

# 2017

## ANNUAL REPORT

A photograph of a brick building with the 'CENTURY BANK AND TRUST' logo mounted on its facade. The logo is in a gold-colored, three-dimensional font. The building has a curved corner and large windows. The image is partially obscured by large, overlapping geometric shapes in maroon, grey, and white.

**CENTURY**  
BANK AND TRUST

The logo for Century Financial Corporation, featuring the word 'CENTURY' in a bold, maroon, sans-serif font with a stylized 'Y' that has a horizontal bar extending from its base. Below 'CENTURY' is the text 'FINANCIAL CORPORATION' in a smaller, maroon, sans-serif font. The entire logo is set against a white background with a grey horizontal bar above and below the word 'CENTURY'.

**CENTURY**  
FINANCIAL CORPORATION



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The Annual Meeting of the shareholders of Century Financial Corporation will be held March 20, 2018 at 4:00 p.m., at the Dearth Community Center, Garfield Road, Coldwater, Michigan.

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# Financial Highlights

## Century Financial Corporation

	<i>Adjusted</i>			
	<i>2017</i>		<i>2017</i>	<i>2016</i>
<b><i>For the Year</i></b>				
Net Income	\$ 3,076,000	\$	1,146,000	\$ 2,642,000
Cash Dividends	1,037,391		1,037,391	963,159
Return on Average Assets	1.03%		0.38%	0.91%
Return on Average Equity	8.47%		3.24%	7.88%
<b><i>At Year End</i></b>				
Assets		\$	301,539,000	\$ 295,796,000
Deposits			258,184,000	257,326,000
Net Loans			189,423,000	177,951,000
Shareholders' Equity			36,501,000	34,231,000
<b><i>Per Share</i></b>				
Basic and Diluted Earnings		\$	0.60	\$ 1.37
Cash Dividends			0.54	0.50
Book Value -- December 31			19.00	17.79

Century Financial Corporation is a Michigan bank holding company with Century Bank and Trust as its only wholly-owned subsidiary. Century Bank and Trust offers a full range of financial and trust services through a system of twelve banking offices located in Branch, St. Joseph and Hillsdale Counties in Michigan.



# Message to Shareholders

## Century Financial Corporation



Dear Fellow Shareholders,

It is my pleasure to announce the annual performance for Century Financial Corporation and its subsidiary Century Bank and Trust in 2017. Our company reported net income of \$1,146,000 or basic earnings per share of \$0.60 for the year. This compares to net income of \$2,642,000 and earnings per share of \$1.37 reported to you in 2016.

The 2017 performance represents a return on average assets (ROA) of 0.38% and a return on average equity (ROE) of 3.24%. In 2016, ROA and ROE were 0.91% and 7.88%, respectively.

At first glance, these results are significantly off-track from the historically consistent earnings pattern you are used to seeing from Century Bank and Trust. The main reason for the deviation in 2017 results is related to the one-time, pre-tax expense associated with terminating and settling the Bank's defined benefit pension plan. As reported to you in last year's Annual Report and subsequent 2017 quarterly reports, this strategic decision was approved by the Board of Directors with the expected event to occur sometime during the fourth quarter 2017. After all benefit elections were received, a final distribution of plan assets was made to participants in December, resulting in a pension related expense for 2017 totaling \$2,838,000. For comparison, pension related expense in 2016 was \$210,000. Though definitely impactful on 2017 earnings, the long-term benefits of eliminating the associated future risks and ongoing expenses of the pension will be very beneficial for the Bank.

Though more modest when compared to the pension termination, the late-2017 corporate tax code change approved by lawmakers also compressed earnings for the year. After re-measuring the Corporation's net deferred tax assets and considering the lower federal tax rate in the future, the Bank recorded \$196,000 more in income tax for 2017 than it normally would have. Again, temporarily trying on earnings, but like many in the banking industry, I welcome the positive future benefits the lower tax rate will provide corporations and the economy.

Given both unique circumstances occurred this year, it is useful to provide a look at 2017 on an adjusted basis. Assuming an annual pension expense and tax rate matching 2016, the key year-end measurements would have been: net income – \$3,076,000, ROA – 1.03% and ROE – 8.47%.

From this perspective it can be seen that the Bank performed exceptionally well on a core basis in 2017.

Without doubt, our team of dedicated and talented employees are the definitive ingredient that drives our success and performance each year. Their daily passion and work ethic in serving our customers, communities and shareholders is truly remarkable. I am grateful for the privilege to work alongside each of them.

Strong capital, liquidity and core deposit funding continue to be key fundamentals of Century Bank and Trust's balance sheet. Total assets grew \$5,743,000 or 1.94% ending 12-31-17 at \$301,539,000. At 12-31-16, asset levels of \$295,796,000 were reported.

The loan portfolio grew \$11,404,000, or 6.33%, on an annual basis. A balanced contribution from all of the Bank's lending teams provided the growth. At 12-31-17, total loans were \$191,624,000 with an allowance for loan loss reserve of \$2,201,000 or 1.15% of the loan portfolio. For the same period in 2016, loans totaled \$180,220,000 with an allowance for loan loss reserve of \$2,269,000 or 1.26% of the loan portfolio. Century Bank and Trust continues to service our customer's residential mortgage loans that are sold to the secondary market. This off-balance sheet portfolio was \$111,331,000 at 12-31-17 compared to \$109,271,000 at 12-31-16. Net loan loss in 2017, as a percentage of average loans, was 0.17%, the same as in 2016. At December 31, 2017, nonaccrual loans totaled \$1,942,000 and Other Real Estate Owned was \$305,000. At December 2016, these categories stood at \$2,141,000 and \$705,000, respectively.

Total deposits remained consistent, ending 2017 at \$258,184,000 – this compares to total deposits of \$257,326,000 at 12-31-16. Our deposit service teams continue their strong work on maintaining and growing the keystone deposit products of personal and business checking and savings accounts.

Century Bank and Trust's capital levels continue to soundly exceed requirements to be considered "well capitalized" by regulatory agencies. At 12-31-17, the core ratios banking institutions are measured by stood at: Total capital/risk weighted assets – 16.60%, Tier 1 capital/risk weighted assets – 15.67% and Tier 1 capital/average assets – 12.52%.

# Message to Shareholders (continued)

## Century Financial Corporation

Operating highlights for the year are:

- Net operating revenue, defined as net interest and non-interest income combined, increased 4.93% totaling \$15,030,000 for 2017. Net operating revenue was \$14,324,000 in 2016.
- The revenue mix for 2017 was 67% from net interest (spread) income and 33% from non-interest (fee) income.
- Net interest income, before provision expense, increased \$589,000 or 6.20%. Net interest income for 2017 was \$10,083,000 compared to \$9,494,000 in 2016.
- The provision for loan losses for 2017 was \$250,000 compared to \$355,000 in 2016.
- Total interest expense increased, ending the year at \$353,000 versus \$220,000 in 2016.
- Overall fee income grew 2.40%, totaling \$4,947,000 for 2017 compared to \$4,831,000 for 2016.
- Trust and Investment Management revenue continues as the single largest component of fee income. This team again produced record results in 2017, generating revenue of \$1,925,000 compared to \$1,801,000 in 2016. This constitutes an increase of \$124,000 or 6.89%.
- Fee income from Deposit Services components of service charges and fees and exchanges increased 2.82% in 2017 with aggregate revenue of \$1,750,000 versus \$1,702,000 in 2016.
- The gain on sale of mortgage loans declined \$65,000 in 2017 compared to 2016. Total gain was \$595,000 for 2017 compared to \$660,000 the year prior. Given the rebounding housing market and tight inventory, this slight decrease was offset by loan portfolio growth associated with home construction.
- Non-interest expense for 2017 totaled \$13,147,000 compared to \$10,355,000 in 2016. As mentioned previously, the dramatic increase is related to the one-time expense associated with terminating the Bank's pension plan. Core operating expenses, net of employee-related items, for the year were \$4,366,000 compared to \$4,308,000 in 2016 – an increase of \$58,000 or 1.35%

Strong execution by managers and teams in all our core lines of business coupled with conservative balance sheet management again drove the Bank's core performance in 2017. This consistency continues to allow the Board of Directors to focus on their commitment to long-term shareholder value and return. Century Financial Corporation (CFC) paid an annual cash dividend in 2017 of \$0.54 per share. This compares to a \$0.50 per share annual payout for 2016. The market share price of CFC stock (ticker symbol CYFL) was \$20.00 at 12-31-17 and \$18.00 at 12-31-16. Book values for these same time periods were \$19.00 and \$17.79, respectively.

