

# Annual Report 2022

Community **FIRST**  
Financial Corporation



**“All in all, at the bank level, we saw asset growth of 15.8% in 2022 and an increase in net income of over 12.5%. We have continued to grow our asset size and increase profitability by investing in people and technology.”**

Robb Blume, President & CEO

At last year’s annual meeting and in the 2021 annual report, I referenced some of the “headwinds” our company and our industry would be facing during the coming months. I am happy to report to you that, despite those challenges, 2022 was a very successful year for our company.

To recap, just one year ago, not only were we just beginning to recover from the disruption of the COVID-19 pandemic, we were also losing significant fee income generated by PPP lending. Additionally, inflation rates not seen for decades led to dramatic increases in interest rates and resulted in significant challenges for our CFB mortgage department and our majority owned mortgage subsidiary, 1st Signature Lending, LLC. Finally, our regulatory environment continued to become more hostile to financial institutions, necessitating increased investment in our compliance efforts.

Nevertheless, our bank continued to grow in both size and profitability in 2022. Since our 2003 chartering, we have been a bank that has been powered by loans and that remains true today. Loan growth in the commercial and commercial real estate sectors have always made up the largest part of our balance sheet and those segments continue to see considerable growth, increasing by nearly 20% for the year. While not as large in absolute dollars, we also added significantly to our residential mortgages held on-balance sheet and to our consumer loan portfolio. This growth in held mortgages and consumer loans helped offset a significant decline in secondary market sales of our residential mortgages. 2022 also saw growth in our SBA department, leading to increased secondary market sales and an expanded portfolio. We expect growth in the SBA area to continue into 2023 and beyond.

In order to achieve the loan growth we have, we must have money to lend. Once again, our retail, treasury management, marketing and operations teams did a fantastic job of growing our deposit base so that we were able to fund our strong loan demand. In one of the most turbulent environments most current bankers have ever seen, our deposits have continued on a strong growth pattern, with total deposits increasing by over



(from left) Community First Bank’s Bob Hickman, Pete Needler, Jeff Magginnis, Greg Gordon, Scott Hammersley, Adam Pleva, and Duane Kamminga accept the Indiana Small Business Lender of the Year award from Indiana Statewide CDC’s Jean Wojtowicz.

16% and non-interest bearing deposits growing by over 20%. Continuing to offer competitive, easily accessible products delivered by outstanding people will be key to continuing to add to our deposit base. In furtherance of that goal, we entered the Marion County market with the opening of our North Meridian Street branch in February of 2022. This location gives us great visibility in the largest county in the state, as well as close proximity to the Carmel market.

With Karen Munsey as the new manager, the bank’s investment arm continued to grow assets under management during 2022, despite very challenging market conditions. In addition to adding a Hamilton County advisor, the department added administrative support and started the process of moving its Howard County offices to the downtown area. We believe the new location with its increased visibility and close proximity to our main office will lead to even more growth in the years to come.

All in all, at the bank level, we saw asset growth of 15.8% in 2022 and an increase in net income of over 12.5%. We have continued to grow our asset size and increase profitability by investing in people and technology.

From a technology standpoint, we continue to upgrade our systems to maintain state of the art information security and to continually improve our offerings to our customers. 2022 saw us roll out a new mortgage

operating system and lay the groundwork for a new commercial and consumer loan operating system. Our project management team continues to diligently weigh benefits versus costs in decisioning technology investments.



(from left) Community First Bank’s Tracy Brown, Stacy Russell, Karen Munsey, Angie Johnson, Monica Gremelspacher, Kim LaFollette, Krystal Coombs and Larry Rolland accepting 15 year anniversary awards from Robb Blume.

Our investment in people jumped to a new level in 2022 with the addition of Mark Malin as our Chief Leadership and People Development Officer. Mark’s primary duties are to assist existing management in growing leadership skills, to oversee our human resources department, to

improve employee engagement and development, and to assist in development and implementation of succession planning. We continue to believe that our people are the reason for our success and we will continue to provide additional tools and opportunities to make us even better.

