Dear shareholder,

It is my pleasure to present the 3rd quarter, consolidated financial statements of Community First Financial Corporation (CFFC). As you are probably aware, Community First Bank of Indiana (CFB)closed on its acquisition of a majority interest in 1st Signature Lending, LLC (FSL), on December 31, 2020. This closing was the culmination of many months of negotiation and planning, the majority of which occurred during the COVID-19 pandemic. The combination of CFBI and FSL represents a unique opportunity for the bank to benefit from non-interest income outside its Indiana footprint and also allows for balance sheet growth through the acquisition of short-term, high yielding residential construction loans. For 1st Signature, becoming a subsidiary of CFB allows greater access to lower-term warehouse funding and results in easier expansion into new territories. As the relationship matures, both companies are focused on leveraging the strengths of the other to make a stronger whole.

In the short-term, you will notice some significant changes to the consolidated financial statements of CFFC. While the transaction created some balance sheet growth, the primary changes relate to the income statement. Because the FSL transaction had not occurred on 9/30/20, we have used the 12/21/20 numbers for comparative purposes. My comments regarding changes will be based on the actual 9/30/21 balance sheet and an annualized income statement.

On the balance sheet, assets grew by 12.6% during the first 9 months of 2021, reaching $525 million. This included a 17% increase in cash and equivalents and a 13.6% growth in loans. Through the pandemic, the entire industry has become “hyper-liquid” and we are no different. Fortunately, our loan demand remains very strong and we are confident that we will put excess funds to use before many of our peers. This excess liquidity has been fueled by outstanding growth in our deposit base, as evidenced by the 16.8% year-to-date increase in total deposits. This represents $63 million in new bank deposits. While part of the increase can be attributed to government stimulus, the results from our ongoing Haberfeld Deposit Growth Initiative continue to exceed expectations. We are looking forward to more normalized numbers in 2022, when the majority of the Paycheck Protection Program (PPP) loans will have been forgiven and liquidity will be less influenced by government stimulus programs.

Turning to the income statement, you will see significant changes, due in large part to the FSL acquisition. First, interest income increased by nearly 42%. This primarily reflects increased commercial loan balances but also includes increased interest income from 1st Signature residential loans purchased by CFB. Despite the large increase in deposit balances, annualized interest on deposits actually decreased, reflecting management’s attention to reducing funding costs. The overall increase in total interest expense of 15.6%, primarily reflects the increased warehouse loan expense incurred to fund the FSL portfolio. Perhaps the most noticeable line item on the income statement is the nearly 300% increase (annualized) in Fees On Loans Sold. This is a reflection of both the addition of 1st Signature’s volume to the income statement and another outstanding year for the CFB mortgage department. As can be expected when combining two organizations of similar size, non-interest expense increased significantly. The 106% increase in total non-interest expense was driven largely by increased salaries and benefits. Because FSL employee compensation is closely tied to loan volume, this number is highly variable and will move up and down with production. In total, annualized after-tax net income attributable to CFFC increased 59%.

While the numbers are certainly positive, they do not tell the whole story of the first 9 months of 2021. The management teams of both CFB and 1st Signature Lending have worked diligently to work together to begin maximizing the strengths of both institutions. Teams are meeting on a regular basis to explore each institution's best practices and assist in the growth of both entities. Through 9/30/21, FSL had entered into 3 new states, with plans to enter additional states in the next 12 months. They have also been laying the groundwork to expand their product offerings by managing loans from third party originators. This, along with other avenues being explored, should continue FSL's growth into 2022 and beyond.

As many of you may have seen, CFB has entered into a lease agreement to occupy a location at 9333 North Meridian St. in Indianapolis. This banking center was formerly occupied by a regional bank that is consolidating operations into a new facility. Shortly after signing the lease, the owner of the building announced a major redevelopment of the remainder of the complex. This should provide CFB with additional opportunities, as the new, mixed-use development is completed. In addition to providing an entrance into northern Marion County, this new location will put us in close proximity to Carmel and southern Hamilton County, as well as provide excellent visibility along the North Meridian St. corridor.

I am also very excited to welcome three new members to our board of directors. Dr. Stacy Atkinson, Matthew B. Murphy III and Jack Hingst all bring unique and diverse backgrounds, educations, experiences and centers of influence to our board. I invite you to visit our website to see additional information regarding each of these new team members.

Undoubtedly, the future will present us with both challenges and opportunities. I am confident that we have the right team in place to meet those challenges and take advantage of the opportunities. We continue to focus on providing a superior return to our shareholders and remaining independent.

