

## To Our 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, 2016, Century Bank and Trust reported net income of \$1,989,000 or earnings per share of \$1.03. This compares to net income of \$1,937,000 or earnings per share of \$1.00 for the same period ending September 30, 2015. Return on Equity (ROE) and Return on Assets (ROA) were 7.89% and 0.92%, respectively. Previous year-to-date, ROE was 8.13% with ROA at 0.92%

### Income Statement

The bank reported total revenues of \$10,788,000 at September 30, 2016. This constitutes 2.71% growth over September 30, 2015 revenues of \$10,503,000.

Net income is \$52,000, or 2.68%, higher when comparing September 30, 2016 to the same period in 2015.

- Net interest income was \$329,000, or 4.86%, higher. The provision for loan loss expense was \$55,000 less at September 30, 2016 versus September 30, 2015.
- Total non-interest income is \$40,000 behind September 30, 2015 levels. Reduced year-over fee income related to sold residential mortgage loans remains the reason. Third-quarter mortgage activity was robust - reporting similar revenue levels as the three months ending September 30, 2015.
- Combined, revenue from Trust and Investment Management, deposit service charges and other fee income is \$130,000 more than reported at September 30, 2015.

### Balance Sheet

The bank had total assets of \$292,978,000 at September 30, 2016. This is a 2.82% increase over September 30, 2015, when assets were \$284,950,000.

Total loans at the end of the third quarter 2016 were \$178,980,000 compared to \$176,039,000 for the same period in 2015. Year over the loan portfolio has seen growth of 1.67%. Total loans at December 31, 2015 were \$176,111,000.

The allowance for loan loss (as a percent of the loan portfolio) at September 30, 2016 was 1.34%. This compares to 1.30% at September 30, 2015. A provision for loan loss expense of \$100,000 was made for the quarter compared to an expense of \$90,000 for the third quarter of 2015.

Total deposits grew 2.51% when comparing September 30, 2016 to September 30, 2015. Deposit balances were \$255,428,000 and \$249,165,000, respectively.

The bank's capital ratios continue to strongly exceed minimum regulatory requirements. At September 30, 2016 they stood at:

- Tier 1 Leverage Ratio – 12.27%
- Tier 1 Capital Ratio and Common Equity Tier 1 Capital Ratio – 16.57%
- Total Capital Ratio – 17.65%

Total Shareholder Equity at September 30, 2016 was \$34,612,000 compared to \$32,624,000 at September 30, 2015.

As we move into the fourth quarter of 2016, your management team and the bank's exceptional team of employees are focused on finishing the year strong while also starting to craft our plans for 2017. I look forward to reporting to you at December 31, 2016.

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

*Eric H. Beckhusen*

Eric H. Beckhusen  
Chairman & CEO

## Directors & Officers

### Century Financial Corporation Directors

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

### Century Bank and Trust Officers

Eric H. Beckhusen <i>Chairman &amp; CEO</i>	Barry R. Miller <i>Assistant Vice President &amp; Mortgage Loan Officer</i>
Eric J. Wynes <i>President</i>	Vicki R. Morris <i>Assistant Vice President &amp; Mortgage Loan Officer</i>
Dylan M. Foster <i>Senior Vice President</i>	Andrea J. Strong <i>Assistant Vice President &amp; Teller Operations Officer</i>
Gaylene S. Adams <i>Vice President</i>	Adam M. Wright <i>Assistant Vice President &amp; Commercial Loan Officer</i>
Julie A. Andrews <i>Vice President &amp; Senior Trust Officer</i>	Donna L. Penick <i>Auditor</i>
Donna M. Hobday <i>Vice President</i>	Katherine L. Sexton-Deck <i>Controller</i>
Ginger J. Kesler <i>Vice President</i>	W. Samuel Davenport III <i>Loan Officer</i>
Ronald H. Uhl <i>Vice President</i>	Heather E. Eldridge <i>Trust Operations Officer</i>
Alicia K. Cole <i>Assistant Vice President &amp; Trust Officer</i>	Tracy A. Richer <i>Trust Officer</i>
Corey L. Collins <i>Assistant Vice President &amp; Deposit Services Officer</i>	AnnMarie L. Sanders <i>Commercial Loan Officer</i>
Michael D. Eddy <i>Assistant Vice President &amp; Mortgage Loan Officer</i>	Erik L. Schaeffer <i>Trust Officer</i>
Jared E. Hoffmaster <i>Assistant Vice President &amp; Investment Officer</i>	Kathy A. Tomson <i>Mortgage Loan Officer</i>
Jeffrey S. Holbrook <i>Assistant Vice President &amp; Commercial Loan Officer</i>	



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Third Quarter  
Report to Shareholders  
September 30, 2016

