

CONTENTS

Century Financial Corporation

Financial Highlights	2
Message to Shareholders	3
Review of Performance and Operations	4
Report of Independent Auditors	5
Consolidated Balance Sheets	6
Consolidated Statements of Income	7
Consolidated Statements of Comprehensive Income	8
Consolidated Statements of Changes in Shareholders' Equity	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10
Directors	28
Officers	28
Office Locations	29
ATM Locations	29



The Annual Meeting of the shareholders of Century Financial Corporation will be held March 18, 2014 at 4:00 p.m., at the Dearth Community Center, Garfield Road, Coldwater, Michigan.

Financial Highlights

Century Financial Corporation

	<i>2013</i>	<i>2012</i>
<i>For the Year</i>		
Net Income	\$ 2,410,000	\$ 2,171,000
Cash Dividends	661,424	488,511
Return on Average Assets	0.90%	0.82%
Return on Average Equity	8.46%	8.16%
<i>At Year End</i>		
Assets	\$ 270,517,000	\$ 266,001,000
Deposits	238,660,000	232,586,000
Net Loans	149,005,000	143,795,000
Shareholders' Equity	28,318,000	28,634,000
<i>Per Share</i>		
Basic Earnings	\$ 1.24	\$ 1.10
Diluted Earnings	1.24	1.10
Cash Dividends	0.34	0.25
Book Value -- December 31	14.64	14.58

Century Financial Corporation is a Michigan bank holding company with Century Bank and Trust as its only wholly-owned subsidiary. Century Bank and Trust offers a full range of financial and trust services through a system of thirteen banking offices located in Branch, St. Joseph and Hillsdale Counties in Michigan.

Message to Shareholders

Century Financial Corporation



Dear Fellow Shareholders,

I am pleased to announce that 2013 was another solid year for Century Financial Corporation and its subsidiary Century Bank and Trust. Your company earned \$2,410,000 or basic earnings per share of \$1.24 for the year. This is a strong increase over 2012 results when net income of \$2,171,000 and earnings per share of \$1.10 were reported.

The 2013 performance represents a return on average assets (ROA) of 0.90% and a return on average equity (ROE) of 8.46%. Corresponding numbers for 2012 were 0.82% ROA and 8.16% ROE.

There were a number of positive things in our 2013 operations that contributed to the 11% increase in year-over-year net income and strong boost in earnings per share. However, it is important to recognize the first and foremost contributing factor to Century Bank and Trust's success is our 130 talented and dedicated employees who serve our customers and communities.

During 2013 we were again able to exceed the key operating measure of total revenue. This component is the combination of net interest and non-interest income. Our total revenue for 2013 was \$13,326,000 compared to \$13,033,000 in 2012. The diversification of our revenue stream during this era of historically low interest rates has been an important aspect of our results – for 2013 net interest income constituted approximately 64% of revenue with non-interest income at 36%. Major contributors to revenue for the year were our commercial lending, mortgage lending and trust and investment management teams. Our commercial lenders diligently grew existing relationships and established new ones as our local business economy continues to rebound. Our mortgage lenders, once again, feverishly worked to assist customers in taking advantage of the attractively low residential mortgage rates. And our Trust and Investment Management Group continued growing our client base who seeks investment management, trust and estate planning services. This group's dedicated effort for clients allowed them to end 2013 at record levels for both assets under management and department revenue. Equally as impressive and important to 2013 results was our focus on implementing efficiencies and reducing costs in our operations. Our retail deposit and operations teams reduced the combination of total interest and non-interest expense by \$510,000 as compared to 2012 levels.

Century Bank and Trust's balance sheet continues to be very strong and exhibits top tier banking industry capital ratios and liquidity. At 12-31-13 total assets were \$270,517,000 up from 2012 total assets of \$266,001,000. Total deposits grew slightly more than \$6,000,000 ending the year at \$238,660,000. The asset quality measures of the loan portfolio within the balance sheet remain solid with important reductions during 2013 in the key categories of nonaccrual loans and other real estate owned. Additionally, a sound allowance for loan loss reserve is maintained as a percentage of total loans.

In last year's letter to you, I reinforced the Board of Directors' long-term commitment of creating shareholder value and focus on the dividend. Century Financial Corporation (CFC) adjusted its dividend twice during 2013, increasing it \$0.02 per share both in March and December. An annual cash dividend of \$0.34 per share was paid in 2013, as compared to \$0.25 per share in 2012. Additionally, via a Board authorized program, CFC repurchased 28,903 shares of stock on the open market during the year. A similar repurchase program has been approved to be utilized in 2014. Our shareholders also benefited from an increase in stock price which began the year at \$8.23 and ended it at \$12.35.

For the upcoming year, we expect familiar tests in the community banking operating environment – the continuing challenge of navigating low interest rates and reduced residential mortgage refinance activity being the main ones. I believe Century Bank and Trust is well-positioned and has a successful track record that reflects our ability to perform appropriately against these headwinds. Your bank team will continue its focus and execute on the foundation that drives our long-term success: (1) grow and retain profitable business activity, (2) maintain strong asset quality, (3) manage operating expenses and (4) implement efficiencies.