I would also like to take this opportunity to share the retirement of long-time Director Kelly Murphy from both the Century Financial Corporation and Century Bank and Trust Boards as of 12-31-17. Kelly joined our Board teams in 1990 and his steadfast service was critical to the Bank's long-term growth and success in our St. Joseph County market. Kelly's passion for Century Bank and Trust, our employees and shareholders over the last 27 years is a gleaming example of commitment. Please join me in congratulating Kelly on his dedicated role as a Director.

As I conclude, it is with true sincerity that I thank you for your continued support and confidence as a shareholder, your business as a client and making those ever important referrals of friends, family and associates to Century Bank and Trust. As we embark on 2018, I believe we do it with encouraging factors not seen for some time in the economy. Positive economic activity and a rising rate environment carefully managed to this point by the Federal Reserve, should provide a strong setting for well-managed banking organizations. However, no matter the macro conditions, our long-term vision remains the same – an unwavering focus on daily actions that build successful communities, clients and the Bank.



Eric H. Beckhusen  
Chairman & CEO

# Report of Independent Auditors

Century Financial Corporation



Crowe Horwath LLP

Independent Member Crowe Horwath International

## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
Century Financial Corporation  
Coldwater, Michigan

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Century Financial Corporation, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Financial Corporation as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink that reads 'Crowe Horwath LLP'.

Crowe Horwath LLP

Grand Rapids, Michigan  
March 5, 2018

# Consolidated Balance Sheets

## Century Financial Corporation

	December 31,	
	2017	2016
<b>Assets</b>		
Cash and due from banks	\$ 7,415,966	\$ 4,857,905
Short term investments	19,153,020	18,725,000
Total cash and cash equivalents	26,568,986	23,582,905
Time deposits in other financial institutions	3,242,439	3,490,623
Securities available for sale	48,651,288	55,701,898
Securities held to maturity (Fair value of \$16,177,770 in 2017 and \$15,371,305 in 2016)	16,210,020	15,410,752
Other investments	414,354	414,353
Loans held for sale	74,000	440,450
Loans, net	189,422,862	177,950,826
Premises and equipment, net	5,084,214	5,026,034
Bank owned life insurance	8,550,877	8,318,680
Accrued interest receivable	1,022,097	986,106
Other assets	2,297,386	4,472,913
<b>Total Assets</b>	<b>\$ 301,538,523</b>	<b>\$ 295,795,540</b>
<b>Liabilities</b>		
Deposits		
Noninterest-bearing	\$ 81,405,550	\$ 75,972,570
Time deposits of \$100,000 or more	13,257,745	14,738,093
Other time deposits	8,350,111	10,311,712
Other interest-bearing deposits	155,171,006	156,303,301
Total deposits	258,184,412	257,325,676
Accrued interest payable	8,347	9,373
FHLB Advances	5,000,000	-
Other liabilities	1,844,318	4,229,799
<b>Total Liabilities</b>	<b>265,037,077</b>	<b>261,564,848</b>
<b>Shareholders' Equity</b>		
Preferred stock -- \$1 par value; shares authorized -- 300,000; issued and outstanding -- none		
Common stock -- \$1 par value; shares authorized -- 3,000,000; issued and outstanding -- 1,921,140 in 2017 and 1,923,757 in 2016	1,921,140	1,923,757
Paid in capital	19,003,810	19,047,749
Retained earnings	16,134,491	16,025,930
Accumulated other comprehensive loss	(557,995)	(2,766,744)
<b>Total Shareholders' Equity</b>	<b>36,501,446</b>	<b>34,230,692</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 301,538,523</b>	<b>\$ 295,795,540</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Income

## Century Financial Corporation

	Year Ended December 31,	
	2017	2016
<b>Interest Income</b>		
Loans, including fees	\$ 8,701,528	\$ 8,068,949
Securities		
Taxable	1,163,739	1,096,418
Non-taxable	366,951	345,208
Other investments	202,912	203,339
Total interest income	10,435,130	9,713,914
<b>Interest Expense</b>		
Deposits	306,115	220,377
Other borrowings	46,403	17
Total interest expense	352,518	220,394
<b>Net Interest Income</b>	10,082,612	9,493,520
Provision for loan losses	250,000	355,000
Net interest income after provision for loan losses	9,832,612	9,138,520
<b>Non-interest Income</b>		
Service charges on deposit accounts	1,750,317	1,702,141
Trust and investment management revenue	1,925,409	1,800,577
Gain on sale of mortgage loans	594,950	659,511
Gain on sale of securities	41,346	31,261
Other income	635,300	637,365
Total non-interest income	4,947,322	4,830,855
<b>Non-interest Expense</b>		
Salaries and employee benefits	8,780,392	6,047,415
Occupancy and equipment expense	1,974,833	2,053,857
Other	2,391,347	2,253,829
Total non-interest expense	13,146,572	10,355,101
<b>Income Before Income Taxes</b>	1,633,362	3,614,274
<b>Income Taxes</b>	487,410	972,254
<b>Net Income</b>	\$ 1,145,952	\$ 2,642,020
<b>Basic Earnings Per Share</b>	\$ 0.60	\$ 1.37

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Comprehensive Income

## Century Financial Corporation

	Year Ended December 31,	
	2017	2016
<b>Net Income Available to Shareholders</b>	<b>\$ 1,145,952</b>	<b>\$ 2,642,020</b>
<b>Other Comprehensive Income</b>		
Securities available for sale		
Reclassification adjustment for net realized (gains)/losses on sales of securities (A)	(41,346)	(31,261)
Unrealized gains/(losses) on securities	170,788	(226,384)
Unrealized holding (gain)/loss	(44,009)	87,600
Tax effect (C)	85,433	(170,045)
Net of tax		
Defined benefit pension plan		
Net gain/(loss)	-	(223,988)
Reclassification adjustment for realized pension (gains)/losses (B)	3,217,147	228,179
Tax effect (C)	(1,093,831)	(1,425)
Net of tax	2,123,316	2,766
Total other comprehensive income/(loss)	2,208,749	(167,279)
<b>Comprehensive Income</b>	<b>\$ 3,354,701</b>	<b>\$ 2,474,741</b>

(A) Included in gain/(loss) on sale of securities

(B) Included in salaries and employee benefits

(C) Income taxes for 2017 and 2016 include benefits of \$1,079,773 and \$66,952 related to reclassification adjustments

# Consolidated Statements of Changes in Shareholders' Equity

## Century Financial Corporation

	Common Stock	Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
<b>Balance, January 01, 2016</b>	<b>\$ 1,931,757</b>	<b>\$ 19,162,759</b>	<b>\$ 14,347,069</b>	<b>\$ (2,599,465)</b>	<b>\$ 32,842,120</b>
Net income	-	-	2,642,020	-	2,642,020
Other comprehensive loss	-	-	-	(167,279)	(167,279)
Cash dividends, \$.50 per share	-	-	(963,159)	-	(963,159)
Repurchase of shares	(8,000)	(115,010)	-	-	(123,010)
<b>Balance, December 31, 2016</b>	<b>1,923,757</b>	<b>19,047,749</b>	<b>16,025,930</b>	<b>(2,766,744)</b>	<b>34,230,692</b>
Net income	-	-	1,145,952	-	1,145,952
Other comprehensive income	-	-	-	2,208,749	2,208,749
Cash dividends, \$.54 per share	-	-	(1,037,391)	-	(1,037,391)
Repurchase of shares	(2,617)	(43,939)	-	-	(46,556)
<b>Balance, December 31, 2017</b>	<b>\$ 1,921,140</b>	<b>\$ 19,003,810</b>	<b>\$ 16,134,491</b>	<b>\$ (557,995)</b>	<b>\$ 36,501,446</b>

The accompanying notes are an integral part of these consolidated financial statements.