I know there is a great deal of information in this letter and our financials now look different due to the 1st Signature acquisition. Should you have any questions or want to discuss anything related to the bank or 1st Signature, please feel free to reach out via phone or email or, even better, stop by for a chat.

Continued thanks for your support,

Robb Blume
President & CEO
Phone: (765) 456-4312
Email: rblume@cfbindiana.com

Community FIRST Financial Corporation

Balance Sheets
September 30, 2021 and December 31, 2020

	9/30/2021	12/31/2020
Assets		
Cash and due from banks	$ 37,722,647	$ 28,395,397
Interest Bearing Checking Accounts	37,600,772	21,397,706
Federal funds sold	5,602,990	18,600,000
Cash and cash equivalents	80,926,410	68,393,103
Available-for-sale securities	2,019,170	2,606,070
Loans held for sale	41,138,608	38,964,766
Loans, net of allowance for loan losses of $6,092,637 and $4,487,197	363,241,692	319,795,496
Premises and fixed assets	14,638,451	15,001,124
Goodwill	9,317,535	9,317,535
Other Real Estate Owned	641,996	-
Federal Home Loan Bank stock	1,171,700	452,500
Interest receivable and other assets	12,899,275	12,631,845
Total assets	$ 525,994,837	$ 467,162,439
Liabilities		
Deposits:		
Demand	$ 92,507,124	$ 69,829,310
Savings, NOW and money market	240,380,596	182,367,634
Time	106,604,902	124,119,541
Total deposits	439,492,622	376,316,485
Short-term borrowings	-	555,000
Federal Home Loan Bank Advances	10,000,000	10,000,000
Other Long Term Borrowings	10,747,789	10,921,198
Warehouse Lines of Credit	5,995,868	9,769,899
Interest payable and other liabilities	9,593,368	16,395,121
Total liabilities	475,829,647	423,957,703
Stockholders' Equity		
Common stock, $1 par value; authorized 10,000,000 shares; 1,635,134 and 1,473,113 shares issued and outstanding	1,635,134	1,473,113
Additional paid-in capital	19,428,724	15,540,220
Accumulated earnings	22,605,995	19,994,280
Accumulated other comprehensive income/loss	31,028	46,774
Total parent company stockholders' equity	43,700,881	37,054,387
Noncontrolling interest	6,464,309	6,150,349
Total stockholders' equity	50,165,189	43,204,736
Total liabilities and stockholders' equity	$ 525,994,837	$ 467,162,439
Book Value Per Share (A)	$ 26.73	$ 22.66

(A) Total shares outstanding at 9/30/2021 were used to calcuate the Book Value per Share for both 12/31/2020 and 9/30/2021

Statements of Income
Nine months Ended September 30, 2021 and Year Ended December 31, 2020

	9/30/2021	12/31/2020
Interest Income		
Loans	$ 18,644,977	$ 17,420,819
Securities	33,884	157,153
Federal funds sold	29,770	11,460
Total interest income	18,708,631	17,589,432
Interest Expense		
Deposits	1,833,267	2,700,318
Other borrowings	743,469	272,693
Total interest expense	2,576,736	2,973,011
Net Interest Income	16,131,895	14,616,421
Provision for Loan Losses	600,000	755,000
Net Interest Income After Provision for Loan Losses	15,531,895	13,861,421
Noninterest Income		
Service charges on deposit accounts	296,366	414,396
Fees on loans sold	8,251,226	1,349,893
Interchange and debit card income	735,847	705,509
Other	1,086,979	1,014,338
Total noninterest income	10,370,418	3,484,136
Noninterest Expense		
Salaries and employee benefits	13,296,266	7,953,901
Net occupancy expense	940,368	739,765
Equipment expense	743,924	774,077
Data processing fees	1,726,271	1,231,467
Professional fees	355,168	348,133
Advertising expense	788,355	430,223
Printing and office supplies	119,146	105,413
Other	2,401,965	1,603,933
Total noninterest expense	20,371,463	13,186,912
Net Income (Loss) Before Taxes	$ 5,530,850	$ 4,158,645
Income Taxes	1,281,534	1,082,496
Net Income	$ 4,249,316	$ 3,076,149
Less Income/Loss Attributable to Non-Controlling Interest	$ (591,116)	$ -
Net Income (Loss) Attributable to CFFC	$ 3,658,200	$ 3,076,149
Net Income Per Share (B)	$ 2.24	$ 1.88

(B) Total shares outstanding at 9/30/2021 were used to calcuate the Net Income Per Share for both 12/31/2020 and 9/30/2021