Before closing, I want to thank each customer, employee, director and shareholder for the loyalty and confidence you express in our company. Your commitment and continued support are what make Century Bank and Trust such an exceptional organization – now and into the future.

I look forward to reporting to you as we move into 2014.

Eric H. Beckhusen

Eric H. Beckhusen
Chairman & CEO

Review of Performance and Operations

Century Financial Corporation

Overview

Century Financial Corporation is a Michigan bank holding company with Century Bank and Trust being a wholly-owned subsidiary. The Bank's primary market area is the tri-county region of southern Michigan that consists of Branch, Hillsdale and St. Joseph counties.

Earnings Review

Century Bank and Trust in 2013 recorded net income of \$2,410,000 resulting in basic earnings per share of \$1.24. In 2012, net income was \$2,171,000 with basic earnings per share of \$1.10. The increase in net income and earnings per share in 2013 was achieved through a balanced approach of increasing both net interest and non-interest income (fee income) while managing non-interest expense. Further highlights are as follows:

- Net interest income, before provision expense, for 2013 was \$8,537,000 compared to \$8,331,000 in 2012.
- Total fee income remained strong at \$4,789,000 in 2013, an increase of \$88,000 over 2012 level of \$4,701,000. The gain on sale of residential mortgage loans was again a significant contributor for the year at \$1,080,000 – up slightly from 2012 results of \$1,071,800.
- Trust and Investment Management Services continues to be a very important and consistent component of the bank's non-interest income. For the year, revenue from this business line was \$1,569,000, an increase of \$143,000 or 10% as compared to 2012 results of \$1,426,000.
- Solid management of interest expense was again recognized in 2013. Total interest expense was reduced by \$205,000 or 34% from 2012 levels.
- The provision for loan loss expense for 2013 was \$485,000 compared to \$225,000 in 2012.
- Focus on efficiencies and expense management resulted in reduced non-interest expense for the year. Total operating expenses were \$9,516,000, or \$305,000 less than the 2012 level of \$9,821,000.

The 2013 results represent a return on average assets (ROA) of 0.90% and a return on equity (ROE) 8.46%. Respective numbers for 2012 were ROA at 0.82% and ROE at 8.16%.

Balance Sheet and Loan Portfolio

The balance sheet of Century Bank and Trust remains solid with strong capital and liquidity positions. Total assets grew by \$4.5 million over 2012, ending the year at \$270 million. Capital ratios at 12-31-13 were as follows: Total capital/risk weighted assets – 18.0%, Tier 1 capital/risk weighted assets – 16.7% and Tier 1 capital/average assets – 12.2%. These well exceed the minimum levels for a bank to be considered “well capitalized” by regulatory agencies, which are 10.0%, 6.0% and 5.0%, respectively. Century Bank and Trust's ratios at 12-31-12 for these respective capital measurements were 17.9%, 16.6% and 11.6%.

The loan portfolio grew approximately 3.30% or \$4,955,000, ending the year at \$152,048,000 with an allowance for loan loss reserve of \$3,043,000 or 2.00% of the loan portfolio. At 12-31-12, loans totaled \$147,093,000 with an allowance for loan loss reserve of \$3,298,000 or 2.24% of the loan portfolio. Overall loan growth was driven by the commercial loan segment of the portfolio which increased approximately \$7,200,000 or 7.5%, ending the year at \$102,316,000. The bank's on-balance sheet residential mortgage portfolio did see a decline of roughly \$2,500,000. However, the on-balance sheet residential mortgage activity needs to be considered with loans that are made via the secondary market. With low, long-term fixed residential mortgage rates continuing in 2013, our mortgage lending teams intensified their efforts in helping existing and new customers take advantage of refinancing or purchasing homes using these products. Century Bank and Trust continues to service our customers' residential mortgage loans that are sold and this off-balance sheet portfolio grew 13.0% or \$11,500,000, ending the year at \$100,222,000. The aggregate consumer and home equity lines of credit portfolios also experienced growth – combined portfolios totaled \$11,966,000 at 12-31-13 and \$11,699,000 at 12-31-12.

Net loan losses in 2013, as a percentage of average outstanding loans, was 0.49%. In 2012 the loan portfolio experienced a net recovery with a net loss of -0.03%. At 12-31-13 nonaccrual loans totaled \$4,356,000 and Other Real Estate Owned on the bank's balance sheet was \$460,000. At 12-31-12, these balances were \$6,020,000 and \$663,000, respectively.

Report of Independent Auditors

Century Financial Corporation



Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Century Financial Corporation
Coldwater, Michigan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Century Financial Corporation, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Century Financial Corporation as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grand Rapids, Michigan
March 5, 2014

A handwritten signature in black ink that reads 'Crowe Horwath LLP'.