# Consolidated Statements of Cash Flows

## Century Financial Corporation

	<i>Year Ended</i> <i>December 31,</i>	
	<i>2017</i>	<i>2016</i>
<b><i>Cash Flows from Operating Activities</i></b>		
Net Income	\$ 1,145,952	\$ 2,642,020
<b><i>Adjustments to Reconcile Net Income to Net Cash from Operating Activities</i></b>		
Depreciation	451,525	481,459
Net (accretion)/amortization on securities	97,521	214,570
Provision for loan losses	250,000	355,000
Gain on sales of mortgage loans	(594,950)	(659,511)
Proceeds from sales of mortgage loans	18,750,489	20,331,638
Mortgage loans originated for sale	(17,789,089)	(20,112,577)
Gain on sales of securities	(41,346)	(31,261)
Loss/(gain) on sales of other real estate owned	(55,583)	2,140
Earnings on bank owned life insurance	(232,197)	(235,220)
<b><i>Net Change in Assets and Liabilities</i></b>		
Interest receivable	(35,991)	(105,246)
Interest payable	(1,026)	(1,088)
Other assets	809,074	740,292
Other liabilities	831,666	(789,491)
<b>Net cash from operating activities</b>	<b>3,586,045</b>	<b>2,832,725</b>
<b><i>Cash Flows from Investing Activities</i></b>		
Redemption of Federal Home Loan Bank stock	-	-
Purchases of securities available for sale	(7,080,000)	(40,665,000)
Proceeds from sales, calls and maturities of securities available for sale	14,276,346	31,296,799
Purchases of securities held to maturity	5,787,448	(4,773,000)
Proceeds from calls, prepayment and maturities of securities held to maturity	(6,660,000)	2,951,590
Purchase of time deposits in other financial institutions	(1,494,000)	(1,749,000)
Proceeds from sales of time deposits in other financial institutions	1,743,000	-
Net change in portfolio loans	(11,872,259)	(5,320,500)
Proceeds from sales of other real estate owned	434,417	299,260
Premises and equipment expenditures, net	(509,705)	(416,839)
<b>Net cash from investing activities</b>	<b>(5,374,753)</b>	<b>(18,376,690)</b>
<b><i>Cash Flows from Financing Activities</i></b>		
Net change in time deposits of \$100,000 or more	(1,480,348)	(1,522,220)
Net change in other deposits	2,339,084	8,738,740
Repurchase of stock	(46,556)	(123,010)
Proceeds from FHLB Advances	8,000,000	-
Repayment on FHLB Advances	(3,000,000)	-
Cash dividends paid	(1,037,391)	(963,159)
<b>Net cash from financing activities</b>	<b>4,774,789</b>	<b>6,130,351</b>
<b><i>Net Change in Cash and Cash Equivalents</i></b>	<b>2,986,081</b>	<b>(9,413,614)</b>
Cash and cash equivalents at beginning of year	23,582,905	32,996,519
<b><i>Cash and Cash Equivalents at End of Year</i></b>	<b>\$ 26,568,986</b>	<b>\$ 23,582,905</b>
<b><i>Supplemental Disclosures of Cash Flow Information</i></b>		
<b>Cash Paid During the Year for</b>	<b>2017</b>	<b>2016</b>
Interest	\$ 353,544	\$ 221,482
Income taxes paid (refunded)	1,070,000	977,000
<b><i>Supplemental Disclosures of Non-Cash Financing and Investing Activities</i></b>		
Transfers of loans to other real estate owned	\$ 150,222	\$ 916,400

The accompanying notes are an integral part of these consolidated financial statements.

# Notes to Consolidated Financial Statements

## Century Financial Corporation

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Operations*

The consolidated financial statements include the accounts of Century Financial Corporation (the “Corporation”), its wholly-owned subsidiary, Century Bank and Trust (the “Bank”), combined with its wholly-owned subsidiaries, Century Insurance Services and Century Mortgage Services, after elimination of significant intercompany transactions and accounts.

The Corporation provides financial services through its offices located in southern Michigan. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment consumer loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate. Commercial loans are expected to be repaid by cash flows from operations of businesses. Real estate loans are secured by both residential and commercial real estate. Other financial instruments which potentially represent concentrations of credit risk include deposit accounts in other financial institutions.

#### *Subsequent Events*

The Bank has evaluated subsequent events for recognition and disclosure through March 5, 2018, which is the date the financial statements were available to be issued.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided. Actual amounts could differ from those estimates.

#### *Cash Flows*

For the purpose of this statement, cash and cash equivalents are defined to include cash on hand, demand deposits with banks, overnight investments and certain short term investments with maturities of three months or less upon acquisition. Overnight investments can be liquidated to cash within seven days. Net cash flows are reported for customer loan and deposit transactions and short-term borrowings.

#### *Securities*

Securities classified as available for sale are reported at their fair value and the related unrealized holding gains or losses are reported, net of related income tax effects, in other comprehensive income, until realized. Such securities might be sold prior to maturity due to changes in interest rates, prepayment risks, yield and availability of alternative investments, liquidity needs or other factors. Securities for which management has the positive intent and the ability to hold to maturity are classified as held to maturity and are reported at amortized cost. Other securities, such as Federal Home Loan Bank and Federal Agriculture Mortgage Corp stock, are carried at cost.

Premiums and discounts on securities are recognized in interest income using the level yield method over the estimated life of the security. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific identification method.

Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers: (1) the length of time and extent that fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the Corporation has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) other-than-temporary-impairment (OTTI) related to credit loss, which must be recognized in the income statement and (2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cash basis. For equity securities, the entire amount of impairment is recognized through earnings. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

#### *Time Deposits in Other Financial Institutions*

These are FDIC insured deposits which mature in 2018 through 2019, 2021 through 2023 and 2025 in the amounts of \$249,000 or \$250,000.

#### *Loans Held for Sale*

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.



# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Loans

Loans are reported at the principal balance outstanding, net of deferred loan fees and costs and an allowance for loan losses. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Interest income on loans is generally discontinued at the time the loan is ninety days delinquent, determined based upon the contractual terms of the loan, unless the credit is well-secured and in process of collection. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Past due status is determined based on the contractual terms of the loan. All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

#### Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful.

A loan is impaired when full payment under the loan terms is not expected. Loans, for which the terms have been modified, resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired. Commercial and commercial real estate loans are individually evaluated for impairment.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of the estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogenous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Corporation determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Corporation over the most recent five years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified:

Commercial - Loans to business that are sole proprietorships, partnerships, limited liability companies and corporations. These loans are for commercial, industrial, or professional purposes. The risk characteristics of these loans vary based on the borrowers' business and industry as repayment is typically dependent on cash flows generated from the underlying business.

Residential real estate - Loans to purchase or refinance one- to four-family residences. The risks associated with this segment are generally dependent on the overall real estate value environment and individual payment obligations. Real estate is subject to changes in market valuation and can be unstable for a variety of reasons.

Consumer - Term loans or lines of credit for the purchase of consumer goods, vehicles or home improvement. The risk characteristics of the loans in this segment vary depending on the type of collateral but generally repayment is expected from a consumer continuing to generate a cash flow that supports the calculated payment obligation. Secondary support could involve liquidation of collateral.

#### Bank Owned Life Insurance

The Corporation has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or amounts due that are probable at settlement.

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Servicing Rights**

Servicing rights represent the fair value of servicing rights retained on loans sold. Servicing rights are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights, using groupings of the underlying loans as to interest rates and prepayment characteristics. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Any impairment of a grouping is reported as a valuation allowance.

Servicing fee income, which is reported on the income statement as other income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fees totaled \$290,000 and \$279,000 for the years ended December 31, 2017 and 2016. Late fees and ancillary fees related to loan servicing are not material.

#### **Transfers of Financial Assets**

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

#### **Foreclosed Assets**

Assets acquired in collection of a loan are recorded at fair value less costs to sell at acquisition. Any reduction to fair value at acquisition from carrying value is recorded as a loan loss. After acquisition, a valuation allowance reduces the reported amount for further reductions in fair value. Expenses, gains and losses on disposition, and changes in the valuation allowance are reported as other expense. The Corporation had \$305,000 and \$705,000 of foreclosed assets at December 31, 2017 and 2016.

#### **Premises and Equipment**

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method and furniture, fixtures and equipment are depreciated using the straight-line or accelerated methods.

#### **Long-term Assets**

Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

#### **Retirement Plans**

Pension expense is the net of service and interest cost, return on plan assets, and amortization of gains and losses not immediately recognized. Expense for the Employee Stock Ownership Plan is the amount contributed as determined by the Board of Directors.