As we head into our 20th year of operations, we do so with a great sense of gratitude to our employees, our shareholders, our customers and our communities. We are prepared to meet the challenges before us and pledge that we will continue to focus on improving every day. Thank you for your continued support.

**Mission Statement**

We partner with you to build a better future.

**Vision Statement**

To remain a high performing, innovative independent bank, for the benefit of our shareholders, co-workers, customers and communities.

**Core Values**

<b>F</b>	<b>I</b>	<b>R</b>	<b>S</b>	<b>T</b>
<b>For People</b>	<b>Intentional Growth</b>	<b>Respect, Always</b>	<b>Servant Leadership</b>	<b>Trusted Bankers</b>
Each day, we set our intentions to serve and give our best to others. We are for our co-workers, customers, communities, and shareholders.	People are CFB’s greatest asset, and we are empowered through the bank’s investment in training to continuously grow as professionals. We all play a part in making CFB known for having the best products and the best people.	We wholeheartedly believe that diversity, of all kinds, makes us a stronger team, a better bank, and a thriving community. We respect those around us because feeling secure and supported is imperative.	We are all leaders, no matter position or title. We have a responsibility to lead with humility and integrity by serving first and leading second.	We keep the best interest of our co-workers, customers, and communities at heart. We build trusted relationships in a way that makes them say, “We’ve never been treated like that by a bank.”

**Strategic Priorities**

Financial Performance | Stakeholder Satisfaction | Community Improvement | Employee Opportunity



# 2022 Leadership & Locations

## Board of Directors

Bill Hingst, Chairman  
Dr. Stacy Atkinson  
Robb Blume  
Cartwright Ellis  
Rex Gingerich  
Dr. J. Michael Harshman  
Bob Hickman  
Jack Hingst  
Mark McCann  
David McFatridge  
Ron Metz  
Matthew Murphy III  
Monica Peck  
Pete Smith

## Management Team

Robb Blume  
*President & CEO*  
Bob Hickman  
*EVP, Chief Credit Officer*  
Monica Gremelspacher  
*SVP, Chief Financial Officer*  
Scott Hammersley  
*SVP, Commercial Loan Group Manager*  
Kim LaFollette  
*SVP, Director of Sales & Marketing*  
Bea Wiles  
*SVP, Chief Operating Officer*  
Mark Malin  
*VP, Chief Leadership & People Development Officer*  
Karen Munsey  
*VP, Investment Department Manager*

## Locations

Kokomo  
201 W. Sycamore St.  
2101 S. Dixon Rd.  
1308 E. Hoffer St.  
  
Noblesville  
17661 Village Center Dr.  
5570 Pebble Village Ln., Suite 400 (LPO)  
  
Westfield  
707 E. State Rd. 32  
381 S. Junction Crossing  
  
Indianapolis  
9333 N. Meridian St., Suite 125  
**Coming Soon!**  
*Loan Production Office, Fishers*  
*Investment Office, Kokomo*



**“The challenges that we faced in 2022 made for an interesting year. We have been able to adapt and put ourselves in a strong financial position, having another year of strong profit and loan growth.”**

Monica Gremelspacher, Chief Financial Officer

Over the past 15 years I have enjoyed my time working with the bank in both credit analysis and more recently as the Controller. Many of you may know me as I have been the main contact for shareholders and stock transactions for the last decade. This year, I am stepping into a new role as Chief Financial Officer. I am honored to be taking on this role and wish our former CFO, Bill Buchanan, the best. He has retired and is enjoying life playing golf and traveling. Even though I am in a new role, please feel free to reach out to me with any questions you may have.

At the time I am writing this letter, the final consolidated financial statements which include First Signature Lending and the bank holding company are not available. Therefore, I will be addressing financial results from a ‘bank only’ perspective and we will provide full financial results for 2022 at a later date. I am sure that you have heard about the historic year 2022 ended up being. No one predicted it going into the year, but the Federal Reserve increased the benchmark interest rate by a cumulative 4.25% over the course of the year, which was the largest annual increase since 1980. This created an environment where management had to be nimble and quickly adjust to the changing environment many times during the year. I am happy to say that we did adjust. Once again in 2022, the bank produced record income and made the most of opportunities in front of us despite the challenges we faced. Bank net income was \$5.6 million which was up from \$4.8 million the prior year.