Crowe Horwath LLP

Consolidated Balance Sheets

Century Financial Corporation

	<i>December 31,</i>	
	<i>2013</i>	<i>2012</i>
Assets		
Cash and due from banks	\$ 8,255,630	\$ 10,610,073
Short term investments	24,040,000	29,540,000
Total cash and cash equivalents	<u>32,295,630</u>	<u>40,150,073</u>
Securities available for sale	56,937,472	53,556,762
Securities held to maturity (Fair value of \$11,844,676 in 2013 and \$7,816,351 in 2012)	12,057,738	7,799,101
Federal Home Loan Bank and Federal Agriculture Mortgage Corp. stock	611,553	611,553
Loans held for sale	256,288	1,400,940
Loans, net	149,005,193	143,795,462
Premises and equipment, net	5,618,792	5,909,289
Bank owned life insurance	7,624,398	7,392,688
Accrued interest receivable	857,230	906,663
Other assets	5,252,864	4,478,175
Total Assets	<u>\$ 270,517,158</u>	<u>\$ 266,000,706</u>
Liabilities		
Deposits		
Noninterest-bearing	\$ 48,078,081	\$ 43,199,486
Time deposits of \$100,000 or more	22,142,683	29,416,866
Other time deposits	19,554,114	26,369,850
Other interest-bearing deposits	148,884,954	133,600,080
Total deposits	<u>238,659,832</u>	<u>232,586,282</u>
Accrued interest payable	21,396	39,580
Other liabilities	3,517,887	4,740,782
Total Liabilities	<u>242,199,115</u>	<u>237,366,644</u>
Shareholders' Equity		
Preferred stock -- \$1 par value; shares authorized -- 300,000; issued and outstanding -- none		
Common stock -- \$1 par value; shares authorized -- 3,000,000; issued and outstanding -- 1,934,757 in 2013 and 1,963,660 in 2012	1,934,757	1,963,660
Paid in capital	19,202,709	19,540,051
Retained earnings	11,052,872	9,304,278
Accumulated other comprehensive loss	(3,872,295)	(2,173,927)
Total Shareholders' Equity	<u>28,318,043</u>	<u>28,634,062</u>
Total Liabilities and Shareholders' Equity	<u>\$ 270,517,158</u>	<u>\$ 266,000,706</u>

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

Century Financial Corporation

	<i>Year Ended December 31,</i>	
	<i>2013</i>	<i>2012</i>
<i>Interest Income</i>		
Loans, including fees	\$ 7,157,969	\$ 7,417,713
Securities		
Taxable	1,410,694	1,164,149
Non-taxable	299,107	242,174
Short term investments	59,006	101,584
Total interest income	<u>8,926,776</u>	<u>8,925,620</u>
<i>Interest Expense</i>		
Deposits	389,706	594,099
Other borrowings	35	62
Total interest expense	<u>389,741</u>	<u>594,161</u>
<i>Net Interest Income</i>	8,537,035	8,331,459
Provision for loan losses	485,000	225,000
Net interest income after provision for loan losses	<u>8,052,035</u>	<u>8,106,459</u>
<i>Non-interest Income</i>		
Service charges on deposit accounts	1,595,252	1,622,148
Trust and investment management revenue	1,569,947	1,426,005
Gain on sale of mortgage loans	1,080,063	1,071,834
Gain/(loss) on sale of securities	(15,614)	0
Other income	560,051	581,673
Total non-interest income	<u>4,789,699</u>	<u>4,701,660</u>
<i>Non-interest Expense</i>		
Salaries and employee benefits	5,485,341	5,397,693
Occupancy and equipment expense	1,929,500	2,009,248
Other	2,101,862	2,414,811
Total non-interest expense	<u>9,516,703</u>	<u>9,821,752</u>
<i>Income Before Income Taxes</i>	3,325,031	2,986,367
<i>Income Taxes</i>	915,013	815,132
<i>Net Income Available to Shareholders</i>	\$ 2,410,018	\$ 2,171,235
<i>Basic and Diluted Earnings Per Share</i>	\$ 1.24	\$ 1.10

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

Century Financial Corporation

Year ended December 31,

2013

2012

Net Income Available to Shareholders	\$	2,410,018	\$	2,171,235
Other Comprehensive Income				
Unrealized gains (losses) on securities				
Unrealized holding gain (loss)		(3,612,615)		408,684
Tax effect		1,228,289		138,953
Net of tax		(2,384,326)		269,731
Defined benefit pension plan				
Net gain (loss)		1,039,331		(144,270)
Tax effect		353,373		(49,052)
Net of tax		685,958		(95,218)
Total other comprehensive income (loss)		(1,698,368)		174,513
Comprehensive Income	\$	711,650	\$	2,345,748

