

To Our Shareholders

I am pleased to report the first quarter performance results of Century Financial Corporation and its subsidiary Century Bank and Trust.

For the first three months ending March 31, 2014, your company obtained net income of \$465,000 or earnings per share of \$0.24. This compares to March 31, 2013 when net income of \$694,000 and earnings per share of \$0.35 were reported.

Our first quarter performance is respectable but does lag March 31, 2013 results. Main factors for the difference are:

- Reduction in non-interest income driven by the long anticipated slowdown in residential mortgage refinancing activity.
- Increased operating expense primarily driven by planned technology investment, health insurance costs and elevated snow removal and utility costs associated with the harsh and extended winter.

For the three months ending March 31, 2014, total non-interest income is \$998,000 compared to \$1,195,000 at March 31, 2013. The gain on sale of residential mortgage loans is \$219,000 less than reported during the same period in 2013. The other key contributors of non-interest income -- Trust and Investment Management and deposit service charge revenue -- exceeded March 31, 2013 levels.

At March 31, 2014, net interest income is up \$94,000 from March 31, 2013 results. This positive trend was driven by an increase in interest income of \$61,000 and reduction in interest expense of \$33,000.

The bank's total revenue at March 31, 2014 is \$3,134,000 compared to \$3,237,000 at March 31, 2013 -- a reduction of approximately 3.2%.

Operating expenses for the first quarter of 2014 total \$2,520,000 compared to \$2,262,000 at March 31, 2013. To better compare year-over-year operating expenses, it is noted that in the first quarter 2013, expenses were positively affected by a \$44,000 gain on sale associated with an Other Real Estate Owned (OREO) property. Without this item, operating expense at March 31, 2013 would have been \$2,306,000.

The balance sheet continues to exhibit growth and a strong capital position.

Total assets at March 31, 2014 are \$275,000,000 compared to \$263,000,000 and \$271,000,000 at March 31, 2013 and December 31, 2013, respectively. Total deposits are \$244,000,000 at March 31, 2014. They were \$231,000,000 at March 31, 2013 and \$238,000,000 at December 31, 2013.

The loan portfolio continues to see growth -- total loans at March 31, 2014 are 10.1% higher than March 31, 2013 levels. Loans closed the quarter at \$162,000,000 compared to \$147,000,000 a year earlier. The current loan portfolio also compares nicely to December 31, 2013 level, which was \$152,000,000.

The allowance for loan loss at March 31, 2014 is \$2,989,000 or 1.85% of the loan portfolio compared to \$3,098,000 or 2.11% of the loan portfolio at March 31, 2013. There was no provision for loan loss expense for either first-quarter of 2014 or 2013.

Shareholder equity at March 31, 2014 and March 31, 2013 is \$29,314,000 and \$29,129,000, respectively.

In closing first quarter 2014, the expected slowdown in residential mortgage refinancing activity that was driven by the artificially established low-rate environment is here. Though the current mortgage lending trend negatively impacted March 31, 2014 results, it also reinforces our long-established strategy of balanced revenue generation. Our other three key income sources of business services, trust and investment management and deposit services all reported revenue growth over first quarter 2013 results to partially off-set the drop in mortgage revenue.

Our teams will continue this stable approach over the upcoming quarters, diligently expanding customer relationships and establishing new ones in ways that support long-term growth and proper control of risk and expenses.

I thank each shareholder for your support and loyalty, your business as a customer, and your continued referrals of friends, family and associates to Century Bank and Trust.



Eric H. Beckhusen
Chairman & CEO

Directors & Officers

Century Financial Corporation Directors

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

Robert P. Brothers
Attorney-at-Law

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

John D. Hutchinson
Attorney-at-Law

Thomas G. Kramer
*Executive Director,
ADAPT, Incorporated*

Caroline P. Lowe
Certified Public Accountant

Kelly B. Murphy
*President,
Murphy Oil Co., Inc.*

Robert W. Shedd
Northshore Asset Mgt.

