

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, 2016, Century Bank and Trust reported net income of \$1,308,000 or earnings per share of \$0.68 resulting in Return on Average Assets (ROA) of 0.93% and Return on Average Equity (ROE) of 7.92%. This compares favorably to net income of \$1,206,000 or earnings per share of \$0.62 for the same period ending June 30, 2015. ROA and ROE at June 30, 2015 were 0.89% and 7.76%, respectively. The 8.5% increase in net income was obtained through diligent efforts from all our teams.

Comparison of the bank's second quarter results for the three months ended June 30th are as follows:

- 2016 – net income of \$634,000 and earnings per share of \$0.33.
- 2015 – net income of \$653,000 and earnings per share of \$0.34.

Balance Sheet

Total assets for the bank at June 30, 2016 stood at \$292,000,000, compared to \$272,000,000 at June 30, 2015.

Loans ended the period at \$179,729,000. This is a \$7,108,000 or 4.12% increase over June 30, 2015. Total loans are up \$3,618,000 or 2.05% from December 31, 2015 levels.

The allowance for loan loss, as a percentage of loans, at June 30, 2016 stands at 1.28%. At June 30, 2015 it was 1.28%. A provision for loan loss expense of \$80,000 was made in the second quarter. A \$105,000 expense was made during the same period in 2015.

Shareholder equity at June 30, 2016 and 2015 was \$34,161,000 and \$31,873,000, respectively. Capital ratios at June 30, 2016 remain strong and well above minimum regulatory requirements. These ratios at June 30, 2016 were: Total risk based capital – 17.97%, Tier 1 capital/risk weighted assets – 16.89% and Tier 1 leverage – 12.44%.

Income Statement

Total revenue at June 30, 2016 was \$7,014,000 compared to \$6,749,000 at June 30, 2016. Key factors producing this result:

- Interest income - \$305,000 increase
- Interest expense - \$7,000 decrease
- Trust and Investment Management revenue - \$9,000 increase
- Gain on sale of mortgage loans - \$139,000 decrease
- Service charges and other non-interest income - \$83,000 increase

The negative variance seen in fee income associated with gain on sale of mortgage loans was anticipated as we began 2016 and is attributable to the cyclical nature of the residential home market.

Non-interest expense for the six months ended June 30, 2016 totaled \$5,110,000 versus \$4,928,000 at June 30, 2015. Operating costs, net of employee related expenses, increased \$36,000 when comparing June 2016 and 2015.

We close the first half of 2016 with solid performance and measured growth created by the hard work of each CB&T team member. Positive economic activity continues in our markets, where we remain focused on being the trusted resource every customer and client relationship, existing or new, should expect from a community bank. This has been our focus for the past 125 years and a key element to our long-term success.

I thank each of you for your support and loyalty as a shareholder, your business as a customer, and your customer referrals to Century Bank and Trust.

Eric H. Beckhusen

Eric H. Beckhusen
Chairman & CEO

Directors & Officers

Century Financial Corporation Directors

Eric H. Beckhusen <i>Chairman & CEO, Century Bank and Trust</i>	Kelly B. Murphy <i>President, Murphy Oil Co., Inc.</i>
Caroline P. Lowe Christy <i>Certified Public Accountant</i>	Robert W. Shedd <i>Northshore Asset Mgt.</i>
Bruce S. A. Gosling <i>Certified Public Accountant, Norman and Paulsen, P.C.</i>	Stanley R. Welch <i>Chairman of the Board, Bronson Plating Co.</i>
John D. Hutchinson <i>Attorney-at-Law</i>	Eric J. Wynes <i>President, Century Bank and Trust</i>
Thomas G. Kramer <i>Executive Director, ADAPT, Incorporated</i>	

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CenturyBankandTrust.com

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Second Quarter
Report to Shareholders
June 30, 2016

Bronson • Coldwater • Nottawa
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Three Rivers