Consolidated Statements of Changes in Shareholders' Equity

Century Financial Corporation

	<i>Common Stock</i>	<i>Paid In Capital</i>	<i>Retained Earnings</i>	<i>Accumulated Other Comprehensive Income (Loss)</i>	<i>Total</i>
Balance, January 1, 2012	\$ 1,979,460	\$ 19,652,705	\$ 7,621,554	\$ (2,348,440)	\$ 26,905,279
Net income			2,171,235		2,171,235
Other comprehensive income				174,513	174,513
Cash dividends, \$.25 per share			(488,511)		(488,511)
Repurchase of shares	(15,800)	(112,654)			(128,454)
Balance, December 31, 2012	1,963,660	19,540,051	9,304,278	(2,173,927)	28,634,062
Net income			2,410,018		2,410,018
Other comprehensive loss				(1,698,368)	(1,698,368)
Cash dividends, \$.34 per share			(661,424)		(661,424)
Repurchase of shares	(28,903)	(337,342)			(366,245)
Balance, December 31, 2013	\$ 1,934,757	\$ 19,202,709	\$ 11,052,872	\$ (3,872,295)	\$ 28,318,043

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Century Financial Corporation

Year ended December 31,
2013 2012

Cash Flows from Operating Activities

Net Income \$ 2,410,018 \$ 2,171,235

Adjustments to Reconcile Net Income to Net Cash from Operating Activities

Depreciation	543,335	494,090
Net amortization on securities	(58,761)	(646,998)
Provision for loan losses	485,000	225,000
Gain on sales of mortgage loans	(1,080,063)	(1,071,834)
Proceeds from sales of mortgage loans	34,176,819	32,842,234
Mortgage loans originated for sale	(31,952,104)	(32,486,409)
Loss on sales of securities	15,614	0
Loss on sales of other real estate owned	(15,837)	132,558
Earnings on bank owned life insurance	(231,710)	(241,678)

Net Change in Assets and Liabilities

Interest receivable	49,433	98,344
Interest payable	(18,184)	(23,086)
Other assets	(69,367)	192,796
Other liabilities	(183,564)	419,849

Net cash from operating activities 4,070,629 2,106,101

Cash Flows from Investing Activities

Purchases of securities available for sale	(33,120,000)	(69,485,000)
Proceeds from sales, calls and maturities of securities available for sale	26,088,764	58,265,000
Proceeds from calls, prepayment and maturities of securities held to maturity	1,260,421	4,176,027
Purchases of securities held to maturity	(5,438,000)	(3,165,000)
Net change in portfolio loans	(6,150,731)	1,290,223
Proceeds from sales of other real estate owned	641,431	804,424
Premises and equipment expenditures, net	(252,838)	(987,167)

Net cash from investing activities (16,970,953) (9,101,493)

Cash Flows from Financing Activities

Net change in time deposits of \$100,000 or more	(7,274,183)	(279,658)
Net change in other deposits	13,347,733	14,504,914
Repurchase of stock	(366,245)	(128,454)
Cash dividends paid	(661,424)	(488,511)

Net cash from financing activities 5,045,881 13,608,291

Net Change in Cash and Cash Equivalents

Cash and cash equivalents at beginning of year	40,150,073	33,537,174
------------------------------------------------	------------	------------

Cash and Cash Equivalents at End of Year \$ 32,295,630 \$ 40,150,073

Supplemental Disclosures of Cash Flow Information

Cash Paid During the Year for

	2013	2012
Interest	\$ 407,925	\$ 617,247
Income taxes paid (refunded)	989,000	458,354

Supplemental Disclosures of Non-Cash Financing and Investing Activities

Transfers of loans to other real estate owned	\$ 456,000	\$ 904,575
-----------------------------------------------	------------	------------

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Century Financial Corporation

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The consolidated financial statements include the accounts of Century Financial Corporation (the “Corporation”), its wholly-owned subsidiary, Century Bank and Trust (the “Bank”), combined with its wholly-owned subsidiaries, Century Insurance Services and Century Mortgage Services, after elimination of significant intercompany transactions and accounts.

The Corporation provides financial services through its offices located in southern Michigan. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment consumer loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate. Commercial loans are expected to be repaid by cash flows from operations of businesses. Real estate loans are secured by both residential and commercial real estate. Other financial instruments which potentially represent concentrations of credit risk include deposit accounts in other financial institutions.

Subsequent Events

The Bank has evaluated subsequent events for recognition and disclosure through March 7, 2014, which is the date the financial statements were available to be issued.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided. Actual amounts could differ from those estimates. The allowance for loan losses, fair values of financial instruments, and the defined benefit pension plan obligation are particularly subject to change.

Cash Flows

For the purpose of this statement, cash and cash equivalents are defined to include cash on hand, demand deposits with banks, overnight investments and certain short term investments with maturities of 3 months or less upon acquisition. Overnight investments can be liquidated to cash within 7 days. Net cash flows are reported for customer loan and deposit transactions and short-term borrowings.

Securities

Securities classified as available for sale are reported at their fair value and the related unrealized holding gains or losses are reported, net of related income tax effects, in other comprehensive income, until realized. Such securities might be sold prior to maturity due to changes in interest rates, prepayment risks, yield and availability of alternative investments, liquidity needs or other factors. Securities for which management has the positive intent and the ability to hold to maturity are classified as held to maturity and are reported at amortized cost. Other securities, such as Federal Home Loan Bank and Federal Agriculture Mortgage Corp stock, are carried at cost.