The years of 2020 and 2021 were years of record profits for many banks who participated in the Paycheck Protection Program (PPP) lending program orchestrated by the federal government. The fees that were earned by banks during this program offset the low interest rate of 1% mandated on these loans. In 2021 the bank recognized \$1.6 million in PPP fees, and in 2022 we only recognized \$613 thousand. This was a large loss of income that the bank needed to replace, and many banks struggled to do just that. In addition, the rising interest rate environment caused a steep increase in mortgage rates and as such, demand for mortgages plummeted. Our bank saw a 70% decline in fees earned from mortgages sold on the secondary market. One final

challenge that I would like to address is liquidity. It has a less obvious income statement impact but is important for 2022, and it will most likely have an even greater impact in the future. Our bank, as well as almost all other banks, has seen a decrease in deposits as COVID stimulus funds have been stopped and inflation has increased. Both businesses and consumers have less money on hand, and with the rising rates, banks began to fight to keep deposits. As a bank, we are required to have a certain amount of liquidity on hand by the regulators and to fund the loan growth that is still strong.

Based on the challenges we faced, the question you are probably asking is how we had a year of record profits, and the answer is our Net Interest Margin (NIM). Net Interest Margin is one of the primary drivers of a bank’s earnings. It’s calculated by taking the difference between the total interest income earned on the bank’s interest-earning-assets, such as loans and investments, and the total interest expense paid for deposits and borrowings. For the year ended 2022, the NIM was 3.99% versus 3.57% in the prior year. For comparison, our peers had a NIM of 3.52% for 2022 and 3.19% in 2021. Not only did we outpace our peers, but we were able to improve on our own performance from the past year. We are closing in on bringing our margin back above 4% where we operated over the last decade. That margin was compressed throughout COVID and we are starting to see it return to its historic levels. Based on the increase in our NIM and the balance sheet growth that Robb addressed in his letter, we saw Net Interest Income increased by \$3.7 million over 2021 and allowed us to experience a record year.

The challenges that we faced in 2022 made for an interesting year. We have been able to adapt and put ourselves in a strong financial position, having another year of strong profit and loan growth. We are looking forward to continuing to meet the challenges in front of us and provide an excellent return for our shareholders in 2023 and beyond.

Monica Gremelspacher

## Meridian North Branch Opening



(from left) Megan Karnafel, Leia Magdalinos, Bonnie Riley, Emily Kaiser from the Washington Township Schools Foundation, Robb Blume and Romhaad Davis at the Meridian North Grand Opening.

Community First Bank of Indiana (CFB) celebrated its grand opening and cut the ribbon for its newest banking center at 9333 North Meridian Street, Suite 125, Indianapolis on Thursday, May 19 in partnership with the Indy Chamber and OneZone Chamber of Commerce (the banking center officially opened February 1). As tradition with all CFB grand openings, the bank presented a donation to a local nonprofit organization. The bank donated \$2,500 to the Washington Township Schools Foundation by adopting two classrooms and contributing to the teacher grant fund.

“We are tremendously excited to be opening our first full-service banking facility in Indianapolis and our fourth new office in the surrounding area since 2019. We look forward to serving the citizens of Marion County and Hamilton County, as an independent community bank, for many years to come,” said Robb Blume.





**“Overall, in both the sheer number as well as by dollar amount, the loan side of the bank had a record-breaking year. This performance was especially noteworthy considering the economic challenges created by unprecedented inflation and spiraling interest rates.”**

Bob Hickman, Chief Credit Officer

I just got back from spending a week in Savannah, Georgia with my wife Kathy. It is one of our favorite places in the world, one that we have visited several times before. If you have never been there, I strongly recommend that you go.