Consolidated Balance Sheet

	June 30,	
	2016	2015
Assets		
Cash and due from banks	\$ 10,785,260	\$ 3,154,860
Short term investments	2,492,000	500,000
Investment securities available for sale	38,667,100	46,176,454
Investment securities (market value of \$15,964,193 in 2016 and \$13,970,784 in 2015) held to maturity	16,140,480	14,220,858
Federal funds sold and other overnight investments	29,588,000	20,459,000
Loans	179,728,518	172,621,030
Less: Allowance for loan loss	(2,304,913)	(2,201,206)
Loans, Net	177,423,605	170,419,824
Bank premises and equipment, net	4,968,254	5,240,719
Bank owned life insurance	8,200,421	7,966,578
Accrued interest receivable and other assets	3,292,963	3,498,269
Total Assets	\$ 291,558,083	\$ 271,636,562
Liabilities		
Deposits		
Non-interest bearing	\$ 74,591,793	\$ 46,826,737
Interest bearing	179,637,367	189,509,891
Total Deposits	254,229,160	236,336,628
Accrued interest payable and other liabilities	3,168,082	3,426,468
Total Liabilities	\$ 257,397,242	\$ 239,763,096
Shareholders' Equity		
Common stock - \$1 par value;		
Shares authorized: 3,000,000 in 2016 and 2015;		
issued and outstanding: 1,923,757 in 2016 and 1,932,757 in 2015	\$ 1,923,757	\$ 1,932,757
Paid in capital	19,047,749	19,176,109
Retained earnings	13,046,610	13,460,948
Accumulated other comprehensive loss	142,725	(2,696,348)
Total Shareholders' Equity	\$ 34,160,841	\$ 31,873,466
Total Liabilities and Shareholder's Equity	\$ 291,558,083	\$ 271,636,562
Book Value Per Share	\$ 17.76	\$ 16.49

Consolidated Statement of Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest Income				
Loans, including fees	\$ 2,024,314	\$ 1,891,354	\$ 4,015,459	\$ 3,780,424
Securities				
Taxable	254,807	277,618	557,598	566,182
Non-Taxable	86,875	79,392	172,230	151,899
Federal funds sold and other overnight investments	34,753	16,156	72,335	29,542
Short term investments	11,857	4,363	24,153	8,678
Total Interest Income	\$ 2,412,606	\$ 2,268,883	\$ 4,841,775	\$ 4,536,725
Interest Expense				
Interest on other deposits	42,695	43,512	87,885	87,687
Interest on time deposits over \$100,000	7,776	10,810	16,061	23,725
Other interest expense	5	3	10	7
Total Interest Expense	\$ 50,475	\$ 54,325	\$ 103,956	\$ 111,419
Net Interest Income	2,362,131	2,214,558	4,737,819	4,425,306
Provision for Loan Losses	80,000	105,000	115,000	180,000
Net Interest Income after Provision for Loan Losses	2,282,131	2,109,558	4,622,819	4,245,306
Non-interest Income				
Trust and investment management revenue	449,750	462,854	911,683	903,257
Service charges on deposit accounts	428,949	415,351	841,935	793,582
Gain on sale of mortgage loans	137,625	209,168	217,991	357,117
Other income	151,035	129,610	304,720	269,820
Total Non-interest Income	\$ 1,167,359	\$ 1,216,983	\$ 2,276,329	\$ 2,323,776
Non-interest Expense				
Salaries	1,025,361	941,932	2,047,284	1,933,081
Employee benefits	457,485	453,771	951,767	919,524
Occupancy and equipment expense	532,946	516,271	1,019,503	1,035,346
Other expense	569,022	518,495	1,091,068	1,039,719
Total Non-interest Expense	\$ 2,584,814	\$ 2,430,469	\$ 5,109,622	\$ 4,927,670
Income Before Income Taxes	864,676	896,072	1,789,526	1,641,412
Income Taxes	230,569	243,184	481,961	435,537
Net Income	\$ 634,107	\$ 652,888	\$ 1,307,565	\$ 1,205,875
Basic & Diluted Earnings Per Share	\$ 0.33	\$ 0.34	\$ 0.68	\$ 0.62

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