

To Our Shareholders

Mid-year greetings fellow shareholders. I am pleased to report the second quarter results for Century Financial Corporation and its subsidiary Century Bank and Trust.

For the six months ending June 30, 2021, Century Bank and Trust reported net income of \$2,598,000 or earnings per share of \$1.43 resulting in Return on Average Assets (ROA) of 1.26% and Return on Average Equity (ROE) of 11.50%. This compares favorably to net income of \$2,410,000 or earnings per share of \$1.30 for the same period ending June 30, 2020. ROA and ROE at June 30, 2020 were 1.35% and 11.43%, respectively.

Comparison of the bank's income results for the three months ended June 30th is as follows:

- 2021 – net income of \$1,234,000 and earnings per share of \$0.68.
- 2020 – net income of \$1,191,000 and earnings per share of \$0.65.

Balance Sheet

Total assets for the bank at June 30, 2021 were \$440,758,000, compared to \$386,803,000 at June 30, 2020. The balance sheet continues to have very strong liquidity with deposits at mid-year totaling \$386,216,000 – an increase of \$53,889,000 over June 30, 2020 deposit levels.

Loans ended the period at \$223,107,000 versus \$231,133,000 at June 30, 2020. The anticipated reduction is a result of Paycheck Protection Program (PPP) loans to our business clients being forgiven and paid in full by the Small Business Administration (SBA). At June 30, 2021 this segment of the portfolio totaled \$15,325,000. PPP loans at June 30, 2020 were \$24,308,000 and \$8,822,000 at December 31, 2020.

The allowance for loan loss, as a percentage of loans, at June 30, 2021 stands at 1.53%. This compares to 1.25% reported at June 30, 2020. An important perspective when comparing both mid-year allowance levels is noting PPP activity. Adjusting for these federally guaranteed loan balances, the allowance for loan loss at June 30, 2021 and June 30, 2020, would be 1.64% and 1.40%, respectively, of the traditional loan portfolios. No provision for loan loss expense was made in the second quarter. A \$235,000 expense was made during the same period in 2020.

Shareholder equity at June 30, 2021 and 2020 was \$46,846,000 and \$43,546,000, respectively. Capital ratios at June 30, 2021 remain strong and well above minimum regulatory requirements.

Income Statement

Total revenue at June 30, 2021 was \$8,963,000 compared to \$8,546,000 at June 30, 2020. To balance out the impact of the current, extremely low, interest rate environment – the bank's diverse sources of non-interest income nicely contributed to total revenue through June 30, 2021.

Key year-over highlights are:

- \$236,000 increase in Trust and Investment Management revenue
- \$78,000 net increase in Service Charge income
- \$596,000 increase in Gain on Sale of mortgage loans

Non-interest expense through June 30, 2021 totaled \$5,772,000 versus \$5,364,000 at June 30, 2020. Operating costs, net of employee related expenses, increased \$285,000 when comparing June 2021 and 2020.

As we look toward the second-half of the year, it is with a sustained positive outlook for both our consumer and business clients in the communities we serve. The resurgence of economic activity continues to present favorable opportunities to build on, and establish new long-term relationships. This fundamental goal will be pursued while appropriately monitoring and navigating any residual post-pandemic influences on the economy or public health. I look forward to reporting to you in the upcoming quarters – thank you for your business, referrals and loyalty as a shareholder.



