

To Our Shareholders

Greetings fellow shareholders. As my letter began last quarter – I want to express my sincere hope this finds you and your loved ones healthy. I am pleased to report the third-quarter results for Century Financial Corporation and its subsidiary Century Bank and Trust.

For the nine months ending September 30, 2020, Century Bank and Trust reported net income of \$3,751,000 or earnings per share of \$2.04. This compares to net income of \$3,406,000 or earnings per share of \$1.80 for the same period ending September 30, 2019. Return on Average Assets (ROA) and Return on Average Equity (ROE) were 1.37% and 11.61%, respectively. This compares to year-to-date ROA of 1.44%, with ROE of 11.56% at September 30, 2019.

Total assets for the bank at September 30, 2020 were \$400,903,000, compared to \$328,423,000 at September 30, 2019. For additional perspective, total assets were \$386,803,000 at June 30, 2020.

Loans ended the period at \$238,459,000. This is a \$30,408,000 increase over September 30, 2019. A significant portion of this loan growth continues to be related to our Business Services Team assisting businesses with Paycheck Protection Program (PPP) loans. At September 30, 2020, the bank's PPP loan portfolio totaled \$25,100,000.

Allowance for loan loss, as a percentage of loans, at September 30, 2020 was 1.30%. This compares to 1.27% at September 30, 2019. An important viewpoint when benchmarking allowance levels is recognition of the bank's PPP activity in 2020. Adjusting for these Small Business Administration (SBA) guaranteed balances, the allowance for loan loss at September 30, 2020 would be 1.45% of the traditional loan portfolio. A provision for loan loss expense of \$190,000 was made for the quarter compared to an expense of \$185,000 for the same period in 2019.

Shareholder equity at September 30, 2020 was \$44,421,000 compared to \$41,767,000 at September 30, 2019. Capital ratios remain strong and well above minimum regulatory requirements.

Total revenue at September 30, 2020 was \$13,211,000 compared to \$12,834,000 at September 30, 2019. As expected with the dramatic return to a historically low rate environment, net interest income is off \$437,000 when compared to September 30, 2019. This was nicely countered by an increase in non-interest income of \$814,000 for the same period. A significant contributor to non-interest income through September 30, 2020 continues to be our Residential Mortgage Lending Team assisting homeowners with purchases and mortgage refinancing. The gain on sale of mortgage loans at September 30, 2020 is \$1,034,000 ahead of September 30, 2019 levels.

Non-interest expense for the nine months ending September 30, 2020 was \$8,192,000 versus \$8,341,000 at September 30, 2019. Operating costs, net of employee related expenses, decreased \$126,000 when comparing the nine months ending September 30, 2020 to the same period in 2019.

The dynamic social and economic impact of COVID-19 has presented both challenges and opportunities for the banking industry. Through this extraordinary time, your bank team continues its unwavering focus on being there for clients and our communities in every capacity possible. As we enter the fourth quarter of 2020 and begin planning for 2021, we do so with energy, optimism and commitment to our long-term performance culture. I thank you for your business, referrals and loyalty as a shareholder.

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>	Bruce S. A. Gosling, <i>Certified Public Accountant, Gabridge & Company, PLC</i>
Robert P. Brothers <i>Attorney at Law, Brothers Law Office, PLLC</i>	Thomas G. Kramer <i>Retired Executive Director, ADAPT, Incorporated</i>
Jeffrey W. Budd <i>CPA, Utility Director, Coldwater Board of Public Utilities</i>	Caroline P. Lowe <i>Certified Public Accountant, Caroline P. Lowe, CPA, PLC</i>
James W. Gordon <i>Certified Public Accountant, James W. Gordon, CPA, P.C.</i>	William G. Pridgeon <i>Partner, Pridgeon Farms, LLC</i>
	Eric J. Wynes <i>President, Century Bank and Trust</i>

Century Bank and Trust Officers

Eric H. Beckhusen <i>Chairman & CEO</i>	Jared E. Hoffmaster <i>Assistant Vice President & Investment Officer</i>
Eric J. Wynes <i>President</i>	Vicki R. Morris <i>Assistant Vice President & Mortgage Loan Officer</i>
Dylan M. Foster <i>Executive Vice President</i>	Tracy A. Richer <i>Assistant Vice President & Trust Officer</i>
Rebecca S. Crabill <i>Chief Financial Officer</i>	Mashaun M. Schabloski <i>Assistant Vice President & Marketing Director</i>
Julie A. Andrews <i>Vice President & Senior Trust Officer</i>	Andrea J. Strong <i>Assistant Vice President & Teller Operations Officer</i>
Jeffrey S. Holbrook <i>Vice President</i>	Kathy A. Tomson <i>Assistant Vice President & Mortgage Loan Officer</i>
Barry R. Miller <i>Vice President</i>	Melinda G. Dean <i>Retail Loan Officer</i>
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Ronald H. Uhl <i>Vice President</i>	Jennifer J. Ewers <i>Auditor</i>
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Alicia K. Cole <i>Assistant Vice President & Trust Officer</i>	Sergio Gomez <i>Mortgage Loan Officer</i>
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Jason C. Dozeman <i>Assistant Vice President & Commercial Loan Officer</i>	Erik L. Schaeffer <i>Trust Officer</i>
Michael D. Eddy <i>Assistant Vice President & Mortgage Loan Officer</i>	



