

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, 2018, Century Bank and Trust reported net income of \$2,494,000 or earnings per share of \$1.30. This compares to net income of \$2,071,000 or earnings per share of \$1.08 for the same period ending September 30, 2017. Return on Equity (ROE) and Return on Assets (ROA) were 9.17% and 1.11%, respectively. Previous year-to-date, ROE was 7.85% with ROA at 0.94%

Income Statement

The bank reported total revenues of \$12,087,000 at September 30, 2018. This constitutes 8.99% growth over September 30, 2017 revenues of \$11,090,000.

Net income is \$424,000, or 20.46%, higher when comparing September 30, 2018 to the same period in 2017.

When comparing September 30, 2018 to September 30, 2017, net interest income was higher by \$869,000 or 11.61%. For the same period, total non-interest income is up \$127,000 or 3.54%.

Non-interest expense for the nine months ended September 30, 2018 totaled \$8,343,000 versus \$8,035,000 at September 30, 2017.

For the quarter, the bank reported net income of \$882,000 or \$0.46 earnings per share. This compares to net income of \$663,000 and earnings per share of \$0.34 for the same three-month period in 2017.

Balance Sheet

The bank had total assets of \$305,209,000 at September 30, 2018 compared to \$295,787,000 at September 30, 2017.

Total loans at the end of the third quarter 2018 were \$208,125,000 compared to \$192,244,000 for the same period in 2017. Year over the loan portfolio has seen growth of 8.26%. Total loans at December 31, 2017 were \$191,624,000.

The allowance for loan loss (as a percent of the loan portfolio) at September 30, 2018 was 1.38%. This compares to 1.26% at September 30, 2017. A provision for loan loss expense of \$250,000 was made for the quarter compared to an expense of \$95,000 for the third quarter of 2017.

Total deposits were up 3.39% when comparing September 30, 2018 to September 30, 2017. Deposit balances were \$260,431,000 and \$251,902,000, respectively.

Total Shareholder Equity at September 30, 2018 was \$36,764,000 compared to \$35,748,000 at September 30, 2017. Capital ratios at September 30, 2018 remain strong and well above minimum regulatory requirements.

As we move into the fourth quarter, your bank team is focused on achieving remaining 2018 initiatives and beginning the planning process for 2019. 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.

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Eric H. Beckhusen
Chairman & CEO

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CenturyBankandTrust.com

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Third Quarter
Report to Shareholders
September 30, 2018

Bronson • Coldwater • Nottawa
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Consolidated Balance Sheet

	September 30,	
	2018	2017
Assets		
Cash and due from banks	\$ 12,538,683	\$ 16,759,908
Interest bearing deposits in other financial institutions	2,992,731	3,491,334
Investment securities available for sale	46,383,423	51,495,434
Investment securities (market value of \$13,020,260 in 2018 and \$17,994,906 in 2017) held to maturity	13,015,382	17,273,916
Federal funds sold and other overnight investments	7,550,307	-
Loans	208,124,948	192,243,582
Less: Allowance for loan loss	(2,880,825)	(2,424,517)
Loans, Net	205,244,123	189,819,066
Bank premises and equipment, net	5,040,042	5,014,552
Bank owned life insurance	8,724,155	8,492,388
Accrued interest receivable and other assets	3,720,238	3,440,667
Total Assets	\$ 305,209,085	\$ 295,787,265
Liabilities		
Deposits		
Non-interest bearing	\$ 86,101,418	\$ 77,657,698
Interest bearing	174,330,022	174,243,923
Total Deposits	260,431,439	251,901,621
Accrued interest payable and other liabilities	\$ 1,513,234	\$ 3,137,339
Other borrowings	6,500,000	5,000,000
Total Liabilities	\$ 268,444,673	\$ 260,038,960
Shareholders' Equity		
Common stock - \$1 par value;		
Shares authorized: 3,000,000 in 2018 and 2017;		
issued and outstanding: 1,897,950 in 2018 and 1,921,140 in 2017		
	1,897,950	1,921,140
Paid in capital	18,555,132	19,003,810
Retained earnings	17,878,527	15,195,202
Accumulated other comprehensive gain/(loss)	(1,567,197)	(371,846)
Total Shareholders' Equity	\$ 36,764,412	\$ 35,748,305
Total Liabilities and Shareholder's Equity	\$ 305,209,085	\$ 295,787,265
Book Value Per Share	\$ 19.37	\$ 18.61

Consolidated Statement of Income

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Interest Income				
Loans, including fees	\$ 2,609,709	\$ 2,223,542	\$ 7,549,159	\$ 6,419,507
Securities				
Taxable	263,836	282,667	795,847	891,226
Non-Taxable	75,633	91,500	238,697	277,765
Federal funds sold and other overnight investments	52,573	50,520	171,961	99,359
Interest on deposits in other financial institutions	15,923	17,211	47,868	50,810
Total Interest Income	\$ 3,017,673	\$ 2,665,440	\$ 8,803,532	\$ 7,738,667
Interest Expense				
Interest on other deposits	120,243	80,171	362,368	204,016
Interest on time deposits over \$100,000	32,782	4,925	48,384	17,166
Other interest expense	11,309	24,181	33,007	27,173
Total Interest Expense	\$ 164,333	\$ 109,277	\$ 443,758	\$ 248,355
Net Interest Income	2,853,340	2,556,163	8,359,774	7,490,312
Provision for Loan Losses	250,000	95,000	730,000	220,000
Net Interest Income after Provision for Loan Losses	2,603,340	2,461,163	7,629,774	7,270,312
Non-interest Income				
Trust and investment management revenue	509,667	479,876	1,496,524	1,405,155
Service charges on deposit accounts	443,550	436,896	1,322,294	1,307,933
Gain on sale of mortgage loans	171,214	131,516	454,457	432,018
Other income	142,563	167,785	454,401	455,242
Total Non-interest Income	\$ 1,266,995	\$ 1,216,074	\$ 3,727,676	\$ 3,600,348
Non-interest Expense				
Salaries	1,298,800	1,176,891	3,833,198	3,342,383
Employee benefits	379,739	511,840	1,229,157	1,590,539
Occupancy and equipment expense	525,489	479,389	1,548,828	1,447,571
Other expense	596,089	609,568	1,732,011	1,654,923
Total Non-interest Expense	\$ 2,800,117	\$ 2,777,689	\$ 8,343,194	\$ 8,035,415
Income Before Income Taxes	1,070,218	899,548	3,014,256	2,835,245
Income Taxes	188,632	236,542	519,815	764,519
Net Income	\$ 881,586	\$ 663,006	\$ 2,494,441	\$ 2,070,726
Basic & Diluted Earnings Per Share	\$ 0.46	\$ 0.34	\$ 1.30	\$ 1.08

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