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

### Consolidated Balance Sheet

	September 30,	
	2016	2015
<b>Assets</b>		
Cash and due from banks	\$ 3,306,468	\$ 8,662,472
Short term investments	0	500,000
Interest bearing deposits with other banks	3,240,361	1,743,000
Investment securities available for sale	47,565,587	45,803,115
Investment securities (market value of \$16,442,128 in 2016 and \$14,238,830 in 2015) held to maturity	16,450,341	14,479,240
Federal funds sold and other overnight investments	29,208,000	23,420,000
Loans	178,979,912	176,039,497
Less: Allowance for loan loss	(2,392,956)	(2,280,691)
Loans, Net	176,586,956	173,758,806
Bank premises and equipment, net	5,069,906	5,104,215
Bank owned life insurance	8,259,459	8,024,885
Accrued interest receivable and other assets	3,290,898	3,453,906
<b>Total Assets</b>	<b>\$ 292,977,976</b>	<b>\$ 284,949,639</b>
<b>Liabilities</b>		
Deposits		
Non-interest bearing	\$ 77,476,029	\$ 46,557,304
Interest bearing	177,952,470	202,607,574
<b>Total Deposits</b>	<b>255,428,499</b>	<b>249,164,878</b>
Accrued interest payable and other liabilities	2,937,726	3,160,844
<b>Total Liabilities</b>	<b>\$ 258,366,225</b>	<b>\$ 252,325,722</b>
<b>Shareholders' Equity</b>		
Common stock - \$1 par value;		
Shares authorized: 3,000,000 in 2016 and 2015;		
issued and outstanding: 1,923,757 in 2016 and 1,931,757 in 2015	1,923,757	\$ 1,931,757
Paid in capital	19,047,749	19,162,759
Retained earnings	13,488,157	11,702,637
Accumulated other comprehensive gain/(loss)	152,088	(173,328)
<b>Total Shareholders' Equity</b>	<b>\$ 34,611,751</b>	<b>\$ 32,623,825</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>\$ 292,977,976</b>	<b>\$ 284,949,547</b>
<b>Book Value Per Share</b>	<b>\$ 17.99</b>	<b>\$ 16.89</b>

### Consolidated Statement of Income

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
<b>Interest Income</b>				
Loans, including fees	\$ 2,028,677	\$ 2,020,853	\$ 6,044,136	\$ 5,801,277
Securities				
Taxable	245,189	278,490	802,787	844,672
Non-Taxable	85,325	82,089	257,555	233,988
Federal funds sold and other overnight investments	49,325	10,436	121,660	39,978
Short term investments	14,196	11,391	38,349	20,069
<b>Total Interest Income</b>	<b>\$ 2,422,712</b>	<b>\$ 2,403,259</b>	<b>\$ 7,264,487</b>	<b>\$ 6,939,984</b>
<b>Interest Expense</b>				
Interest on other deposits	50,582	44,171	138,467	131,858
Interest on time deposits over \$100,000	7,211	9,917	23,272	33,642
Other interest expense	3	4	13	11
<b>Total Interest Expense</b>	<b>\$ 57,796</b>	<b>\$ 54,093</b>	<b>\$ 161,752</b>	<b>\$ 165,512</b>
Net Interest Income	2,364,916	2,349,166	7,102,735	6,774,472
<b>Provision for Loan Losses</b>	<b>100,000</b>	<b>90,000</b>	<b>215,000</b>	<b>270,000</b>
Net Interest Income after Provision for Loan Losses	2,264,916	2,259,166	6,887,735	6,504,472
<b>Non-interest Income</b>				
Trust and investment management revenue	440,910	434,459	1,352,593	1,337,716
Service charges on deposit accounts	432,695	418,066	1,274,630	1,211,648
Gain on sale of mortgage loans	216,937	247,115	434,928	604,232
Other income	156,192	139,465	460,912	409,285
<b>Total Non-interest Income</b>	<b>\$ 1,246,734</b>	<b>\$ 1,239,105</b>	<b>\$ 3,523,063</b>	<b>\$ 3,562,881</b>
<b>Non-interest Expense</b>				
Salaries	1,068,659	951,322	3,115,943	2,884,403
Employee benefits	441,105	416,582	1,392,872	1,336,106
Occupancy and equipment expense	515,664	508,668	1,535,167	1,544,014
Other expense	554,258	619,574	1,645,326	1,659,293
<b>Total Non-interest Expense</b>	<b>\$ 2,579,686</b>	<b>\$ 2,496,145</b>	<b>\$ 7,689,308</b>	<b>\$ 7,423,815</b>
<b>Income Before Income Taxes</b>	<b>931,964</b>	<b>1,002,126</b>	<b>2,721,490</b>	<b>2,643,538</b>
<b>Income Taxes</b>	<b>250,568</b>	<b>270,513</b>	<b>732,529</b>	<b>706,050</b>
<b>Net Income</b>	<b>\$ 681,396</b>	<b>\$ 731,613</b>	<b>\$ 1,988,961</b>	<b>\$ 1,937,488</b>
<b>Basic &amp; Diluted Earnings Per Share</b>	<b>\$ 0.35</b>	<b>\$ 0.38</b>	<b>\$ 1.03</b>	<b>\$ 1.00</b>

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