

Condensed Balance Sheets

June 30, 2024 and 2023
(Unaudited) (dollars in thousands)

Assets

	2024	2023
Cash and due from banks	\$ 49,324	64,293
Interest bearing deposits with others	87,021	4,357
Federal funds sold	268	242
Securities	927,486	1,022,750
Loans held for sale	5,475	5,193
Loans - net	3,705,598	3,647,708
Premises and equipment - net	25,618	26,447
Accrued interest receivable	18,305	16,532
Goodwill and intangibles	8,818	8,818
Other assets	114,208	121,120
Total Assets	\$ 4,942,121	4,917,460

Liabilities and Stockholders' Equity

	2024	2023
Deposits:		
Demand		
Non-interest bearing	\$ 813,624	902,874
Interest bearing	355,475	398,070
Savings and money market	1,424,782	1,369,466
Time	1,104,424	921,234
Total deposits	3,698,305	3,591,644
Borrowings	750,000	854,800
Junior subordinated debt	51,547	51,547
All other liabilities	85,434	89,909
Total Liabilities	4,585,286	4,587,900
Stockholders' Equity:		
Preferred stock	-	-
Common stock	9,732	9,732
Additional paid-in-capital	14,307	14,133
Retained earnings	385,898	363,333
Treasury stock, at cost	(22,362)	(17,576)
Accumulated other comprehensive income	(31,040)	(40,369)
Total CNC Stockholders' Equity	356,535	329,253
Noncontrolling interests	300	307
Total Equity	356,835	329,560
Total Liabilities and Equity	\$ 4,942,121	4,917,460

Condensed Statements of Income

For the six months ended June 30, 2024 and 2023
(Unaudited) (dollars in thousands, except per share data)

	2024	2023
Interest income:		
Loans, including fees	\$ 107,196	91,874
Securities	11,375	12,020
Other	1,580	148
Total interest income	120,151	104,042
Interest expense:		
Deposits	38,429	21,875
Borrowings	15,447	12,722
Junior subordinated debt	1,832	1,634
Total interest expense	55,708	36,231
Net interest income	64,443	67,811
Provision for loan losses	3,386	3,634
Net interest income after provision for loan losses	61,057	64,177
Non-interest income:		
Service charges on deposit accounts	10,178	10,186
Trust and investment services	13,620	12,528
Net gain (loss) on sale of mortgage loans	367	(307)
All other income	2,049	2,535
Total non-interest income	26,214	24,942
Operating expenses:		
Salaries and employee benefits	34,410	28,922
Technology and data processing	9,363	8,648
Occupancy, net	5,599	5,411
Professional and other services	3,006	3,436
Marketing and public relations	1,133	1,881
All other operating expenses	7,472	7,846
Total operating expenses	60,983	56,144
Income before income taxes	26,288	32,975
Income taxes	5,958	8,149
Net income, incl. noncontrolling interest	20,330	24,826
Noncontrolling interests	-	-
Net income attributable to CNC	\$ 20,330	24,826
Basic earnings per share	\$ 10.98	13.28
Diluted earnings per share	\$ 10.95	13.22

Financial Highlights

As of and for the six months ended June 30, 2024 and 2023
(Unaudited) (dollars in thousands, except per share data)

	2024	2023
Net income attributable to CNC	\$ 20,330	24,826
Total assets	\$ 4,942,121	4,917,460
Securities	\$ 927,486	1,022,750
Loans - net	\$ 3,705,598	3,647,708
Deposits	\$ 3,698,305	3,591,644
Total equity	\$ 356,835	329,560
Assets Under Administration		
- Book value	\$ 3,800,644	3,746,833
- Market value	\$ 4,696,986	4,463,441
Weighted avg shares outstanding-diluted	\$ 1,855,958	1,878,480
Diluted earnings per share	\$ 10.95	13.22
Dividends per share	\$ 4.50	4.50
Book value per share	\$ 193.06	176.83
Closing stock price	\$ 220.01	276.64
Return on average assets, annualized	0.83%	1.03%
Return on average equity, annualized	11.73%	15.62%
Return on beginning equity, annualized	11.97%	15.95%



Canandaigua National Corporation

STATEMENT OF CONDITION June 30, 2024

Chairman of the Board
Michael C. Goonan

Vice Chairman of the Board
Daniel P. Fuller

Directors

Gary L. Babbitt
Erika J. Duthiers
Frank H. Hamlin, III
George W. Hamlin, IV
Lawrence A. Heilbronner-Kolthoff

Richard J. Plympton
Thomas S. Richards
Robert G. Sheridan
Sue S. Stewart
James H. Watters

Emeritus Board Members

James S. Fralick
Alan J. Stone

Caroline C. Shipley

CNBank.com
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President's Message

July 19, 2024

Frank H. Hamlin, III
President & CEO

Dear Shareholders,

As we reach the halfway point of 2024, I want to take this opportunity to update you on Canandaigua National Bank and Trust Company's progress amidst a dynamic economic landscape. The past six months have presented both challenges and opportunities, and I'm proud to report our unwavering commitment to our community and prudent financial management have positioned us for continued future success.