Premiums and discounts on securities are recognized in interest income using the level yield method over the estimated life of the security. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific identification method. Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers: (1) the length of time and extent that fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the Corporation has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) other-than-temporary-impairment (OTTI) related to credit loss, which must be recognized in the income statement and (2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cash basis. For equity securities, the entire amount of impairment is recognized through earnings. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans

Loans are reported at the principal balance outstanding, net of deferred loan fees and costs and an allowance for loan losses. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Interest income on loans is generally discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful.

A loan is impaired when full payment under the loan terms is not expected. Loans, for which the terms have been modified, resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired. Commercial and commercial real estate loans are individually evaluated for impairment.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of the estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogenous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Corporation determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Corporation over the most recent five years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified:

Commercial - Loans to business that are sole proprietorships, partnerships, limited liability companies and corporations. These loans are for commercial, industrial, or professional purposes. The risk characteristics of these loans vary based on the borrowers' business and industry as repayment is typically dependent on cash flows generated from the underlying business.

Residential real estate - Loans to purchase or refinance one- to four-family residences. The risks associated with this segment are generally dependent on the overall real estate value environment and individual payment obligations. Real estate is subject to changes in market valuation and can be unstable for a variety of reasons.

Consumer - Term loans or lines of credit for the purchase of consumer goods, vehicles or home improvement. The risk characteristics of the loans in this segment vary depending on the type of collateral but generally repayment is expected from a consumer continuing to generate a cash flow that supports the calculated payment obligation. Secondary support could involve liquidation of collateral.

Bank Owned Life Insurance

The Corporation has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other changes or amounts due that are probable at settlement.

Servicing Rights

Servicing rights represent the fair value of servicing rights retained on loans sold. Servicing rights are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights, using groupings of the underlying loans as to interest rates and prepayment characteristics. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Any impairment of a grouping is reported as a valuation allowance.

Servicing fee income, which is reported on the income statement as other income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fees totaled \$216,000 and \$199,000 for the years ended December 31, 2013 and 2012. Late fees and ancillary fees related to loan servicing are not material.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreclosed Assets

Assets acquired in collection of a loan are recorded at fair value less costs to sell at acquisition. Any reduction to fair value at acquisition from carrying value is recorded as a loan loss. After acquisition, a valuation allowance reduces the reported amount for further reductions in fair value. Expenses, gains and losses on disposition, and changes in the valuation allowance are reported as other expense. The Corporation had \$460,000 and \$663,500 of foreclosed assets at December 31, 2013 and 2012.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method and furniture, fixtures and equipment are depreciated using the straight-line or accelerated methods.

Long-term Assets

Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Retirement Plans

Pension expense is the net of service and interest cost, return on plan assets, and amortization of gains and losses not immediately recognized. Expense for the Employee Stock Ownership Plan is the amount contributed as determined by the Board of Directors.

Stock Compensation

Compensation cost is recognized for stock options issued to employees, based on the fair value of these awards at the date of the grant. There have been no stock options granted during 2013 or 2012.

Income Taxes

Income tax expense is the tax due or refundable for the period plus or minus the change during the period in the deferred tax assets and liabilities. Deferred income tax assets and liabilities are computed annually for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Fair Values of Financial Instruments

Fair values of financial instruments are estimated using the relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Earnings and Dividends Per Share

Basic earnings per share is based on net income divided by the weighted average number of shares outstanding during the period. Diluted earnings per share shows the dilutive effect of additional common shares issuable under stock options. There are currently no outstanding stock options.

Comprehensive Income

Comprehensive income consists of net income and unrealized gains and losses on securities available for sale, net of tax, and changes in the funded status of the pension plan, which are recognized as a separate component of equity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are now any such matters that will have a material effect on the financial statements.

Dividend Restriction

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to the shareholders.

Reclassifications

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

2. RESTRICTIONS ON CASH

Cash on hand or on deposit with the Federal Reserve Bank of \$0 was required to meet regulatory reserve and clearing requirements at both December 31, 2013 and 2012.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

3. SECURITIES

The fair value of available for sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows:

	<i>Amortized Cost</i>	<i>Gross Unrealized Gains</i>	<i>Gross Unrealized Losses</i>	<i>Fair Value</i>
2013				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 40,759,722	\$ 0	\$ (3,370,659)	\$ 37,389,063
Corporate Securities	19,387,167	284,048	(122,806)	19,548,409
	\$ 60,146,889	\$ 284,048	\$ (3,493,465)	\$ 56,937,472
2012				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 30,086,204	\$ 60,395	\$ (18,529)	\$ 30,128,070
Corporate Securities	23,067,359	406,105	(44,772)	23,428,692
	\$ 53,153,563	\$ 466,500	\$ (63,301)	\$ 53,556,762

The carrying amount, unrecognized gains and losses, and fair value of securities held to maturity were as follows:

	<i>Carrying Amount</i>	<i>Gross Unrecognized Gains</i>	<i>Gross Unrecognized Losses</i>	<i>Fair Value</i>
2013				
Obligations of states and political subdivisions	\$ 12,051,049	\$ 29,831	\$ (243,310)	\$ 11,837,571
Mortgage-backed securities, residential	6,729	416	0	7,145
Totals	\$ 12,057,778	\$ 30,247	\$ (243,310)	\$ 11,844,716
2012				
Obligations of states and political subdivisions	\$ 7,791,082	\$ 39,018	\$ (22,226)	\$ 7,807,874
Mortgage-backed securities, residential	8,019	458	0	8,477
Totals	\$ 7,799,101	\$ 9,476	\$ (22,226)	\$ 7,816,351

Securities with unrealized losses at year end 2013 and 2012, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	<i>Less than 12 Months</i>		<i>12 Months or More</i>		<i>Total</i>	
	<i>Fair Value</i>	<i>Unrealized Loss</i>	<i>Fair Value</i>	<i>Unrealized Loss</i>	<i>Fair Value</i>	<i>Unrealized Loss</i>
2013						
U.S. Treasury	\$ 30,452,933	\$ (2,805,319)	\$ 6,936,130	\$ (565,340)	\$ 37,389,063	\$ (3,370,659)
Obligations of states and political subdivisions	2,117,892	(127,377)	2,274,823	(115,933)	4,392,715	(243,310)
Corporate securities	4,980,646	(119,105)	868,561	(3,701)	5,849,207	(122,806)
Total temporarily impaired	\$ 37,551,470	\$ (3,051,801)	\$ 10,079,514	\$ (684,974)	\$ 47,630,985	\$ (3,736,775)
2012						
U.S. Treasury	\$ 6,981,720	\$ (18,529)	\$ 0	\$ 0	\$ 6,981,720	\$ (18,529)
Obligations of states and political subdivisions	2,875,741	(22,226)	0	0	2,875,741	(22,226)
Corporate securities	1,601,583	(44,772)	0	0	1,601,583	(44,772)
Total temporarily impaired	\$ 11,459,044	\$ (85,527)	\$ 0	\$ 0	\$ 11,459,044	\$ (85,527)

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

3. SECURITIES (continued)

Unrealized losses on securities have not been recognized into income because the issuers' bonds are of high credit quality (rated A or higher), management does not intend to sell the securities, it is not likely to be required to sell the securities prior to the recovery in value, and the decline in fair value is largely due to changes in interest rates. The fair value is expected to recover as the securities approach maturity.

Proceeds from sales of securities in 2013 were \$754,681 resulting in gross losses of \$15,614. There were no securities sold in 2012.

The fair value of debt securities and carrying amount, if different, at year end 2013 by contractual maturity were as follows. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	<i>Held-to-maturity</i>		<i>Available for sale</i>	
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Amortized Cost</i>	<i>Fair Value</i>
Due in one year or less	\$ 1,783,024	\$ 1,784,910	\$ 6,853,827	\$ 6,890,515
Due from one to five years	6,024,206	6,022,621	12,737,050	12,778,677
Due from five to ten years	988,500	988,500	22,042,652	20,620,520
Due after ten years	3,255,319	3,041,540	18,513,360	16,647,760
Mortgage-backed, residential	6,729	7,145	0	0
Totals	<u>\$ 12,057,778</u>	<u>\$ 11,844,716</u>	<u>\$ 60,146,889</u>	<u>\$ 56,937,472</u>

Securities pledged at year end 2013 and 2012 had a carrying amount \$8,002,783 and \$8,003,132 and were pledged to secure public deposits.

4. LOANS

Major classifications of loans were as follows as of December 31:

	2013	2012
Commercial:		
Commercial real estate	\$ 62,233,373	\$ 56,810,133
Other	40,083,635	38,302,256
Residential real estate:		
One to four family	37,764,946	40,281,293
Home equity lines of credit	7,096,967	7,137,280
Consumer	4,869,885	4,562,471
Subtotal	<u>152,048,806</u>	<u>147,093,433</u>
Allowance for loan losses	<u>(3,043,613)</u>	<u>(3,297,971)</u>
Loans, net	<u>\$ 149,005,193</u>	<u>\$ 143,795,462</u>

At December 31, 2013 and 2012, certain officers and directors, and companies in which they are principal owners, were indebted to the Corporation in the aggregate of \$2,293,919 and \$5,566,513, respectively.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

4. LOANS (continued)

The following tables present the activity in the allowance for loan losses by portfolio segment for the years ending December 31:

	<i>Commercial</i>	<i>Residential Real Estate</i>	<i>Consumer</i>	<i>Unallocated</i>	<i>Total</i>
2013					
Allowance for loan losses:					
Beginning balance	\$ 2,459,008	\$ 548,826	\$ 81,121	\$ 209,016	\$ 3,297,971
Provision for loan losses	140,580	156,868	58,183	129,369	485,000
Loans charged-off	(529,941)	(245,892)	(90,069)	0	(865,902)
Recoveries	28,212	68,428	29,904	0	126,544
Total ending balance	\$ 2,097,859	\$ 528,230	\$ 79,139	\$ 338,385	\$ 3,043,613