To help understand what makes Savannah special, you need to know a little bit about their history. The settlement was founded in 1733 and was the first city in the colony of Georgia. Renowned for natural beauty, accentuated by ancient oak trees draped with Spanish moss, the city was the first planned development in the new world. Founder James Oglethorpe laid the city out in 24 squares, with parks and community spaces as the center of each square. Much of the original beauty of the area was preserved, and soon this new settlement became known as the ideal for how to best establish a community. Of these 24 squares, 22 remain today. We'll come back to that in a moment.

The next 200 years saw periods of expansion as well as challenges. The Revolutionary and Civil Wars, Reconstruction, the Great Depression, and two world wars all tested the resilience of the community, but through it all Savannah continued to grow and thrive. However, as the second half of the twentieth century arrived, it began to become apparent that something wasn't right. The charm and ambiance of the city was being slowly eroded by time and progress. The push was on to become modernized, to become like other cities. Buildings that had stood for 200 years were being demolished to make way for shopping malls and parking structures. Two of the original 24 squares were torn out and replaced by steel, concrete, and glass.

Realizing that the unplanned growth was threatening their community, a group of women formed the Historic Savannah Foundation, and set out to restore, preserve, and save the architecture and culture of their city. The result was that in 1966, the 22 remaining original squares were designated as a National Historic District, preventing further destruction. Today, most of the buildings and parks in the heart of the city have been restored to their original glory. While the port remains the number one industry in the local economy, tourism now runs a close second, as people come from all over the country to enjoy the beauty of the city and the culture preserved there.

I think that there are a lot of lessons that can be learned by understanding the history of Savannah. Growth is inevitable and healthy; in fact, if you stop growing you start dying. For every community like Kokomo or Westfield, for every company like Community First Bank that has grown and thrived over the years, there are a thousand towns and companies that had small, promising beginnings but withered and died because they became stagnant and stopped growing.

We must grow to thrive. At the same time, if you grow without preserving your culture, then you lose the essence of what made you special in the first place. We see this all the time. Cities grow and sprawl until they crumble from within amidst a backdrop of urban decay. Companies expand until they forget who they are and why they exist. Eventually, the result is failure. People flee these dying cities and companies for the greener pastures that they remember from before.

Community First Bank was born from the idea that we would be that safe banking haven, that place where people could come instead of continuing to patronize corporate banks that had grown so large that they had forgotten that their most important resource was their customers. In turn, as the community placed their trust in us, we would give back as well. This symbiotic relationship was a big part of our original culture and remains so today. Whether it be charitable giving, volunteerism, or simply the willingness to take a chance and invest our capital in people and businesses to help create jobs and opportunities, putting the word "community" back into banking has always been the essence of our mission.

Our culture goes beyond just how we interact with our communities; it is internal as well. There are some pillars that define who we are and how we interact with each other within the bank. We work hard and work together. We care about each other. We are all on the same team, working for common goals. We are a family. It is this culture that we also have to strive to preserve, and the bigger we grow, the harder it is. One location is now eight, and 16 employees are now 123. It takes a very intentional focus and a lot of hard work to keep the family together against these headwinds.

As we approach our twentieth anniversary in business, I would tell you that we continue to successfully grow

the bank while preserving our culture. From a growth perspective, 2022 was another outstanding year. Loan balances increased by over 22% to just under \$508 million at year end. This growth was reflected throughout the loan portfolio, with commercial loans up 19.7%, consumer loans up 34%, and residential mortgage loans up 26%. Fee income earned on closed loans across the portfolio was again outstanding, totaling \$749,675 after adjusting for one-time PPP loan fees. In addition, we continued to expand our SBA lending efforts. Our newly created department closed 10 loans, primarily in the second half of the year, with a strong pipeline heading into 2023. Overall, in both the sheer number as well as by dollar amount, the loan side of the bank had a record-breaking year. This performance was especially noteworthy considering the economic challenges created by unprecedented inflation and spiraling interest rates.