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Chairman & CEO

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CenturyBankandTrust.com

(866) 680-BANK

Second Quarter
Report to Shareholders
June 30, 2021

Bronson • Coldwater • Nottawa

Quincy • Reading • Sturgis

Three Rivers

Consolidated Balance Sheet

| | June 30, | |
|--|-----------------------|-----------------------|
| | 2021 | 2020 |
| Assets | | |
| Cash and due from banks | \$ 11,017,140 | \$ 11,280,092 |
| Interest bearing deposits in other financial institutions | 1,494,000 | 2,243,000 |
| Investment securities available for sale | 41,989,117 | 39,483,100 |
| Investment securities (market value of \$16,219,859 in 2021 and \$15,451,635 in 2020) held to maturity | 16,049,198 | 15,220,684 |
| Federal funds sold and other overnight investments | 133,680,241 | 73,794,930 |
| Loans | 223,106,650 | 231,133,176 |
| Less: Allowance for loan loss | (3,409,983) | (2,896,659) |
| Loans, Net | 219,696,666 | 228,236,517 |
| Bank premises and equipment, net | 4,487,999 | 4,870,046 |
| Bank owned life insurance | 9,371,063 | 9,137,855 |
| Accrued interest receivable and other assets | 2,972,709 | 2,536,732 |
| Total Assets | \$ 440,758,132 | \$ 386,802,956 |
| Liabilities | | |
| Deposits | | |
| Non-interest bearing | \$ 148,657,682 | \$ 128,965,537 |
| Interest bearing | 237,558,404 | 203,361,927 |
| Total Deposits | 386,216,086 | 332,327,464 |
| Accrued interest payable and other liabilities | 2,196,287 | 2,929,051 |
| Other borrowings | 5,500,000 | 8,000,000 |
| Total Liabilities | \$ 393,912,373 | \$ 343,256,515 |
| Shareholders' Equity | | |
| Common stock - \$1 par value; | | |
| Shares authorized: 3,000,000 in 2021 and 2020; | | |
| issued and outstanding: 1,820,273 in 2021 and 1,833,403 in 2020 | \$ 1,820,273 | \$ 1,833,403 |
| Paid in capital | 16,976,455 | 17,225,250 |
| Retained earnings | 27,842,911 | 23,927,718 |
| Accumulated other comprehensive loss | 206,120 | 560,070 |
| Total Shareholders' Equity | \$ 46,845,759 | \$ 43,546,441 |
| Total Liabilities and Shareholder's Equity | \$ 440,758,132 | \$ 386,802,956 |
| Book Value Per Share | \$ 25.74 | \$ 23.75 |

Consolidated Statement of Income

| | Three Months Ended | | Six Months Ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | June 30, | | June 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| Interest Income | | | | |
| Loans, including fees | \$ 2,449,492 | \$ 2,690,906 | \$ 4,938,645 | \$ 5,372,981 |
| Securities | | | | |
| Taxable | 200,428 | 245,491 | 362,160 | 481,804 |
| Non-Taxable | 77,034 | 81,567 | 159,722 | 166,102 |
| Federal funds sold and other overnight investments | 36,747 | 15,006 | 65,696 | 125,476 |
| Interest on deposits in other financial institutions | 9,126 | 13,707 | 18,151 | 27,906 |
| Total Interest Income | \$ 2,772,827 | \$ 3,046,677 | \$ 5,544,375 | \$ 6,174,269 |
| Interest Expense | | | | |
| Interest on other deposits | 54,227 | 55,201 | 105,785 | 166,071 |
| Interest on time deposits over \$100,000 | 15,656 | 24,168 | 33,929 | 51,642 |
| Other interest expense | 27,388 | 37,359 | 54,476 | 74,114 |
| Total Interest Expense | \$ 97,271 | \$ 116,728 | \$ 194,189 | \$ 291,827 |
| Net Interest Income | 2,675,555 | 2,929,950 | 5,350,186 | 5,882,441 |
| Provision for Loan Losses | | | | |
| | - | 235,000 | - | 235,000 |
| Net Interest Income after Provision for Loan Losses | 2,675,555 | 2,694,950 | 5,350,186 | 5,647,441 |
| Non-interest Income | | | | |
| Trust and investment management revenue | 605,072 | 476,700 | 1,182,811 | 946,996 |
| Service charges on deposit accounts | 453,351 | 369,892 | 865,360 | 787,766 |
| Gain on sale of mortgage loans | 499,479 | 475,806 | 1,289,024 | 693,370 |
| Other income | 129,847 | 102,759 | 275,403 | 235,447 |
| Total Non-interest Income | \$ 1,687,749 | \$ 1,425,157 | \$ 3,612,597 | \$ 2,663,579 |
| Non-interest Expense | | | | |
| Salaries | 1,254,087 | 1,246,767 | 2,490,241 | 2,536,743 |
| Employee benefits | 458,875 | 387,765 | 983,142 | 813,922 |
| Occupancy and equipment expense | 576,647 | 523,626 | 1,114,213 | 1,030,927 |
| Other expense | 559,643 | 504,286 | 1,183,993 | 982,002 |
| Total Non-interest Expense | \$ 2,849,253 | \$ 2,662,445 | \$ 5,771,589 | \$ 5,363,595 |
| Income Before Income Taxes | 1,514,052 | 1,457,662 | 3,191,194 | 2,947,426 |
| Income Taxes | 279,959 | 266,182 | 593,115 | 537,437 |
| Net Income | \$ 1,234,093 | \$ 1,191,480 | \$ 2,598,080 | \$ 2,409,989 |
| Basic & Diluted Earnings Per Share | \$ 0.68 | \$ 0.65 | \$ 1.43 | \$ 1.30 |

Certain amounts in the prior year consolidated financial statements may have been reclassified to conform with the current year presentation.