2012					
Allowance for loan losses:					
Beginning balance	\$ 2,134,466	\$ 736,315	\$ 68,135	\$ 85,665	\$ 3,024,581
Provision for loan losses	(243,500)	235,565	109,584	123,351	225,000
Loans charged-off	(106,382)	(433,927)	(151,416)	0	(691,725)
Recoveries	674,424	10,873	54,818	0	740,115
Total ending balance	\$ 2,459,008	\$ 548,826	\$ 81,121	\$ 209,016	\$ 3,297,971

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31:

	<i>Commercial</i>	<i>Residential Real Estate</i>	<i>Consumer</i>	<i>Unallocated</i>	<i>Total</i>
2013					
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	\$ 1,100,000	\$ 40,000	0	0	\$ 1,140,000
Collectively evaluated for impairment	997,859	488,230	79,139	338,385	1,903,613
Total ending allowance balance	\$ 2,097,859	\$ 528,230	\$ 79,139	\$ 338,385	\$ 3,043,613

Loans:					
Individually evaluated for impairment	\$ 3,301,002	\$ 983,805	\$ 15,458	0	\$ 4,300,265
Collectively evaluated for impairment	99,016,006	43,878,108	4,854,427	0	147,748,541
Total ending loans balance	\$ 102,317,008	\$ 44,861,913	\$ 4,869,885	\$ 0	\$ 152,048,806

2012					
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	\$ 1,430,000	\$ 90,000	0	0	\$ 1,520,000
Collectively evaluated for impairment	1,029,008	458,826	81,121	209,016	1,777,971
Total ending allowance balance	\$ 2,459,008	\$ 548,826	\$ 81,121	\$ 209,016	\$ 3,297,971

Loans:					
Individually evaluated for impairment	\$ 4,361,391	\$ 1,761,175	\$ 29,180	0	\$ 6,151,746
Collectively evaluated for impairment	90,750,998	45,657,398	4,533,291	0	140,941,687
Total ending loans balance	\$ 95,112,389	\$ 47,418,573	\$ 4,562,471	\$ 0	\$ 147,093,433

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

4. LOANS (continued)

The following tables present information related to impaired loans by class of loans as of and for the years ending December 31:

	<i>Unpaid Principal Balance</i>	<i>Recorded Investment</i>	<i>Allowance for Loan Losses Allocated</i>	<i>Average Recorded Investment</i>	<i>Interest Income Recognized</i>	<i>Cash Basis Interest Recognized</i>
2013						
With no related allowance recorded:						
Commercial:						
Commercial real estate	\$ 332,873	\$ 204,420	\$ 0	\$ 243,496	\$ 669	\$ 805
Other	78,238	34,900	0	44,591	0	0
Residential real estate	713,480	665,530	0	702,867	16,302	14,121
Consumer	20,179	15,458	0	20,270	1,254	1,209
Subtotal	<u>1,144,770</u>	<u>920,308</u>	<u>0</u>	<u>1,011,224</u>	<u>18,225</u>	<u>16,135</u>
With an allowance recorded:						
Commercial:						
Commercial real estate	3,381,798	2,871,000	1,013,600	3,030,950	0	2,500
Other	190,682	190,682	86,400	191,307	0	0
Residential real estate	318,275	318,275	40,000	318,980	11,763	12,321
Subtotal	<u>3,890,755</u>	<u>3,379,957</u>	<u>1,140,000</u>	<u>3,541,237</u>	<u>11,763</u>	<u>14,821</u>
Total	<u>\$ 5,035,525</u>	<u>\$ 4,300,265</u>	<u>\$ 1,140,000</u>	<u>\$ 4,552,461</u>	<u>\$ 29,988</u>	<u>\$ 30,956</u>
2012						
With no related allowance recorded:						
Commercial:						
Commercial real estate	\$ 873,033	\$ 444,011	\$ 0	\$ 450,675	\$ 0	\$ 0
Other	68,551	33,000	0	35,800	0	0
Residential real estate	1,091,933	1,042,684	0	1,072,123	14,118	12,401
Consumer	29,180	29,180	0	30,331	514	1,602
Subtotal	<u>2,062,697</u>	<u>1,548,875</u>	<u>0</u>	<u>1,588,929</u>	<u>14,632</u>	<u>14,003</u>
With an allowance recorded:						
Commercial:						
Commercial real estate	3,821,198	3,691,198	1,343,825	3,732,073	65,023	88,970
Other	193,182	193,182	86,175	199,347	0	0
Residential real estate	718,491	718,491	90,000	719,103	16,110	12,649
Subtotal	<u>4,732,871</u>	<u>4,602,871</u>	<u>1,520,000</u>	<u>4,650,523</u>	<u>81,133</u>	<u>101,619</u>
Total	<u>\$ 6,795,568</u>	<u>\$ 6,151,746</u>	<u>\$ 1,520,000</u>	<u>\$ 6,239,452</u>	<u>\$ 95,765</u>	<u>\$ 115,622</u>

The recorded investment in loans does not include accrued interest receivable and loan origination fees, net, as they are immaterial. For purposes of this disclosure, the unpaid principal balance is not reduced for net charge-offs.