#### **Income Taxes**

Income tax expense is the tax due or refundable for the period plus or minus the change during the period in the deferred tax assets and liabilities. Deferred income tax assets and liabilities are computed annually for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

#### **Loan Commitments and Related Financial Instruments**

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

#### **Fair Values of Financial Instruments**

Fair values of financial instruments are estimated using the relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

#### **Earnings and Dividends Per Share**

Basic earnings per share is based on net income divided by the weighted average number of shares outstanding during the period. Diluted earnings per share would show the dilutive effect of additional common shares issuable under stock options. However, there are currently no outstanding stock options or other instruments which could cause dilution.

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Comprehensive Income

Comprehensive income consists of net income and unrealized gains and losses on securities available for sale, net of tax, and changes in the funded status of the pension plan, which are recognized as a separate component of equity.

#### Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are now any such matters that will have a material effect on the financial statements.

#### Dividend Restriction

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to the shareholders.

#### Reclassifications

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

### 2. RESTRICTIONS ON CASH

Cash on hand or on deposit with the Federal Reserve Bank of \$0 was required to meet regulatory reserve and clearing requirements at both December 31, 2017 and 2016.

### 3. SECURITIES

The fair value of available for sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive loss were as follows:

	<i>Amortized Cost</i>	<i>Gross Unrealized Gains</i>	<i>Gross Unrealized Losses</i>	<i>Fair Value</i>
<b>2017</b>				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 22,995,760	\$ 201	\$ (531,264)	\$ 22,464,697
Corporate Securities	26,501,127	86,342	(400,878)	26,186,591
	<u>\$ 49,496,887</u>	<u>\$ 86,543</u>	<u>\$ (932,142)</u>	<u>\$ 48,651,288</u>
<b>2016</b>				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 23,990,027	\$ 27	\$ (530,520)	\$ 23,459,534
Corporate Securities	32,686,912	107,694	(552,242)	32,242,364
	<u>\$ 56,676,939</u>	<u>\$ 107,721</u>	<u>\$ (1,082,762)</u>	<u>\$ 55,701,898</u>

The carrying amount, unrecognized gains and losses, and fair value of securities held to maturity were as follows:

	<i>Carrying Amount</i>	<i>Gross Unrecognized Gains</i>	<i>Gross Unrecognized Losses</i>	<i>Fair Value</i>
<b>2017</b>				
Obligations of states and political subdivisions	\$ 16,207,789	\$ 4,686	\$ (36,908)	\$ 16,175,567
Mortgage-backed securities, residential	2,231	-	(28)	2,203
Totals	<u>\$ 16,210,020</u>	<u>\$ 4,686</u>	<u>\$ (36,936)</u>	<u>\$ 16,177,770</u>
<b>2016</b>				
Obligations of states and political subdivisions	\$ 15,408,070	\$ 52,493	\$ (92,044)	\$ 15,368,519
Mortgage-backed securities, residential	2,682	104	0	2,786
Totals	<u>\$ 15,410,752</u>	<u>\$ 52,597</u>	<u>\$ (92,044)</u>	<u>\$ 15,371,305</u>

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 3. SECURITIES (continued)

Securities with unrealized losses at year end 2017 and 2016, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	<i>Less than 12 Months</i>		<i>12 Months or More</i>		<i>Total</i>	
	<i>Fair Value</i>	<i>Unrealized Loss</i>	<i>Fair Value</i>	<i>Unrealized Loss</i>	<i>Fair Value</i>	<i>Unrealized Loss</i>
<b>2017</b>						
U.S. Treasury	\$ 1,577,308	\$ (31,713)	\$ 21,004,131	\$ (499,551)	\$ 22,581,439	\$ (531,264)
Mortgage-backed securities	2,203	(28)	-	-	2,203	(28)
Obligations of states and political subdivisions	451,255	(4,893)	2,081,567	(32,015)	2,532,822	(36,908)
Corporate securities	6,621,432	(62,555)	12,758,462	(338,323)	19,379,894	(400,878)
Total temporarily impaired	<u>\$ 8,652,198</u>	<u>\$ (99,189)</u>	<u>\$ 35,844,160</u>	<u>\$ (869,889)</u>	<u>\$ 44,496,358</u>	<u>\$ (969,078)</u>
<b>2016</b>						
U.S. Treasury	\$ 20,484,100	\$ (503,621)	\$ 1,975,408	\$ (26,899)	\$ 22,459,508	\$ (530,520)
Mortgage-backed securities	-	-	-	-	-	-
Obligations of states and political subdivisions	2,307,985	(78,589)	1,027,358	(13,455)	3,335,343	(92,044)
Corporate securities	14,693,500	(432,962)	3,938,807	(119,280)	18,632,307	(552,242)
Total temporarily impaired	<u>\$ 37,485,585</u>	<u>\$ (1,015,172)</u>	<u>\$ 6,941,573</u>	<u>\$ (159,634)</u>	<u>\$ 44,427,158</u>	<u>\$ (1,174,806)</u>

Unrealized losses on securities have not been recognized into income because the issuer's bonds are of high credit quality (rated A or higher), management does not intend to sell the securities, it is not likely to be required to sell the securities prior to the recovery in value, and the decline in fair value is largely due to changes in interest rates. The fair value is expected to recover as the securities approach maturity.

Sales of securities in 2017 resulted in gross gains of \$78,176 and gross losses of \$36,830 for a net gain of \$41,346. While no securities were sold in 2016, called securities resulted in a gain of \$31,261.

The fair value of debt securities and carrying amount, if different at year end 2017 by contractual maturity were as follows. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	<i>Held-to-maturity</i>		<i>Available for sale</i>	
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Amortized Cost</i>	<i>Fair Value</i>
Due in one year or less	\$ 4,715,941	4,718,162	\$ 968,644	967,516
Due from one to five years	6,441,600	6,440,283	24,597,847	24,370,842
Due from five to ten years	2,334,171	2,320,791	21,430,396	20,911,029
Due after ten years	2,716,077	2,696,331	2,500,000	2,401,901
Mortgage-backed, residential	2,231	2,203	-	-
Totals	<u>\$ 16,210,020</u>	<u>\$ 16,177,770</u>	<u>\$ 49,496,887</u>	<u>\$ 48,651,288</u>

Securities pledged at year end 2017 and 2016 had a carrying amount of \$11,996,559 and \$6,996,339 and were pledged to secure public deposits.

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 4. LOANS

Major classifications of loans were as follows as of December 31:

	2017	2016
Commercial:		
Commercial real estate	\$ 84,250,852	\$ 80,260,268
Other	42,459,948	42,978,506
Residential real estate:		
One to four family	47,068,418	40,753,976
Home equity lines of credit	10,518,098	9,080,293
Consumer	7,326,608	7,146,840
Subtotal	191,623,924	180,219,883
Allowance for loan losses	(2,201,062)	(2,269,057)
Loans, net	<u>\$ 189,422,862</u>	<u>\$ 177,950,826</u>

At December 31, 2017 and 2016, certain officers and directors, and companies in which they are principal owners, were indebted to the Corporation in the aggregate of \$1,783,427 and \$1,108,468, respectively.

The Following table present the activity in the allowance for loan losses by portfolio segment for the years ending December 31:

	Commercial	Residential Real Estate	Consumer	Unallocated	Total
2017					
Allowance for loan losses:					
Beginning balance	\$ 1,177,280	\$ 242,362	\$ 72,868	\$ 776,547	\$ 2,269,057
Provision for loan losses	112,060	(20,166)	30,038	128,068	250,000
Loans charged-off	(271,315)	(38,125)	(98,368)	-	(407,808)
Recoveries	17,808	10,394	61,611	-	89,813
Total ending balance	<u>\$ 1,035,833</u>	<u>\$ 194,465</u>	<u>\$ 66,149</u>	<u>\$ 904,615</u>	<u>\$ 2,201,062</u>

2016					
Allowance for loan losses:					
Beginning balance	\$ 1,182,691	\$ 275,210	\$ 66,546	\$ 684,777	\$ 2,209,224
Provision for loan losses	149,711	20,474	93,045	91,770	355,000
Loans charged-off	(255,327)	(67,422)	(119,194)	-	(441,943)
Recoveries	100,205	14,100	32,471	-	146,776
Total ending balance	<u>\$ 1,177,280</u>	<u>\$ 242,362</u>	<u>\$ 72,868</u>	<u>\$ 776,547</u>	<u>\$ 2,269,057</u>

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31:

	Commercial	Residential Real Estate	Consumer	Unallocated	Total
2017					
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	\$ 250,000	\$ -	\$ -	\$ -	250,000
Collectively evaluated for impairment	785,833	194,465	66,149	904,615	1,951,062
Total ending allowance balance	<u>\$ 1,035,833</u>	<u>\$ 194,465</u>	<u>\$ 66,149</u>	<u>\$ 904,615</u>	<u>\$ 2,201,062</u>
Loans:					
Individually evaluated for impairment	\$ 3,243,967	\$ 509,814	\$ -	\$ -	3,753,781
Collectively evaluated for impairment	123,466,833	57,076,702	7,326,608	-	187,870,143
Total ending loans balance	<u>\$ 126,710,800</u>	<u>\$ 57,586,516</u>	<u>\$ 7,326,608</u>	<u>\$ -</u>	<u>\$ 191,623,924</u>

2016					
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	\$ 365,000	\$ -	\$ -	\$ -	365,000
Collectively evaluated for impairment	812,280	242,362	72,868	776,547	1,904,057
Total ending allowance balance	<u>\$ 1,177,280</u>	<u>\$ 242,362</u>	<u>\$ 72,868</u>	<u>\$ 776,547</u>	<u>\$ 2,269,057</u>
Loans:					
Individually evaluated for impairment	\$ 4,049,012	\$ 751,834	\$ -	\$ -	4,800,846
Collectively evaluated for impairment	119,189,762	49,082,435	7,146,840	0	175,419,037
Total ending loans balance	<u>\$ 123,238,774</u>	<u>\$ 49,834,269</u>	<u>\$ 7,146,840</u>	<u>\$ 0</u>	<u>\$ 180,219,883</u>

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 4. LOANS (continued)

The following tables present information related to impaired loans by class of loans as of and for the years ending December 31:

	<i>Unpaid Principal Balance</i>	<i>Recorded Investment</i>	<i>Allowance for Loan Losses Allocated</i>	<i>Average Recorded Investment</i>	<i>Interest Income Recognized</i>	<i>Cash Basis Interest Recognized</i>
<b>2017</b>						
With no related allowance recorded:						
Commercial:						
Commercial real estate	\$ 1,609,453	\$ 1,609,453	\$ -	\$ 1,680,799	\$ 95,117	\$ 36,018
Other	177,183	177,183	-	167,178	13,700	14,600
Residential real estate	509,814	509,814	-	514,292	23,995	24,147
Consumer	-	-	-	-	-	-
Subtotal	<u>2,296,450</u>	<u>2,296,450</u>	<u>-</u>	<u>2,362,269</u>	<u>132,812</u>	<u>74,765</u>
With an allowance recorded:						
Commercial:						
Commercial real estate	2,681,009	1,457,331	250,000	1,652,828	2,002	675
Other	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-
Subtotal	<u>2,681,009</u>	<u>1,457,331</u>	<u>250,000</u>	<u>1,652,828</u>	<u>2,002</u>	<u>675</u>
Total	<u>\$ 4,977,459</u>	<u>\$ 3,753,781</u>	<u>\$ 250,000</u>	<u>\$ 4,015,097</u>	<u>\$ 134,814</u>	<u>\$ 75,440</u>

### 2016

With no related allowance recorded:

Commercial:						
Commercial real estate	\$ 2,177,514	\$ 2,177,514	\$ -	\$ 2,215,684	\$ 125,552	\$ 121,568
Other	109,586	109,586	-	109,893	1,762	1,514
Residential real estate	751,834	751,834	-	758,914	32,477	30,296
Consumer	-	-	-	-	-	-
Subtotal	<u>3,038,934</u>	<u>3,038,934</u>	<u>-</u>	<u>3,084,491</u>	<u>159,791</u>	<u>153,378</u>

With an allowance recorded:

Commercial:						
Commercial real estate	2,777,210	1,761,912	365,000	1,773,500	11,648	10,706
Other	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-
Subtotal	<u>2,777,210</u>	<u>1,761,912</u>	<u>365,000</u>	<u>1,773,500</u>	<u>11,648</u>	<u>10,706</u>
Total	<u>\$ 5,816,144</u>	<u>\$ 4,800,846</u>	<u>\$ 365,000</u>	<u>\$ 4,857,991</u>	<u>\$ 171,439</u>	<u>\$ 164,084</u>

The recorded investment in loans does not include accrued interest receivable and loan origination fees, net, as they are immaterial. For purposes of this disclosure, the unpaid principal balance is not reduced for net charge-offs.

Nonaccrual loans and loans past due 90 days and still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The following tables present the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of December 31:

	<i>Nonaccrual</i>		<i>Loans Past Due Over 90 Days Still Accruing</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Commercial:				
Commercial real estate	\$ 1,521,325	\$ 1,463,207	\$ -	\$ -
Other	73,006	318,526	-	-
Residential real estate:				
One to four family	250,261	270,569	23,880	296,867
Home equity lines of credit	66,966	55,272	-	-
Consumer	30,732	33,283	-	500
Total	<u>\$ 1,942,290</u>	<u>\$ 2,140,857</u>	<u>\$ 23,880</u>	<u>\$ 297,367</u>



# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 4. LOANS (continued)

The following tables present the aging of the recorded investment in past due loans by class of loans as of December 31:

	<i>30 - 89 Days Past Due</i>	<i>Greater than 89 Days Past Due</i>	<i>Total Past Due</i>	<i>Loans Not Past Due</i>	<i>Total</i>
<b>2017</b>					
Commercial:					
Commercial real estate	\$ 437,324	\$ 1,116,620	\$ 1,553,944	\$ 82,696,908	\$ 84,250,852
Other	1,205,943	73,006	1,278,949	41,180,999	42,459,948
Residential real estate:					
One to four family	1,875,431	262,793	2,138,224	44,930,194	47,068,418
Home equity lines of credit	319,897	25,324	345,221	10,172,877	10,518,098
Consumer	124,623	18,274	142,897	7,183,711	7,326,608
Total	<u>\$ 3,963,218</u>	<u>\$ 1,496,017</u>	<u>\$ 5,459,235</u>	<u>\$ 186,164,689</u>	<u>\$ 191,623,924</u>
<b>2016</b>					
Commercial:					
Commercial real estate	\$ 1,520,590	\$ -	\$ 1,520,590	\$ 78,739,678	\$ 80,260,268
Other	388,590	-	388,590	42,589,916	42,978,506
Residential real estate:					
One to four family	1,499,186	351,620	1,850,806	38,903,170	40,753,976
Home equity lines of credit	128,194	41,642	169,836	8,910,457	9,080,293
Consumer	114,061	18,975	133,036	7,013,804	7,146,840
Total	<u>\$ 3,650,621</u>	<u>\$ 412,237</u>	<u>\$ 4,062,858</u>	<u>\$ 176,157,025</u>	<u>\$ 180,219,883</u>

The Corporation has allocated \$250,000 and \$345,000 of specific reserve to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2017 and 2016. No additional amounts are committed to be lent to these borrowers.

During the years ended December 31, 2017 and 2016, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included a reduction of the stated interest rate of the loan or an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk.

Modifications involving a reduction of the stated interest rate of the loan were for periods ranging from 12 months to 351 months. Modifications involving an extension of the maturity date were for 12 months.

	<i>Number of Loans</i>	<i>Pre-Modification Outstanding Recorded Investment</i>	<i>Post-Modification Outstanding Recorded Investment</i>
<b>2017</b>			
Commercial:			
Commercial real estate	1	\$ 153,181	\$ 137,000
Other	-	-	-
Commercial other	-	-	-
Residential real estate:			
One to four family	-	-	-
Consumer	3	9,895	8,915
Total	<u>4</u>	<u>\$ 163,076</u>	<u>\$ 145,915</u>
<b>2016</b>			
Commercial:			
Commercial real estate	1	\$ 43,183	\$ 42,858
Other	-	-	-
Commercial other	1	33,028	32,501
Residential real estate:			
One to four family	1	54,400	56,380
Consumer	-	-	-
Total	<u>3</u>	<u>\$ 130,611</u>	<u>\$ 131,739</u>

The troubled debt restructurings described above did not increase the allowance for loan losses and did not result in charge offs in the years 2017 or 2016. The majority of the loans modified were already identified as problem loans and the modifications did not change the impact of the impairment assessment on those loans. Additionally, there were no troubled debt restructurings during 2017 or 2016 for which there was a payment default within twelve months following the restructuring.

