

To Our Shareholders

Mid-year greetings fellow shareholders. I am pleased to report the second quarter results for Century Financial Corporation and its subsidiary Century Bank and Trust.

For the six months ending June 30, 2022, Century Bank and Trust reported net income of \$2,646,000 or earnings per share of \$1.49 resulting in Return on Average Assets (ROA) of 1.16% and Return on Average Equity (ROE) of 11.49%. This compares favorably to net income of \$2,598,000 or earnings per share of \$1.43 for the same period ending June 30, 2021. ROA and ROE at June 30, 2021 were 1.26% and 11.50%, respectively.

Comparison of the bank's income results for the three months ended June 30th is as follows:

- 2022 – net income of \$1,528,000 and earnings per share of \$0.86.
- 2021 – net income of \$1,234,000 and earnings per share of \$0.68.

Balance Sheet

Total assets for the bank at June 30, 2022 were \$474,341,000, compared to \$440,758,000 at June 30, 2021. The balance sheet continues to have very strong liquidity with deposits at mid-year totaling \$421,665,000 – an increase of \$35,449,000 over June 30, 2021 deposit levels.

Loans ended the period at \$192,795,000 versus \$223,107,000 at June 30, 2021. At this date, all Paycheck Protection Program (PPP) loans to our business clients have been forgiven and paid in full by the Small Business Administration (SBA). A year earlier, PPP loans totaled \$15,325,000 within the portfolio. The loan portfolio at 12-31-21, net PPP balances was \$200,024,000.

The allowance for loan loss, as a percentage of loans, at June 30, 2022 stands at 1.71%. This compares to 1.53% reported at June 30, 2021. Asset quality metrics remain extremely strong. No provision for loan loss expense was made in the quarter – matching the same trend reported at June 30, 2021.

Shareholder equity at June 30, 2022 and 2021 was \$45,304,000 and \$46,846,000, respectively.

Capital ratios at June 30, 2022 remain strong and well above minimum regulatory requirements.

Income Statement

Total revenue at June 30, 2022 was \$8,546,000 compared to \$8,963,000 at June 30, 2021. This decrease is primarily attributable to the anticipated reduction in tailwind provided by PPP lending and historically low residential mortgage rates. With the bank's well-diverse revenue sources, as the Federal Open Market Committee (FOMC) aggressively adjust short-term interest rates upward, the benefit of an increasing net interest margin will be a positive theme for the second-half of 2022.

Key revenue summaries:

- Net interest income is up \$85,000 year-over. Comparing second-quarter 2022 to 2021, this revenue line has a positive variance of \$161,800.
- Trust and Investment Management and service charge income remain consistent year-over.
- Gain on sale of mortgage loans at 6-30-22 was \$506,800 compared to \$1,289,000 at 6-30-21.

Non-interest expense through June 30, 2022 totaled \$5,361,000 versus \$5,772,000 at June 30, 2021. Operating costs, net of employee related expenses, increased \$130,000 when comparing June 2022 and 2021.

As we look toward the second-half of the year, it is with a very positive stance. The overall economic conditions in our footprint are strong – both for consumers and businesses. We will closely watch the fundamentals of the economy as the Fed continues to take steps to moderate inflation. I look forward to reporting to you in the upcoming quarters. Thank you for your business, referrals and loyalty as a shareholder.



Eric H. Beckhusen
Chairman & CEO

Directors & Officers

Century Financial Corporation Directors

Eric H. Beckhusen <i>Chairman & CEO, Century Bank and Trust</i>	Bruce S. A. Gosling, <i>Certified Public Accountant, Gabridge & Company, PLC</i>
Robert P. Brothers <i>Attorney at Law, Brothers Law Office, PLLC</i>	William G. Pridgeon <i>Partner, Pridgeon Farms, LLC</i>
Jeffrey W. Budd <i>CPA, Chief Finance Officer, Sekisui Voltek, LLC</i>	Eric J. Wynes <i>President, Century Bank and Trust</i>
James W. Gordon <i>Certified Public Accountant, James W. Gordon, CPA, P.C.</i>	

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Eric J. Wynes <i>President</i>	Alicia A. Finnerman <i>Assistant Vice President & Mortgage Loan Officer</i>
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Second Quarter
Report to Shareholders
June 30, 2022