At the same time, our loan quality remains outstanding. On a portfolio of over \$508,000,000, net charge-offs were only \$27,000 for the year. Average past dues for the year also remained very low. With a target of no more than 0.5% as an average, the bank easily beat this, with a figure of 0.32% for the year. Our level of classified loans dropped by over 50% for the year, and our loan loss reserve continued to be well funded. Our Texas Ratio, which measures the worst of our problem assets against our capital, remained very strong in 2022 as well, finishing the year at 5.91%.

From a culture perspective, we continue to work hard to support our communities and people. As a bank we gave over \$90,000 to charitable causes in 2022, and our employees supported dozens of organizations through the donation of their time and personal resources. Internally we added the position of Chief Leadership and People Development Officer to help us to focus on our people, our mission, and our vision. I consider maintaining our culture to be one of the most important jobs for everyone in our management team. See page 2 for our revamped mission, vision, and values.

Growth is the enemy of culture. One of the biggest challenges we face as stewards of Community First Bank is to continue to grow profitably while preserving the culture that made us successful in the first place. It's a balancing act, one that I am proud to say that we as a team have done very well. But we can never become complacent and forget the reasons why we are here and why we have been so successful. If that does ever happen then I hope that, like the women of Savannah, we find it within ourselves to recognize the error of our ways and put things back to right.

## Lending Testimonials



"CFB helped us find and secure the resources we needed to elevate our business and keep up with the latest technology. Because they believed in us, four years later we are still here growing and serving our community. Pete Needler goes above and beyond. He is always available to answer my questions and give me solid advice. Although we are still a small business, Pete makes us feel like his most important client."

- Mel McMahon Stone  
Co-Founder of Indiana Owned and Indiana Gifts



"AndyMark has used CFB services for each step of our business development journey by supplying affordable loans and advice to utilize city development assistance. We've depended on CFB as our primary lender as both of our organizations [CFB and AndyMark] have grown."

- Andy Baker  
Owner of AndyMark



> [cfbindiana.com/testimonials](https://cfbindiana.com/testimonials)





**“We have been committed since day one to bringing good products and services to our customers. This commitment takes innovative thinking, cost analysis, training, and great people to keep things moving forward.”**

Bea Wiles, Chief Operating Officer

As we hit our 20 year anniversary, I look back at the differences from when we opened the bank. In 2003, we had three people that handled the accounting, operations, compliance, and IT areas. Fast forward to today, we have separate departments for each of these areas that have at least three employees or more. Also, we began with four employees on the retail side of the bank and that has grown to over 55 employees across seven branches.

As we have learned over the years, it takes all the departments, working together, to make our bank function efficiently. Technology has changed so much in the past twenty years. We opened CFB with just ATM cards, while waiting for the approval to be able to offer debit cards. It used to take almost 2 weeks to get a debit card in our customers' hands, but now we can print them in our branches. We started with telephone banking and a deposit pick-up service, followed by online banking, and now have included mobile banking at the touch of your fingers through our app and remote deposit capabilities in our customers' places of business. We opened the bank running our daily work through a proof machine and had all those documents couriered to be processed in our cash letter at the end of the night. We now have scanners at all our retail windows that capture all of this information electronically and it is transferred electronically throughout the day.

We have been committed since day one to bringing great products and services to our customers. This commitment takes innovative thinking, cost analysis, training, and great people to keep things moving forward. We have been blessed with all of these things. We did update some technology in 2022 and have been working on some other updates that will allow us to be more efficient to serve our customers even better than before. This past year we rolled out electronic signatures for new deposit accounts, and we are also in the middle of rolling out that process with all our loan areas. We also launched Office 365 internally, which has allowed us to have a suite of products to continue the path of technological progress and efficiency that has helped us deliver our great customer service. Our continued focus on leveraging technology has also started to pay off in terms of efficiencies, allowing us to continue to grow our loan and deposit portfolios while hiring fewer new employees.

As we continue to look for ways to get better, we always have our customers in mind. I look forward to what the future holds for our employees, customers and shareholders with the never-ending changes in technology.