Stanley R. Welch
*Chairman of the Board,
Bronson Plating Co.*

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

Century Bank and Trust Officers

Eric H. Beckhusen
Chairman & CEO

Eric J. Wynes
President

Dylan M. Foster
Senior Vice President

Gaylene S. Adams
Vice President

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

Jessica A. Handy
*Vice President &
Commercial Loan Officer*

Donna M. Hobday
Vice President

Ginger J. Kesler
Vice President

Ronald H. Uhl
Vice President

David L. Wright
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*

Jeffrey S. Holbrook
*Assistant Vice President &
Commercial Loan Officer*

Barry R. Miller
*Assistant Vice President &
Mortgage Loan Officer*

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

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

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

Donna L. Penick
Auditor

Katherine L. Sexton-Deck
Controller

W. Samuel Davenport III
Loan Officer

Rebecca R. Duke
Marketing Director

Heather E. Eldridge
Trust Operations Officer

AnnMarie L. Sanders
Commercial Loan Officer

Kathy A. Tomson
Mortgage Loan Officer



CenturyBankandTrust.com

(866) 680-BANK

First Quarter
Report to Shareholders
March 31, 2014

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

Consolidated Balance Sheet

| | March 31, | |
|---|-----------------------|-----------------------|
| | 2014 | 2013 |
| Assets | | |
| Cash and due from banks | \$ 4,719,562 | \$ 5,268,136 |
| Short term investments | 1,500,000 | 1,510,000 |
| Investment securities available for sale | 55,003,989 | 66,987,918 |
| Investment securities (market value of \$11,517,498 in 2014 and \$9,967,208 in 2013) held to maturity | 12,119,832 | 10,811,477 |
| Federal funds sold and other overnight investments | 26,582,000 | 18,092,000 |
| Loans | 161,600,384 | 146,727,533 |
| Less: Allowance for loan loss | (2,989,079) | (3,098,390) |
| Loans, Net | 158,611,305 | 143,629,143 |
| Bank premises and equipment, net | 5,587,523 | 5,794,717 |
| Bank owned life insurance | 7,680,585 | 7,449,767 |
| Accrued interest receivable and other assets | 3,666,853 | 3,679,987 |
| Total Assets | \$ 275,471,649 | \$ 263,223,145 |
| Liabilities | | |
| Deposits | | |
| Non-interest bearing | \$ 47,637,645 | \$ 43,310,798 |
| Interest bearing | 196,502,384 | 187,759,126 |
| Total Deposits | 244,140,029 | 231,069,924 |
| Accrued interest payable and other liabilities | 2,017,965 | 3,023,898 |
| Long-term borrowings | 0 | 0 |
| Total Liabilities | \$ 246,157,994 | \$ 234,093,822 |
| Shareholders' Equity | | |
| Common stock - \$1 par value; | | |
| Shares authorized: 3,000,000 in 2014 and 2013; | | |
| issued and outstanding: 1,934,757 in 2014 | | |
| and 1,961,060 in 2013 | \$ 1,934,757 | \$ 1,961,060 |
| Paid in capital | 19,202,709 | 19,515,351 |
| Retained earnings | 11,324,630 | 9,839,885 |
| Accumulated other comprehensive loss | (3,148,441) | (2,186,973) |
| Total Shareholders' Equity | \$ 29,313,655 | \$ 29,129,323 |
| Total Liabilities and Shareholder's Equity | \$ 275,471,649 | \$ 263,223,145 |
| Book Value Per Share | \$ 15.15 | \$ 14.85 |

Consolidated Statement of Income

| | Three Months Ended | |
|---|--------------------|-------------------|
| | March 31, | |
| | 2014 | 2013 |
| Interest Income | | |
| Loans, including fees | \$ 1,780,015 | \$ 1,728,845 |
| Securities | | |
| Taxable | 338,918 | 337,234 |
| Non-Taxable | 78,252 | 68,576 |
| Federal funds sold and other overnight investments | 13,781 | 14,826 |
| Short term investments | 4,929 | 5,065 |
| Total Interest Income | 2,215,895 | 2,154,546 |
| Interest Expense | | |
| Interest on other deposits | 63,230 | 74,386 |
| Interest on time deposits over \$100,000 | 16,858 | 38,270 |
| Other interest expense | 4 | 4 |
| Total Interest Expense | 80,092 | 112,660 |
| Net Interest Income | 2,135,803 | 2,041,886 |
| Provision for Loan Losses | 0 | 0 |
| Net Interest Income after Provision for Loan Losses | 2,135,803 | 2,041,886 |
| Non-interest Income | | |
| Trust and investment management revenue | 397,658 | 375,234 |
| Service charges on deposit accounts | 371,746 | 367,591 |
| Gain on sale of mortgage loans | 95,816 | 315,160 |
| Other income | 133,268 | 137,471 |
| Total Non-interest Income | 998,488 | 1,195,456 |
| Non-interest Expense | | |
| Salaries | 936,706 | 867,170 |
| Employee benefits | 475,982 | 452,629 |
| Occupancy and equipment expense | 600,601 | 454,347 |
| Other expense | 506,489 | 488,255 |
| Total Non-interest Expense | 2,519,778 | 2,262,401 |
| Income Before Income Taxes | 614,513 | 974,941 |
| Income Taxes | 149,150 | 281,275 |
| Net Income | \$ 465,363 | \$ 693,666 |
| Basic & Diluted Earnings Per Share | \$ 0.24 | \$ 0.35 |

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