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

Consolidated Balance Sheet

	Three Months Ended June 30	
	2022	2021
Assets		
Cash and due from banks	\$ 12,556,292	\$ 11,017,140
Interest bearing deposits in other financial institutions	3,244,000	1,494,000
Investment securities available for sale	111,088,046	41,989,117
Investment securities (market value of \$17,952,589 in 2022 and \$16,219,859 in 2021) held to maturity	20,070,481	16,049,198
Federal funds sold and other overnight investments	120,564,316	133,680,241
Loans	192,794,735	223,106,650
Less: Allowance for loan loss	(3,305,512)	(3,409,983)
Loans, Net	189,489,222	219,696,666
Bank premises and equipment, net	4,409,976	4,487,999
Bank owned life insurance	8,685,283	9,371,063
Accrued interest receivable and other assets	4,233,354	2,972,709
Total Assets	\$ 474,340,970	\$ 440,758,132
Liabilities		
Deposits		
Non-interest bearing	\$ 166,318,570	\$ 148,657,682
Interest bearing	255,346,390	237,558,404
Total Deposits	421,664,960	386,216,086
Accrued interest payable and other liabilities	1,871,931	2,196,287
Other borrowings	5,500,000	5,500,000
Total Liabilities	\$ 429,036,891	\$ 393,912,373
Shareholders' Equity		
Common stock - \$1 par value;		
Shares authorized: 3,000,000 in 2022 and 2021;		
issued and outstanding: 1,773,981 in 2022 and 1,820,273 in 2021	\$ 1,773,981	\$ 1,820,273
Paid in capital	15,837,063	16,976,455
Retained earnings	31,745,282	27,842,911
Accumulated other comprehensive loss	(4,052,247)	206,120
Total Shareholders' Equity	\$ 45,304,079	\$ 46,845,759
Total Liabilities and Shareholders' Equity	\$ 474,340,970	\$ 440,758,132
Book Value Per Share	\$ 25.54	\$ 25.74

Consolidated Statement of Income

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Interest Income				
Loans, including fees	\$ 2,067,960	\$ 2,449,492	\$ 4,356,394	\$ 4,938,645
Securities				
Taxable	461,024	200,428	693,652	362,160
Non-Taxable	81,854	77,034	161,891	159,722
Federal funds sold and other overnight investments	328,966	36,747	411,573	65,696
Interest on deposits in other financial institutions	13,229	9,126	22,963	18,151
Total Interest Income	\$ 2,953,033	\$ 2,772,827	\$ 5,646,473	\$ 5,544,375
Interest Expense				
Interest on other deposits	78,572	54,227	136,861	105,785
Interest on time deposits over \$100,000	9,765	15,656	19,940	33,929
Other interest expense	27,388	27,388	54,476	54,476
Total Interest Expense	\$ 115,726	\$ 97,271	\$ 211,277	\$ 194,189
Net Interest Income	2,837,307	2,675,555	5,435,196	5,350,186
Provision for Loan Losses				
Net Interest Income after Provision for Loan Losses	2,837,307	2,675,555	5,435,196	5,350,186
Non-interest Income				
Trust and investment management revenue	549,753	605,072	1,165,769	1,182,811
Service charges on deposit accounts	446,561	453,351	868,129	865,360
Gain on sale of mortgage loans	250,060	499,479	506,784	1,289,024
Other income	394,411	129,847	570,424	275,403
Total Non-interest Income	\$ 1,640,784	\$ 1,687,749	\$ 3,111,106	\$ 3,612,597
Non-interest Expense				
Salaries	1,035,767	1,254,087	2,070,163	2,490,241
Employee benefits	403,116	458,875	862,365	983,142
Occupancy and equipment expense	510,219	576,647	1,025,196	1,114,213
Other expense	715,935	559,643	1,403,303	1,183,993
Total Non-interest Expense	\$ 2,665,037	\$ 2,849,253	\$ 5,361,027	\$ 5,771,589
Income Before Income Taxes	1,813,055	1,514,052	3,185,275	3,191,194
Income Taxes	285,202	279,959	538,802	593,115
Net Income	\$ 1,527,853	\$ 1,234,093	\$ 2,646,473	\$ 2,598,080
Basic & Diluted Earnings Per Share	\$ 0.86	\$ 0.68	\$ 1.49	\$ 1.43

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