

To Our Shareholders

Greetings fellow shareholders. It is my pleasure to report the third-quarter results for Century Financial Corporation and its subsidiary Century Bank and Trust.

For the nine-months ending September 30, 2017, Century Bank and Trust reported net income of \$2,071,000 or earnings per share of \$1.08. This compares to net income of \$1,989,000 or earnings per share of \$1.03 for the same period ending September 30, 2016. Return on Equity (ROE) and Return on Assets (ROA) were 7.85% and 0.94%, respectively. Previous year-to-date, ROE was 7.89% with ROA at 0.92%

Income Statement

The bank reported total revenues of \$11,090,000 at September 30, 2017. This constitutes 4.37% growth over September 30, 2016 revenues of \$10,626,000.

Net income is \$82,000, or 4.12%, higher when comparing September 30, 2017 to the same period in 2016.

When comparing September 30, 2017 to September 30, 2016, net interest income was higher by \$388,000 or 5.46%. For the same period, total non-interest income is up \$77,000 or 2.19%.

Non-interest expense for the nine months ended September 30, 2017 totaled \$8,035,000 versus \$7,689,000 at September 30, 2016. As reported at previous quarters, part of this year's expense structure includes costs related to the anticipated termination of the bank's defined benefit pension plan by December 31, 2017.

Balance Sheet

The bank had total assets of \$295,787,000 at September 30, 2017 compared to \$292,978,000 at September 30, 2016.

Total loans at the end of the third quarter 2017 were \$192,244,000 compared to \$178,980,000 for the same period in 2016. Year over the loan portfolio has seen growth of 7.41%. Total loans at December 31, 2016 were \$180,220,000.

The allowance for loan loss (as a percent of the loan portfolio) at September 30, 2017 was 1.26%. This compares to 1.34% at September 30, 2016. A provision for loan loss expense of \$95,000 was made for the quarter compared to an expense of \$100,000 for the third quarter of 2016.

Total deposits were down slightly when comparing September 30, 2017 to September 30, 2016. Deposit balances were \$251,902,000 and \$255,428,000, respectively.

Total Shareholder Equity at September 30, 2017 was \$35,748,000 compared to \$34,612,000 at September 30, 2016. Capital ratios at September 30, 2017 remain strong and well above minimum regulatory requirements.

I will conclude by recognizing and sincerely thanking Stanley (Stan) Welch for his outstanding service as a Director. He retired from the Boards of Century Financial Corporation and Century Bank and Trust on July 31, 2017. Having joined the Board of Directors in 1987, Stan's 30 years of dedicated service and guidance truly benefited our clients, employees and shareholders.

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

Eric H. Beckhusen

Eric H. Beckhusen
Chairman & CEO

Directors & Officers

Century Financial Corporation Directors

| | |
|---|---|
| Eric H. Beckhusen <i>Chairman & CEO, Century Bank and Trust</i> | Thomas G. Kramer <i>Chief Financial Officer, ADAPT, Incorporated</i> |
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| James W. Gordon <i>Certified Public Accountant James W. Gordon, CPA, P.C.</i> | Kelly B. Murphy <i>President, Murphy Oil Co., Inc.</i> |
| Bruce S. A. Gosling <i>Certified Public Accountant, Norman and Paulsen, P.C.</i> | Eric J. Wynes <i>President, Century Bank and Trust</i> |

Century Bank and Trust Officers

| | |
|--|---|
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| Michael D. Eddy <i>Assistant Vice President & Mortgage Loan Officer</i> | Kathy A. Tomson <i>Mortgage Loan Officer</i> |



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Third Quarter
Report to Shareholders
September 30, 2017