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 4. LOANS (continued)

The following table presents the

The Corporation categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Corporation analyzes loans individually by classifying the loans as to credit risk. This analysis includes primarily non-homogenous loans, such as commercial and commercial real estate loans, and certain related borrowings. This analysis is performed on a quarterly basis. The Corporation uses the following definitions for risk ratings:

**Watch/Special Mention** Borrowers who exhibit potential credit weaknesses or downward trends deserving management's close attention. While potentially weak, these borrowers are currently marginally acceptable; no loss of principal or interest is envisioned. However, if left uncorrected, these potential weaknesses could result in deteriorations of the repayment prospects for the assets or in the banks' credit position at some future date. These borrowers have characteristics which corrective management action would remedy. Included in this category could be turnaround situations, as well as those borrowers previously rated satisfactory who have shown deterioration, for whatever reason, indicating a downgrading from the better categories. An element of asset quality, financial flexibility, or management is below average.

**Potential Problem (Substandard)** Borrowers with well-defined weaknesses that jeopardize the orderly liquidation of debt. A potential problem loan is inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Normal repayment from the borrower is in jeopardy. There is a distinct possibility that a partial loss of interest and/or principal will occur if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of potential problem assets, does not have to exist in individual assets classified potential problem.

**Problem (Doubtful)** Borrowers classified problem have all the weaknesses found in potential problem borrowers with the added provision that weaknesses make collection of debt in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Serious problems exist to the point where partial loss of principal is likely. The possibility of loss is high, but because of certain important, reasonably specific pending factors that may work to strengthen the assets, the loan's classification as estimated loss is deferred until a more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures; capital injection; perfecting liens on additional collateral; and refinancing plans.

Loans not meeting the criteria above that are analyzed individually as part of the process described above are considered to be pass rated loans. Loans listed as not rated are predominantly homogenous loans. These loans are monitored for credit quality based primarily on payment performance.

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	<i>Pass</i>	<i>Watch</i>	<i>Potential Problem</i>	<i>Problem</i>	<i>Not Rated</i>
<b>2017</b>					
Commercial:					
Commercial real estate	\$ 80,032,502	\$ 2,209,026	\$ 625,000	\$ 1,384,325	\$ -
Other	40,464,681	1,857,821	64,440	73,006	-
Residential real estate					
One to four family	-	-	-	-	47,068,418
Home equity lines of credit	-	-	-	-	10,518,098
Consumer	-	-	-	-	7,326,608
Total	<u>\$ 120,497,183</u>	<u>\$ 4,066,847</u>	<u>\$ 689,440</u>	<u>\$ 1,457,331</u>	<u>\$ 64,913,124</u>
<b>2016</b>					
Commercial:					
Commercial real estate	\$ 76,161,149	\$ 1,775,130	\$ 860,782	\$ 1,463,207	\$ -
Other	41,054,130	1,144,622	461,228	318,526	-
Residential real estate					
One to four family	-	-	-	-	40,753,976
Home equity lines of credit	-	-	-	-	9,080,293
Consumer	-	-	-	-	7,146,840
Total	<u>\$ 117,215,279</u>	<u>\$ 2,919,752</u>	<u>\$ 1,322,010</u>	<u>\$ 1,781,733</u>	<u>\$ 56,981,109</u>



# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 5. FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data..

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available, and management makes adjustments to appraised values based on market conditions. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals which are updated no less frequently than annually. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available, and management makes adjustments to appraised values based on market conditions. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly. No real estate owned property held at year-end 2017 or 2016 was being measured at fair value on a non-recurring basis.

Appraisals for both collateral-dependent impaired loans and real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Corporation. Once received, an officer reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On an annual basis, the Corporation compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to the appraisal value to arrive at fair value. The most recent analysis performed indicated that a discount of 10% should be applied to properties with appraisals performed within 12 months.

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 5. FAIR VALUE (continued)

#### Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	<i>Fair Value Measurements Using</i>		
	<i>Quoted Prices in Active Markets for Identical (Level 1)</i>	<i>Significant Other Observable (Level 2)</i>	<i>Significant Unobservable (Level 3)</i>
<b>2017</b>			
Assets:			
Available for sale securities			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ -	\$ 22,464,697	\$ -
Corporate Securities	-	26,186,591	-
Total Securities	\$ -	\$ 48,651,288	\$ -
<b>2016</b>			
Assets:			
Available for sale securities			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ -	\$ 23,459,534	\$ -
Corporate Securities	-	32,242,364	-
Total Securities	\$ -	\$ 55,701,898	\$ -

#### Assets and Liabilities Measured on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

	<i>Fair Value Measurements Using</i>		
	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
<b>2017</b>			
Assets:			
Impaired loans:			
Commercial:			
Commercial real estate	\$ -	\$ -	\$ 1,207,331
Other	-	-	-
Residential real estate	-	-	-
Total	\$ -	\$ -	\$ 1,207,331
<b>2016</b>			
Assets:			
Impaired loans:			
Commercial:			
Commercial real estate	\$ -	\$ -	\$ 1,396,912
Other	-	-	-
Residential real estate	-	-	-
Total	\$ -	\$ -	\$ 1,396,912

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 5. FAIR VALUE (continued)

The following represent impairment charges recognized during the period:

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a recorded investment of \$1,457,331, before a valuation allowance of \$250,000 at year-end 2017, resulting in no significant provision for loan losses for 2017. At December 31, 2016 impaired loans had a recorded investment of \$1,761,912, before a valuation allowance of \$365,000, resulting in no significant provision for loan losses for 2016.

As discussed previously, the fair values of impaired loans and other real estate carried at fair value are determined by third party appraisals. Management makes adjustments to these appraised values based on the age of the appraisal and the type of property. The following tables present quantitative information about level 3 fair value measurements for the larger classes of financial instruments measured at fair value on a non-recurring basis at December 31:

	<i>Fair Value</i>	<i>Valuation Technique(s)</i>	<i>Unobservable Input</i>	<i>Discount Rate (Range and Average)</i>
<b>2017</b>				
Impaired loans:				
Commercial:				
Commercial real estate	\$ 1,207,331	Sales comparison	Management discount for property type and recent market volatility	10%
<b>2016</b>				
Impaired loans:				
Commercial:				
Commercial real estate	\$ 1,396,912	Sales comparison	Management discount for property type and recent market volatility	10%

### Fair Value of Financial Instruments

The estimated fair values of financial instruments excluding available for sale securities, in thousands, are as follows as of December 31:

	<b>2017</b>		<b>2016</b>	
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
Financial assets				
Cash and cash equivalents	\$ 26,569	\$ 26,569	\$ 23,583	\$ 23,583
Securities held to maturity	16,210	16,178	15,411	15,371
Time deposits with other institutions	3,242	3,211	3,491	3,608
Loans held for sale	74	75	440	440
Loans, net	189,423	190,427	177,951	179,339
FHLB and FAMC stock	414	N/A	414	N/A
Accrued interest receivable	1,022	1,022	986	986
Financial liabilities				
Deposits	\$ 258,184	\$ 258,130	\$ 257,326	\$ 257,265
Federal Home Loan Bank advances	5,000	5,000	-	-
Accrued interest payable	8	8	9	9

The estimated fair value approximates carrying amount for all items except those described below. Estimated fair value for loans is based on current market rates for new loans with similar maturities, applied until the loan is assumed to reprice or be paid. Estimated fair value for time deposits are based on current market rates at year-end applied until maturity. It was not practicable to determine the fair value of Federal Home Loan Bank stock due to restrictions placed on its transferability. Estimated fair value for other financial instruments and off-balance-sheet loan commitments are considered nominal.

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 6. PREMISES AND EQUIPMENT

Major classifications of premises and equipment were as follows at December 31:

	2017	2016
Land	\$ 1,385,439	\$ 1,385,439
Buildings	8,399,048	8,218,153
Furniture, fixtures and equipment	4,964,821	4,636,011
Total cost	14,749,308	14,239,603
Less accumulated depreciation	(9,665,094)	(9,213,569)
Total	\$ 5,084,214	\$ 5,026,034

### 7. LOAN SERVICING

Mortgage loans serviced for others are not reported as assets. The principal balances of these loans at year-end are as follows:

	2017	2016
Mortgage loan portfolios serviced for:	\$	\$
FHLMC	84,006,568	82,029,129
FHLBI	27,324,107	27,241,593
	\$ 111,330,675	\$ 109,270,722

Custodial escrow balances maintained in connection with serviced loans were \$278,173 and \$129,648 at December 31, 2017 and 2016, respectively.

