIONS GREG!

After 53 years of serving our organization, Greg Benson retired from the Board of Directors in December 2023. Greg joined FSBT in 1970 as an insurance producer becoming President/CEO in 1987 and continuing to serve on the Board of Directors after his retirement in 2006. During his time with FSBT, Greg helped grow total bank assets from \$7.5 million to close to \$400 million and net income from \$59,000 to over \$4 million. Beyond the numbers, Greg's impact on our organization will be felt well into the future as Greg was an employee focused leader helping to shape the careers of current and retired staff, many of whom spent their whole career with FSBT as well. Greg was a community banker through and through actively engaged in the community on various boards and foundations throughout his 50+ years. Thank you, Greg!

WELCOME CHAD!

Congratulations to Chad Fett on being elected to the First State Bank and Trust Board of Directors! As the president of our Trust Department, Chad will bring tremendous perspectives and expertise to our Board. He will also be a great voice for our team as we continue to grow and navigate the challenges of our industry. Congrats Chad!





**\$406 MILLION
TOTAL ASSETS**



**\$270 MILLION
OUTSTANDING LOANS**



**\$371 MILLION
DEPOSITS**



**\$5.82 BILLION
TRUST ASSETS
UNDER
MANAGEMENT**



**4,369
INSURANCE
POLICIES
MANAGED**



**16.6%
TOTAL RETURN
ON EQUITY**



**84
EMPLOYEES**

UNIVERSAL FINANCIAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

AS OF DECEMBER 31,	2023 (IN THOUSANDS)	2022 (IN THOUSANDS)
ASSETS:		
Cash and due from banks	\$38,284	\$25,950
Securities available for sale	85,030	92,055
Loans, net of allowance	266,947	232,112
Premise and equipment, net	9,788	10,635
Other assets	6,371	6,504
TOTAL ASSETS	\$406,420	\$367,256
LIABILITIES:		
Deposits	\$370,983	\$336,677
Borrowings	5,000	5,000
Other liabilities	4,147	3,774
TOTAL LIABILITIES	380,130	345,451
STOCKHOLDERS' EQUITY:		
Common stock	4,342	4,342
Additional paid-in capital	5,578	5,578
Retained earnings	21,107	19,073
Accumulated other comprehensive income (loss)	(4,737)	(7,188)
TOTAL STOCKHOLDERS' EQUITY	26,290	21,805
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$406,420	\$367,256
CORE CAPITAL RATIO	8.81%	9.12%
BOOK VALUE PER SHARE	\$242.22	\$200.89

UNIVERSAL FINANCIAL SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

YEARS ENDED DECEMBER 31,	2023 (IN THOUSANDS)	2022 (IN THOUSANDS)
INTEREST AND DIVIDEND INCOME:		
Loans, including fees	\$13,112	\$9,777
Securities	2,089	1,696
Other interest and dividends	1,650	530
Total interest and dividend income	16,851	12,003
INTEREST EXPENSE:		
Deposits	4,091	755
Borrowings	390	239
Total interest expense	4,481	994
Net interest income	12,370	11,009
Provision for loan losses	555	240
Net interest income after provision for loan losses	11,815	10,769
NON INTEREST INCOME:		
Bank service and other fees	974	1,021
Trust services	4,683	4,164
Commissions	1,529	1,536
Gain (loss) on sale of securities	(103)	–
Loss on sale of assets	(505)	(5)
Total non interest income	6,578	6,716
NON INTEREST EXPENSE:		
Salaries and benefits	9,325	8,889
Premises and equipment	1,401	1,396
Data processing and technology	1,074	994
Other non interest expense	2,634	2,608
Total non interest expense	14,434	13,887
NET INCOME	\$3,959	\$3,598
EARNINGS PER SHARE	\$36.47	\$33.15
NET INTEREST MARGIN	3.54%	3.33%



2,975
SOCIAL MEDIA
FOLLOWERS



1,028,278
DEBIT CARD
TRANSACTIONS



5,152
ONLINE BANKING
USERS



1,597
BILLPAY USERS



2,604
MOBILE
BANKING USERS



\$86 MILLION
TOTAL LOAN
ORIGINATION
VOLUME



\$27 MILLION
IN MORTGAGE
PRODUCTION

COMMUNITY FOCUSED



local business feature

MABEL'S ICE CREAM & COFFEE

YOU WALK IN AND ARE GREETED WITH THE AROMA OF FRESHLY BREWED COFFEE MINGLING WITH THE SWEET SCENTS OF HOMEMADE WAFFLE CONES AND ARTISANAL ICE CREAM. Chances are you will

hear a friendly hello from Wally Reynolds, proud owner of Mabel's Ice Cream & Coffee. Wally, who purchased Mabel's last year, continues the tradition started by Greg and Robin Ellingston in 2017, of serving up sweet treats to those young and old during the summer months.

One difference you will notice is the addition of coffee to the menu. Mabel's not only serves great ice cream but is now home to Wally's other passion, Bridge City Roasting. While deployed overseas with the Army, Wally became an expert in roasting coffee, testing out various bean combinations and roasting methods. After returning to Minnesota in 2019, Wally created Bridge City Roasting, importing coffee beans from across the globe and selling his roasted coffee creations to local restaurants, cafes, and grocery stores. Combining his passion for coffee with ice cream was a natural next step. Today, Mabel's provides a year-round destination for a sweet treat or caffeine fix.

Mabel's is more than just coffee and ice cream. Family, friends, and newcomers make Mabel's a special place to enjoy the moments that make life sweet. It's not uncommon to run into Wally's spouse Ashley or young son Finnegan during a visit. Wally takes great pride in supporting the St. Croix Valley community. "As a veteran-owned business, we infuse the community into everything we do," says Wally. "Whether it's providing space for Girl Scout cookies sales, sponsoring a weekly lemonade stand for young entrepreneurs, or hosting a local book club, Mabel's provides a gathering spot to help the community connect one scoop and cup at a time."

Mabel's represents the essence of what community banking is all about. Providing personalized banking to small, locally owned businesses gives entrepreneurs like Wally an opportunity to turn dreams into reality. Beyond banking, First State Bank and Trust is proud to partner with Mabel's, supporting our community including providing ice cream treats at our annual Bayport Bash, coffee for local teachers, and scoop coupons for our young savers. Keep up the great work Wally; we look forward to stopping by for an ice cream cone soon!



WE WOULD LIKE TO THANK ALL LOCAL BUSINESSES WHO WORK TIRELESSLY TO MAKE OUR COMMUNITIES GREAT PLACES TO LIVE, WORK, AND SHOP!



WE WERE EXCITED TO PARTNER WITH THE GREATER STILLWATER CHAMBER OF COMMERCE, HOSTING TEAM FUNLAND FROM FINLAND FOR THE 2024 WORLD SNOW SCULPTING CHAMPIONSHIP.

Teams from around the globe were given 4 days to sculpt a family friendly creation out of a 10 x 10 x 10 block of snow. The entire event was a huge success, bringing over 50,000 visitors to the St. Croix Valley. Although Team Finland didn't win, we were happy to be a part of their time here.