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

Consolidated Balance Sheet

| | September 30, | |
|--|-----------------------|-----------------------|
| | 2017 | 2016 |
| Assets | | |
| Cash and due from banks | \$ 16,759,908 | \$ 3,306,468 |
| Interest bearing deposits with other banks | 3,491,334 | 3,240,361 |
| Investment securities available for sale | 51,495,434 | 47,565,587 |
| Investment securities (market value of \$17,983,322 in 2017 and \$16,442,128 in 2016) held to maturity | 17,273,916 | 16,450,341 |
| Federal funds sold and other overnight investments | - | 29,208,000 |
| Loans | 192,243,582 | 178,979,912 |
| Less: Allowance for loan loss | (2,424,517) | (2,392,956) |
| Loans, Net | 189,819,066 | 176,586,956 |
| Bank premises and equipment, net | 5,014,552 | 5,069,906 |
| Bank owned life insurance | 8,492,388 | 8,259,459 |
| Accrued interest receivable and other assets | 3,440,667 | 3,290,898 |
| Total Assets | \$ 295,787,265 | \$ 292,977,976 |
| Liabilities | | |
| Deposits | | |
| Non-interest bearing | \$ 77,657,698 | \$ 77,476,029 |
| Interest bearing | 174,243,923 | 177,952,470 |
| Total Deposits | 251,901,621 | 255,428,499 |
| Accrued interest payable and other liabilities | \$ 3,137,339 | \$ 2,937,726 |
| Other borrowings | 5,000,000 | - |
| Total Liabilities | \$ 260,038,960 | \$ 258,366,225 |
| Shareholders' Equity | | |
| Common stock - \$1 par value; | | |
| Shares authorized: 3,000,000 in 2017 and 2016; | | |
| 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 | 15,195,202 | 13,488,157 |
| Accumulated other comprehensive gain/(loss) | (371,846) | 152,088 |
| Total Shareholders' Equity | \$ 35,748,305 | \$ 34,611,751 |
| Total Liabilities and Shareholder's Equity | \$ 295,787,265 | \$ 292,977,976 |
| Book Value Per Share | \$ 18.61 | \$ 17.99 |

Consolidated Statement of Income

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Interest Income | | | | |
| Loans, including fees | \$ 2,223,542 | \$ 2,028,677 | \$ 6,419,507 | \$ 6,044,136 |
| Securities | | | | |
| Taxable | 282,667 | 245,189 | 891,226 | 802,787 |
| Non-Taxable | 91,500 | 85,325 | 277,765 | 257,555 |
| Federal funds sold and other overnight investments | 50,520 | 49,325 | 99,359 | 121,660 |
| Interest on deposits in other financial institutions | 17,211 | 14,196 | 50,810 | 38,349 |
| Total Interest Income | \$ 2,665,440 | \$ 2,422,712 | \$ 7,738,667 | \$ 7,264,487 |
| Interest Expense | | | | |
| Interest on other deposits | 80,171 | 50,582 | 204,016 | 138,467 |
| Interest on time deposits over \$100,000 | 4,925 | 7,211 | 17,166 | 23,272 |
| Other interest expense | 24,181 | 3 | 27,173 | 13 |
| Total Interest Expense | \$ 109,277 | \$ 57,796 | \$ 248,355 | \$ 161,752 |
| Net Interest Income | 2,556,163 | 2,364,916 | 7,490,312 | 7,102,735 |
| Provision for Loan Losses | 95,000 | 100,000 | 220,000 | 215,000 |
| Net Interest Income after Provision for Loan Losses | 2,461,163 | 2,264,916 | 7,270,312 | 6,887,735 |
| Non-interest Income | | | | |
| Trust and investment management revenue | 479,876 | 440,910 | 1,405,155 | 1,352,593 |
| Service charges on deposit accounts | 436,896 | 432,695 | 1,307,933 | 1,274,630 |
| Gain on sale of mortgage loans | 131,516 | 216,937 | 432,018 | 434,928 |
| Other income | 167,785 | 156,192 | 455,242 | 460,912 |
| Total Non-interest Income | \$ 1,216,074 | \$ 1,246,734 | \$ 3,600,348 | \$ 3,523,063 |
| Non-interest Expense | | | | |
| Salaries | 1,176,891 | 1,068,659 | 3,342,383 | 3,115,943 |
| Employee benefits | 511,840 | 441,105 | 1,590,539 | 1,392,872 |
| Occupancy and equipment expense | 479,389 | 515,664 | 1,447,571 | 1,535,167 |
| Other expense | 609,568 | 554,258 | 1,654,923 | 1,645,326 |
| Total Non-interest Expense | \$ 2,777,689 | \$ 2,579,686 | \$ 8,035,415 | \$ 7,689,308 |
| Income Before Income Taxes | 899,548 | 931,964 | 2,835,245 | 2,721,490 |
| Income Taxes | 236,542 | 250,568 | 764,519 | 732,529 |
| Net Income | \$ 663,006 | \$ 681,396 | \$ 2,070,726 | \$ 1,988,961 |
| Basic & Diluted Earnings Per Share | \$ 0.34 | \$ 0.35 | \$ 1.08 | \$ 1.03 |

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