Activity for loan servicing rights follows:

	2017	2016
Servicing rights		
Beginning of year	\$ 493,854	\$ 501,353
Additions	201,854	218,721
Amortized to expense	(227,965)	(226,220)
End of year	\$ 467,743	\$ 493,854

The fair value of servicing rights at year-end 2017 and 2016 were approximately \$1,173,000 and \$1,023,000.

### 8. DEPOSITS

At December 31, 2017, scheduled maturities of time deposits were as follows:

2018	\$ 14,638,417
2019	5,291,156
2020	1,677,694
2021	589
Total	\$ 21,607,856

Related party deposits totaled \$4,069,527 and \$4,829,319 at December 31, 2017 and 2016, respectively.

Time deposits that meet or exceed the FDIC Insurance limit of \$250,000 at year-end 2017 and 2016 were \$3,338,993 and \$4,405,132, respectively.

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 9. INCOME TAX

On December 22, 2017, H.R.1, commonly known as the Tax Cuts and Jobs Act (the "Act") was signed into law. Among other things, the Act reduces our corporate federal tax rate from 34% to 21% effective January 1, 2018. As a result, we are required to re-measure all of our deferred tax assets and liabilities using the enacted rate at which we expect them to be recovered or settled which is now the reduced federal tax rate. The adjustment required from that re-measurement is recorded in the current period as additional income tax expense or benefit. The re-measurement resulted in additional income tax expense of \$195,602 in 2017.

Income tax expense (benefit) consists of:

	2017	2016
Current liability	\$ 273,796	\$ 1,062,290
Deferred (benefit) liability	18,012	(90,036)
Expense due to enactment of federal tax reform	195,602	-
Total income tax expense (benefit)	<u>\$ 487,410</u>	<u>\$ 972,254</u>

Deferred tax assets and liabilities at December 31 consist of:

	2017	2016
Deferred tax assets		
Allowance for loan losses	\$ 442,050	\$ 740,646
Deferred compensation	-	5,078
Nonaccrual loans	23,547	249,757
Pension liability	-	1,093,831
Unrealized loss on securities available for sale	177,576	331,514
Accrued liabilities	10,500	117,300
Other	13,559	19,570
Total deferred tax assets	<u>667,232</u>	<u>2,557,696</u>
Deferred tax liabilities		
Deferred loan fees/costs	(59,396)	(108,698)
Depreciation	(172,104)	(165,840)
Mortgage servicing rights	(98,226)	(167,910)
Pension expense	-	(407,213)
Other	(21,533)	(40,964)
Total deferred tax liabilities	<u>(351,259)</u>	<u>(890,625)</u>
Net deferred tax assets	315,973	1,667,071
Valuation allowance	-	-
Total deferred tax assets	<u>\$ 315,973</u>	<u>\$ 1,667,071</u>

A valuation allowance related to deferred tax assets is required when it is considered more likely than not that all or part of the benefits related to such assets will not be realized. Management has determined that no valuation allowance was required at year-end 2017 or 2016.

The difference between the financial statement tax expense and amounts computed by applying the statutory federal tax rate of 34% to pretax income is reconciled as follows:

	2017	2016
Statutory rate applied to income before taxes	\$ 555,343	\$ 1,228,853
Add (deduct):		
Non-taxable income	(184,935)	(178,606)
Bank owned life insurance	(78,947)	(79,975)
Expense due to enactment of federal tax reform	195,602	-
Other	347	1,982
Total income tax expense (benefit)	<u>\$ 487,410</u>	<u>\$ 972,254</u>

There were no unrecognized tax benefits at December 31, 2017 and the Corporation does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months.

The Corporation is no longer subject to examination by the Internal Revenue Service for years before 2014.

No amounts of interest, penalties, and/or accruals were recorded during or for the years ended December 31, 2017 and 2016.

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 10. EARNINGS PER SHARE

A reconciliation of the numerators and denominators for earnings per share for the years ended December 31 are as follows:

	2017	2016
Basic earnings per share		
Net income available to common shareholders	\$ 1,145,952	\$ 2,642,020
Weighted average common shares outstanding	1,921,785	1,926,629
Basic earnings per share	<u>\$ 0.60</u>	<u>\$ 1.37</u>

### 11. EMPLOYEE BENEFIT PLANS

#### Defined Benefit Pension Plan

In December 2016, the Board of Directors approved terminating and settling the Corporation's funded noncontributory defined benefit pension plan as of January 31, 2017. The pension plan was frozen as of December 31, 2009 and no employee could become a participant of the plan or earn additional benefits under the plan after that date. Upon receipt of the required regulatory approvals in December 2017, the plan was terminated and all of its obligations to participants were settled.

At December 31, 2016, The Corporation reported a projected benefit obligation of \$7.1 million (using a discount rate of 3.5%), plan assets of \$5.1 million, a net obligation of \$2.0 million and an accumulated other comprehensive loss related to the pension obligation of \$3.2 million. During 2017, all plan assets were liquidated and used to fund the settlement with participants. At year-end 2017, the Corporation has no remaining obligation or liability related to the plan.

Pension expense, included in salaries and employee benefits on the consolidated statements of income, was \$2,837,750 in 2017 and \$210,058 in 2016.

#### Employee Stock Ownership Plan (ESOP)

A non-contributory ESOP is maintained for the benefit of all qualified employees. At year-end 2017 and 2016, the ESOP owned 142,961 and 146,598 shares of the Corporation's common stock. All shares are allocated to participants. Dividends paid on shares held by the ESOP are allocated to participants' accounts based upon shares held. Upon retirement or separation, a participant or beneficiary generally has 60 days to elect the form of benefit desired. They may elect to receive an in-kind distribution of shares allocated to them or may elect to receive the value of their ESOP account balance, including shares, distributed in cash over a period generally not in excess of five years. The value of ESOP shares for cash distribution purposes is determined annually by a third party appraisal, and at year-end 2017 aggregated to approximately \$2,638,000. Annual contributions are made at the discretion of the Board of Directors and were \$194,275 and \$150,878 for 2017 and 2016.

### 12. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Some financial instruments are used to meet customer financing needs and to reduce exposure to interest rate changes. These financial instruments include commitments to make loans, unused lines of credit, and standby letters of credit. These involve, to varying degrees, credit and interest-rate risk in excess of the amount reported in the balance sheet.

Outstanding commitments to make loans and unused lines of credit totaled \$37,776,000 and \$40,968,000 December 31, 2017 and 2016, respectively.

Commitments to make loans are agreements to lend to a customer as long as there is no violation of any condition established in the commitment, and generally have fixed expiration dates. Standby letters of credit are conditional commitments to guarantee a customer's performance to a third party. Exposure to credit loss if the other party does not perform is represented by the contractual amount of these items. Collateral or other security is normally not obtained for these financial instruments prior to their use, and many of the commitments are expected to expire without being used.

# Notes to Consolidated Financial Statements (continued)

## Century Financial Corporation

### 13. REGULATORY MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines, and additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Corporation on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. The table below presents minimum reported capital adequacy information assuming full phase-in of these new requirements. Management believes as of December 31, 2017, the Corporation and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2017 and 2016, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

At December 31, the Bank's actual capital levels and minimum required levels, in thousands, approximated:

	<i>Actual</i>		<i>Minimum required for capital adequacy purposes</i>		<i>Minimum required to be well capitalized under prompt corrective action regulations</i>	
	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>
<b>2017</b>						
Total Capital (to risk weighted assets)	\$ 39,223	16.6%	\$ 24,812	10.5%	\$ 23,630	10.0%
Tier 1 (Core) Capital (to risk weighted assets)	37,022	15.7%	20,086	8.5%	18,904	8.0%
Common Tier 1 (CET1)	37,022	15.7%	16,541	7.0%	15,360	6.5%
Tier 1 (Core) Capital (to average assets)	37,022	12.5%	11,826	4.0%	14,782	5.0%
<b>2016</b>						
Total Capital (to risk weighted assets)	\$ 39,223	17.2%	\$ 23,899	10.5%	\$ 22,761	10.0%
Tier 1 (Core) Capital (to risk weighted assets)	36,954	16.2%	19,347	8.5%	18,209	8.0%
Common Tier 1 (CET1)	36,954	16.2%	15,933	7.0%	14,795	6.5%
Tier 1 (Core) Capital (to average assets)	36,954	12.4%	11,938	4.0%	14,922	5.0%

Banking regulations require maintaining certain capital levels and may limit the dividend paid by the Bank to the Corporation or by the Corporation to the shareholders.