*Bea Wiles*



**“Through it all our advisors stayed in contact with our clients, helping them understand the financial trends to make informed decisions and keeping them aligned with their financial goals.”**

Karen Munsey, Investment Department Manager

It is fair to say 2022 shocked, rocked and rolled the financial markets and investors, with one problem after another, causing the S & P 500 to have its worst year since the 2008 financial crisis. However, despite the market challenges our team brought in \$18 million in new assets and generated \$659 thousand of net revenue for the year. Key events that impacted the markets were record high inflation, the War in Ukraine, the FED's unprecedented rate hikes, the worst year on record for bonds, the cryptocurrency meltdown, and the midterm elections. Through it all our advisors stayed in contact with our clients, helping them understand the financial trends to make informed decisions and keeping them aligned with their financial goals.

We continue to partner with LPL Financial, the largest independent broker dealer in the US, utilizing the powerful product, technology, and support solutions they have to offer. LPL is continually enhancing their extensive array of investment options, giving our advisors the ability to tailor our clients' investment portfolios to their individual needs.

Our focus in 2022 was growth and expansion in all our markets. I am happy to report that we hired a dedicated advisor for the Hamilton and Marion County markets and added two administrative associates to support the

growth of our team. With the expansion of our team, a decision was made to move our team in Howard County to a new location in downtown Kokomo with a move-in date slated for early spring of 2023. We are confident this move will give us more visibility and help grow our presence in the Howard County market.

We believe that 2023 is about setting up our clients for what comes next as the economy and markets try to find their way back. The news our clients hear on a daily basis makes our advisors more valuable than ever, helping them to understand the current financial trends and how key events will affect the stock market and their portfolios. We look forward to staying in contact with our clients, expanding our presence in each of our market areas, and continuing to increase our assets under management in 2023.

*Karen Munsey*





# 2022 Awards & Accomplishments

## Milestones

Launched Round Up Savings

*In January of 2022, the Round Up Savings program launch enabled customers to enroll to automatically round personal debit card purchases up to the nearest whole dollar and transfer the change to a savings account.*

Opened Meridian North Branch

*The Meridian North Banking Center in Indianapolis opened on February 1, 2022.*

Hired first Chief Leadership and People Development Officer

*In October of 2022, CFB hired Mark Malin to help attract and provide personalized development opportunities for the banking industry's top talent.*

Achieved Loan Portfolio Milestone

*As of November of 2022, CFB reached total loan portfolio of over \$500 million.*

## Awards

BANKPAC 200% Club, Indiana Bankers Association

Bea Wiles presented with Service Member Patriot Award, Employer Support of the Guard and Reserve

Best Bank in Kokomo for the 16th consecutive year, Kokomo Tribune's Readers' Choice Awards

Best Place to Work, Kokomo Tribune's Readers' Choice Awards

Best Places to Work in Indiana, Indiana Chamber of Commerce

Five Star Member, Indiana Bankers Association

Indiana Small Business Lender of the Year, Indiana Statewide Certified Development Corporation (ISDCD)

Whitney Wright named Best Teller, Kokomo Tribune's Readers' Choice Awards

## Bank Contributions

*Contributions of over \$2,000 shown, total contribution is \$90,000+*

American Lung Association

Bona Vista Programs

Championship Park

Downtown Westfield Association

Friends of Central Pool (Noblesville)