CenturyBankandTrust.com

(866) 680-BANK

Third Quarter
Report to Shareholders
September 30, 2020

Bronson • Coldwater • Nottawa
Quincy • Reading • Sturgis
Three Rivers

Consolidated Balance Sheet

	September 30,	
	2020	2019
Assets		
Cash and due from banks	\$ 10,955,716	\$ 9,382,543
Interest bearing deposits in other financial institutions	1,494,000	2,743,000
Investment securities available for sale	37,402,721	44,931,933
Investment securities (market value of \$15,452,250 in 2020 and \$14,702,170 in 2019) held to maturity	14,691,018	13,755,590
Federal funds sold and other overnight investments	84,421,616	35,477,692
Loans	238,458,548	208,050,655
Less: Allowance for loan loss	(3,097,672)	(2,637,126)
Loans, Net	235,360,876	205,413,528
Bank premises and equipment, net	4,797,790	4,899,677
Bank owned life insurance	9,196,847	8,959,475
Accrued interest receivable and other assets	2,582,680	2,860,024
Total Assets	\$ 400,903,265	\$ 328,423,463
Liabilities		
Deposits		
Non-interest bearing	\$ 131,472,566	\$ 94,392,642
Interest bearing	214,431,815	182,302,080
Total Deposits	345,904,380	276,694,722
Accrued interest payable and other liabilities	2,577,414	1,961,654
Other borrowings	8,000,000	8,000,000
Total Liabilities	\$ 356,481,795	\$ 286,656,377
Shareholders' Equity		
Common stock - \$1 par value;		
Shares authorized: 3,000,000 in 2020 and 2019;		
issued and outstanding: 1,823,403 in 2020 and 1,893,908 in 2019	1,823,403	1,893,908
Paid in capital	17,047,750	18,477,863
Retained earnings	24,922,309	21,362,440
Accumulated other comprehensive loss	628,008	32,875
Total Shareholders' Equity	\$ 44,421,470	\$ 41,767,086
Total Liabilities and Shareholder's Equity	\$ 400,903,265	\$ 328,423,463
Book Value Per Share	\$ 24.36	\$ 22.05

Consolidated Statement of Income

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Interest Income				
Loans, including fees	\$ 2,611,615	\$ 2,765,701	\$ 7,984,597	\$ 8,233,693
Securities				
Taxable	188,718	260,276	670,522	787,016
Non-Taxable	82,744	80,961	248,846	229,927
Federal funds sold and other overnight investments	21,493	182,787	146,968	508,359
Interest on deposits in other financial institutions	12,957	15,621	40,863	46,272
Total Interest Income	\$ 2,917,527	\$ 3,305,346	\$ 9,091,796	\$ 9,805,267
Interest Expense				
Interest on other deposits	52,480	169,271	218,551	507,028
Interest on time deposits over \$100,000	23,206	24,719	74,848	104,661
Other interest expense	37,464	37,509	111,578	70,239
Total Interest Expense	\$ 113,150	\$ 231,499	\$ 404,977	\$ 681,928
Net Interest Income	2,804,377	3,073,847	8,686,819	9,123,339
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Provision for Loan Losses	190,000	185,000	425,000	330,000
Net Interest Income after Provision for Loan Losses	2,614,377	2,888,847	8,261,819	8,793,339
Non-interest Income				
Trust and investment management revenue	574,026	530,287	1,521,022	1,559,108
Service charges on deposit accounts	430,979	457,513	1,218,744	1,330,506
Gain on sale of mortgage loans	739,434	164,501	1,432,804	398,446
Other income	116,645	141,159	352,093	422,642
Total Non-interest Income	\$ 1,861,084	\$ 1,293,460	\$ 4,524,663	\$ 3,710,702
Non-interest Expense				
Salaries	1,229,352	1,305,223	3,766,095	3,863,152
Employee benefits	496,890	410,374	1,310,812	1,236,565
Occupancy and equipment expense	560,016	510,749	1,590,942	1,549,741
Other expense	542,386	562,436	1,524,388	1,691,487
Total Non-interest Expense	\$ 2,828,642	\$ 2,788,782	\$ 8,192,237	\$ 8,340,945
Income Before Income Taxes	1,646,819	1,393,525	4,594,244	4,163,097
Income Taxes	305,782	252,560	843,218	757,312
Net Income	\$ 1,341,037	\$ 1,140,965	\$ 3,751,026	\$ 3,405,785
Basic & Diluted Earnings Per Share	\$ 0.74	\$ 0.60	\$ 2.04	\$ 1.80

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