# Directors

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Eric H. Beckhusen  
*Chairman & CEO,  
Century Bank and Trust*

Robert P. Brothers  
*Attorney at Law*

Jeffrey W. Budd  
*CPA, Utility Director  
Coldwater Board of Public Utilities*

James W. Gordon  
*Certified Public Accountant  
James W. Gordon, CPA, P.C.*

Bruce S. A. Gosling,  
*Certified Public Accountant,  
Norman & Paulsen, P.C.*

Thomas G. Kramer  
*Chief Financial Officer,  
ADAPT, Incorporated*

Caroline P. Lowe  
*Certified Public Accountant*

Kelly B. Murphy  
*President,  
C. A. Murphy Oil Co.*

William G. Pridgeon  
*Pridgeon Farms, LLC*

Eric J. Wynes  
*President,  
Century Bank and Trust*

## Officers

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### Century Bank and Trust

Eric H. Beckhusen  
*Chairman & CEO*

Eric J. Wynes  
*President*

Dylan M. Foster  
*Senior Vice President*

Rebecca S. Crabill  
*Chief Financial Officer*

Julie A. Andrews  
*Vice President & Senior Trust Officer*

Donna M. Hobday  
*Vice President*

Jeffrey S. Holbrook  
*Vice President*

Ginger J. Kesler  
*Vice President*

Barry R. Miller  
*Vice President*

AnnMarie L. Sanders  
*Vice President*

Ronald H. Uhl  
*Vice President*

Alicia K. Cole  
*Assistant Vice President &  
Trust Officer*

Corey L. Collins  
*Assistant Vice President &  
Deposit Services Officer*

Michael D. Eddy  
*Assistant Vice President &  
Mortgage Loan Officer*

Jared E. Hoffmaster  
*Assistant Vice President &  
Investment Officer*

Vicki R. Morris  
*Assistant Vice President &  
Mortgage Loan Officer*

Scott R. Petersen  
*Assistant Vice President &  
Commercial Loan Officer*

Andrea J. Strong  
*Assistant Vice President &  
Teller Operations Officer*

Adam M. Wright  
*Assistant Vice President &  
Commercial Loan Officer*

Donna L. Penick  
*Auditor*

Jason C. Dozeman  
*Commercial Loan Officer*

Heather E. Eldridge  
*Trust Operations Officer*

Alicia A. Finnerman  
*Mortgage Loan Officer*

Sergio Gomez  
*Mortgage Loan Officer*

Joshua D. Jones  
*Mortgage Loan Officer*

Tracy A. Richer  
*Trust Officer*

Erik L. Schaeffer  
*Trust Officer*

Kathy A. Tomson  
*Mortgage Loan Officer*

### Century Financial Corporation

Eric H. Beckhusen  
*Chairman & CEO*

Eric J. Wynes  
*President*



# Office and ATM Locations

## Century Financial Corporation

### Office Locations

Coldwater Main Office  
100 West Chicago Street  
Coldwater, Michigan 49036  
(517) 278-1500

Coldwater Auto Bank Drive-Thru  
64 North Monroe Street  
Coldwater, Michigan 49036  
(517) 278-1500

Coldwater East Office  
745 East Chicago Street  
Coldwater, Michigan 49036  
(517) 278-1500

Bronson Office  
106 East Chicago Street  
Bronson, Michigan 49028  
(517) 369-2100

Quincy Office  
109 West Chicago Street  
Quincy, Michigan 49082  
(517) 639-8800

Reading Office  
108 North Main Street  
Reading, Michigan 49274  
(517) 283-2148

Jonesville Loan Center  
859 Olds Road  
Jonesville, Michigan 49250  
(517) 849-9010

Nottawa Office  
25985 M-86  
Nottawa, Michigan 49075  
(269) 467-9615

Sturgis Main Office  
300 West Chicago Road  
Sturgis, Michigan 49091  
(269) 651-5491

Sturgis West Office  
201 South Centerville Road  
Sturgis, Michigan 49091  
(269) 651-5491

Three Rivers Office  
1310 West Broadway  
Three Rivers, Michigan 49093  
(269) 273-3690

### ATM Locations

Century Bank and Trust  
Coldwater Main Office ATM  
100 West Chicago Street  
Coldwater, Michigan

Century Bank and Trust  
Coldwater AutoBank Drive-Thru ATM  
64 North Monroe Street  
Coldwater, Michigan

Century Bank and Trust  
Coldwater East Office ATM  
745 East Chicago Street  
Coldwater, Michigan

Century Bank and Trust  
Coldwater Fairfield ATM  
496 Marshall Street  
Coldwater, Michigan

Century Bank and Trust  
Bronson Office ATM  
106 East Chicago Street  
Bronson, Michigan

Century Bank and Trust  
Quincy Office ATM  
109 West Chicago Street  
Quincy, Michigan

Community Health Center  
Hospital Gift Shop ATM  
274 East Chicago Street  
Coldwater, Michigan

Century Bank and Trust  
Reading Office ATM  
108 North Main Street  
Reading, Michigan

Century Bank and Trust  
Three Rivers Main Office ATM  
1310 West Broadway  
Three Rivers, Michigan

Century Bank and Trust  
Sturgis West Office ATM  
201 South Centerville Road  
Sturgis, Michigan

Century Bank and Trust ATM  
Murphy Oil Gas Station  
1450 S Centerville Road  
Sturgis, Michigan

Century Bank and Trust ATM  
Murphy Oil Gas Station  
2018 North Wayne Street  
Angola, Indiana

**24 Hour Online Banking at [CenturyBankandTrust.com](http://CenturyBankandTrust.com)  
Toll Free (866) 680-2265**

## Century Financial Corporation

**\$77,000 +**

IN SUPPORT TO OUR COMMUNITIES  
THROUGH SPONSORSHIPS AND  
DONATIONS

# 1890

Year CB&T  
was established

12

ATMs

1

Loan Office

10

## Branches

## STOCK PERFORMANCE

**\$19.00**

## Book Value per Share

2.70%

Five year average annual dividend return

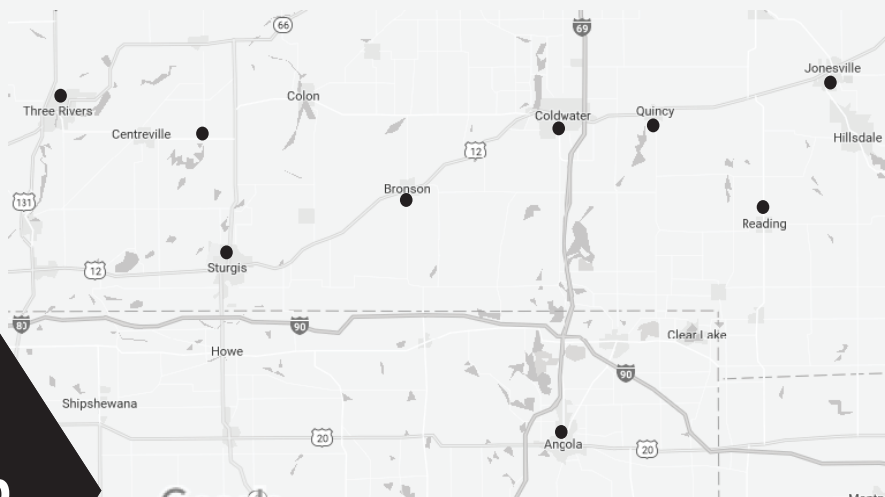
**\$300,545,000**

## 2017 TOTAL ASSET SIZE

122

## Number of Employees

## BRANCH AND ATM LOCATIONS



## PRIMARY SERVICES

# Loans

## Business, Mortgage, Consumer

# Trust & Investment Management Group

## Checking & Savings

## Accounts for businesses & consumers

20,668 +

Total deposit  
accounts





**100 West Chicago Street  
Coldwater, Michigan 49036  
Toll Free (866) 680-2265**