IU Kokomo

Ivy Tech Kokomo

Noblesville Elks Lodge #576

Shepherd Center of Hamilton County

Westfield Area YMCA

Westfield Education Foundation

Westfield Library Foundation

Washington Township Schools Foundation

## Employee Contributions

Gave \$17,110 in personal funds to support their communities

Served 200+ veterans through meal donations and yard work throughout the year

Supported 89 local organizations with employee donated funds or volunteer work

## New Community Initiatives

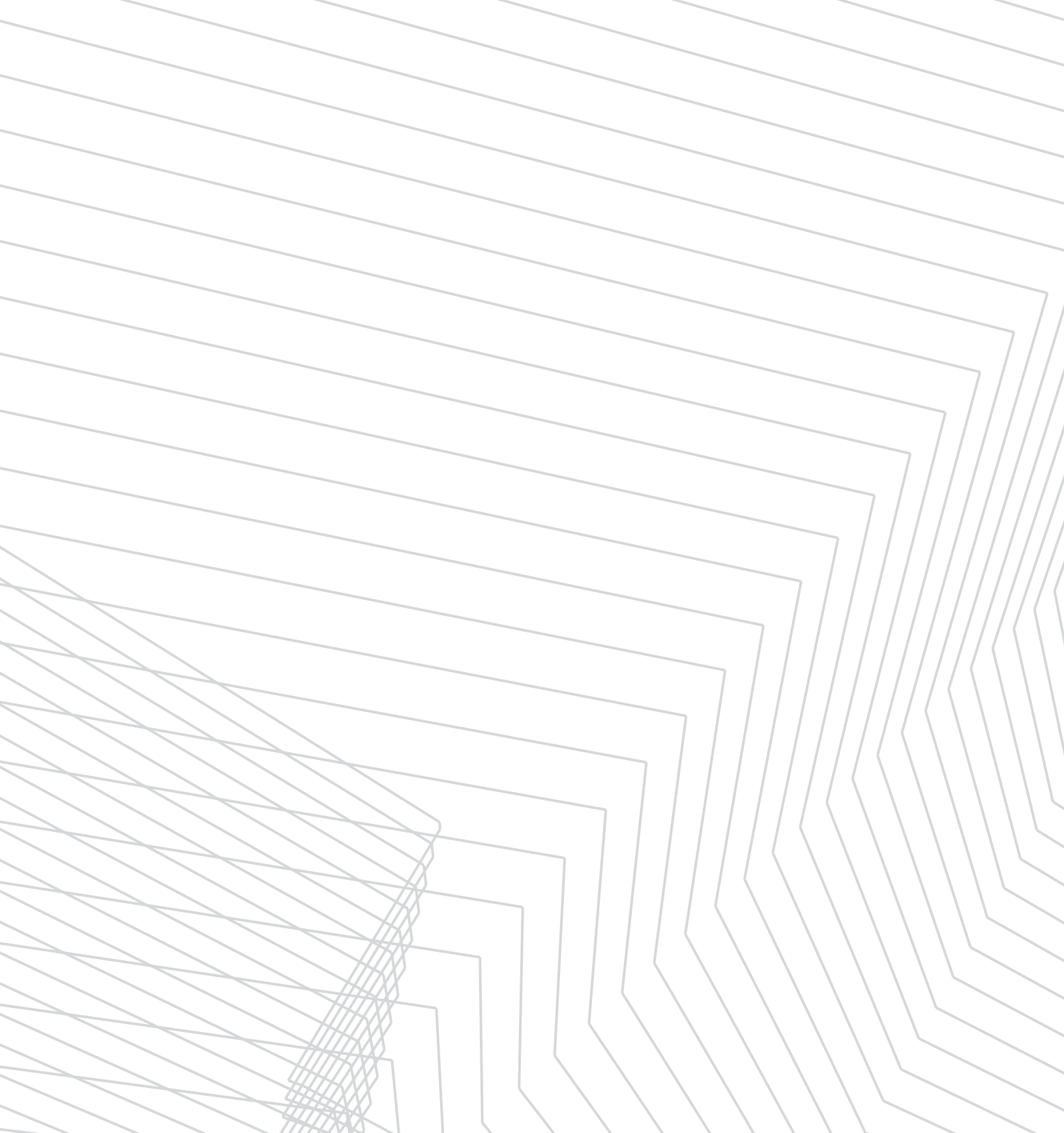
Kokomo Bobkats Kids Club, 100% of proceeds donated to Carver Community Center

Cool Creek Concert Series, Hamilton County Parks and Recreation

Movies in the Plaza, Westfield Welcome







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