Board of Directors Update

It is with sadness to report that Caroline C. ("Tarry") Shipley, Canandaigua National Bank's first female Director, has made the decision to resign from the Board of Directors after approximately four decades of service. Her dedication and attention to detail made her an ideal chairperson for the Audit committee, a position she held for years. I thank Tarry for her advice and counsel and years of dedication to Canandaigua National Bank.

Economic Conditions and Impact on Net Interest Margin

Over the last two years, the Federal Reserve rapidly raised interest rates to curb inflation (a total of 5.25%). Despite this rapid increase, our GDP remains positive, unemployment remains low, and inflation has not dipped down fully to the Fed's target of 2%. Rates were predicted to start moving back down earlier this year, but the Fed has yet to do so through the date of this letter. Current predictions suggest decreases of 0.25% - 0.75% will occur before the end of the year.

The most significant financial development for our industry has been the rapid and steep rise in interest rates. This has presented significant challenges in our short term net interest income and net interest margin (NIM). NIM measures the profitability of our core lending and depository business. Rising rates typically have the potential to increase the spread between the interest we earn on

loans and the interest we pay on deposits. As net interest income represents approximately 70% of our total revenue, this can have a material beneficial impact on our financial results. However, in this highly unusual interest rate cycle where we experienced rapid increases, our liability rates (cost of funds) moved very quickly juxtaposed to our ability to increase the average yield on our earning assets.

We expect it to take time for NIM to bounce back to normal levels but we're now at an inflection point where it can begin to do so. As rates remain high, we are originating assets at higher yields, while old loans at much lower rates are amortizing off the books. From a liability perspective, we are actively pursuing new strategies to increase our customer base and thus provide for a deeper pool of lower-cost funds. As interest rates settle and the yield curve normalizes, we'll be in an ideal position to increase NIM.

Regulatory Considerations

The regulatory environment for community banks continues to evolve. While we appreciate efforts to maintain financial stability, we advocate for regulations that foster innovation and empower local banks to serve their communities effectively. We believe a balance can be struck between protecting consumers and fostering a thriving community banking sector.

Recently there have been attempts to establish a Public Bank in the City of Rochester. Where public banks have been studied in the past, the concept has been abandoned as a very risky proposition for the taxpayer. The proposal failed in both houses of the state legislature this last legislative session, but the manner and speed in which it popped up was alarming. This highlights the importance of our advocacy efforts in Albany and Washington, D.C. to ensure that legislators understand the consequences of their "good intentions."

CNB Performance and Outlook

I'm pleased to report that CNB has performed well so far in 2024. Net Income for the first six months totaled \$20.3 million with a small increase to our semi-annual dividend, declared in July at \$4.60 per share. Deposit growth of 3% year-over-year outpaced

our growth in loans, obviating the need for higher-cost borrowing. We've maintained a strong capital position and have achieved appropriate loan growth amongst our diversified portfolios, while maintaining strong underwriting standards and healthy credit quality. To that end, book value per share increased by 9.2% year-over-year to \$193.06. The auction-based value of our stock price decreased by 20% to \$220.01 from this time last year. Short-term downward pressure on NIM and resulting net income over recent periods, and the post-pandemic supply/demand dynamic, have not helped the stock price. However, a stable dividend, our long history of strong earnings and dividend growth, and a belief that sustainable long-term growth can continue, keep us and the vast majority of shareholders optimistic over the current enterprise value, and the future prospects in the stock price.

Key Focus Areas

We are actively monitoring the economic environment and adjusting our strategies accordingly. We remain focused on:

- **Supporting our community:** We are committed to providing vital financial services to local businesses, families, and individuals. This includes financial literacy programs, community development initiatives, loan products that cater to the specific needs of our community, and education to avoid the many forms of fraud perpetrated against the banking public.
- **Digital innovation:** We are continuously investing in innovative digital banking solutions to enhance the customer experience and offer greater convenience.
- **Maintaining strong credit quality:** Prudent credit underwriting remains a cornerstone of our risk-management strategy. As rates have increased, we have closely watched our customer base to ensure their financial success.
- **Investing in our employees:** We believe that our talented and dedicated workforce is our greatest asset. We are committed to fostering a positive work environment and providing ongoing training and development opportunities for our employees.

Looking Forward

The second half of 2024 promises to be another period of change and adaptation. While the economic outlook remains uncertain, we are confident in our ability to navigate these challenges and emerge stronger. Our commitment to our core values—community, service, and financial strength—will continue to guide our decisions.

Since 1887, we have built our brand on a foundation of providing exceptional service, support, and solutions that help our customers and communities thrive. We believe that our brand is healthy and strong, and our commitment to these tenets remains unchanged. That said, we also know that it is important to periodically step outside of our own evaluation for an independent assessment through the lenses of those we strive to serve. Beginning in 2023, we embarked on such a journey to gather insights from employees, customers, and non-customers alike. The feedback has been invaluable. We are energized by the confirmation that our brand focus and direction both aligns and resonates with that of our key constituents, while also gaining insights on new ways to tell our story. We look forward to the continuation of this journey and sharing with you the evolution of our brand in the near future.

We thank you for your continued trust and investment in Canandaigua National Bank and Trust Company. There are many opportunities developing specifically within our markets which suggest future growth within our communities. We are excited about our future and look forward to sharing our continued success with you.

Sincerely,

Frank H. Hamlin, III
President & CEO