Nonaccrual loans and loans past due 90 days and still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

4. LOANS (continued)

The following table presents the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of December 31:

	<i>Nonaccrual</i>		<i>Loans Past Due Over 90 Days Still Accruing</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Commercial:				
Commercial real estate	\$ 3,057,500	\$ 4,135,209	\$ 0	\$ 0
Other	230,184	226,182	0	0
Residential real estate:				
One to four family	886,582	1,483,763	667,001	131,548
Home equity lines of credit	112,248	125,339	0	0
Consumer	69,872	50,030	774	0
Total	<u>\$ 4,356,386</u>	<u>\$ 6,020,523</u>	<u>\$ 667,775</u>	<u>\$ 131,548</u>

The following tables present the aging of the recorded investment in past due loans by class of loans as of December 31:

	<i>Greater than</i>		<i>Total</i>	<i>Loans Not</i>	<i>Total</i>
	<i>30 - 89 Days Past Due</i>	<i>89 Days Past Due</i>			
2013					
Commercial:					
Commercial real estate	\$ 2,769,300	\$ 1,406,500	\$ 4,175,800	\$ 58,057,573	\$ 62,233,373
Other	103,851	225,582	329,433	39,754,202	40,083,635
Residential real estate:					
One to four family	2,271,849	667,001	2,938,850	34,826,096	37,764,946
Home equity lines of credit	58,306	0	58,306	7,038,661	7,096,967
Consumer	70,446	774	71,220	4,798,665	4,869,885
Total	<u>\$ 5,273,752</u>	<u>\$ 2,299,857</u>	<u>\$ 7,573,609</u>	<u>\$ 144,475,198</u>	<u>\$ 152,048,806</u>
2012					
Commercial:					
Commercial real estate	\$ 853,798	\$ 4,135,209	\$ 4,989,007	\$ 51,821,126	\$ 56,810,133
Other	81,962	226,182	308,144	37,994,112	38,302,256
Residential real estate:					
One to four family	2,915,931	1,615,311	4,531,242	35,750,051	40,281,293
Home equity lines of credit	81,841	125,339	207,180	6,930,100	7,137,280
Consumer	91,965	50,030	141,995	4,420,476	4,562,471
Total	<u>\$ 4,025,497</u>	<u>\$ 6,152,071</u>	<u>\$ 10,177,568</u>	<u>\$ 136,915,865</u>	<u>\$ 147,093,433</u>

Troubled Debt Restructurings:

The Corporation has allocated \$1,140,000 and \$1,070,000 of specific reserve to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2013 and 2012.

During the years ended December 31, 2013 and 2012, the terms of certain loans were modified as troubled debt restructurings.

The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan.

Modifications involving a reduction of the stated interest rate of the loan were for periods ranging from 61 months to 160 months. Modifications involving an extension of the maturity date were for periods ranging from 2 years to 160 months.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

4. LOANS (continued)

The following tables present loans by class modified as troubled debt restructurings that occurred during the years ending December 31:

	<i>Number of Loans</i>	<i>Pre-Modification Outstanding Recorded Investment</i>	<i>Post-Modification Outstanding Recorded Investment</i>
2013			
Commercial:			
Commercial real estate	6	\$ 3,474,520	\$ 2,726,376
Other	2	261,733	212,582
Residential real estate:			
One to four family	1	94,149	93,729
Consumer	1	3,944	423
Total	10	\$ 3,834,346	\$ 3,033,110

2012

Commercial:			
Commercial real estate	2	1,788,198	1,778,198
Consumer	4	24,086	23,687
Total	6	\$ 1,812,284	\$ 1,801,885

The troubled debt restructurings described above did not increase the allowance for loan losses in the years 2013 and 2012. The restructurings resulted in charge offs during 2013 of \$460,112 and \$0 during 2012. The majority of the loans modified were already identified as problem loans and the modifications did not change the impairment assessment on those loans. Additionally, there were no troubled debt restructurings during 2013 or 2012 for which there was a payment default within twelve months following the restructuring.

Credit Quality Indicators:

The Corporation categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Corporation analyzes loans individually by classifying the loans as to credit risk. This analysis includes primarily non-homogenous loans, such as commercial and commercial real estate loans, and certain related borrowings. This analysis is performed on a quarterly basis. The Corporation uses the following definitions for risk ratings:

Watch/Special Mention Borrowers who exhibit potential credit weaknesses or downward trends deserving management's close attention. While potentially weak, these borrowers are currently marginally acceptable; no loss of principal or interest is envisioned. However, if left uncorrected, these potential weaknesses could result in deterioration of the repayment prospects for the assets or in the banks' credit position at some future date. These borrowers have characteristics which corrective management action would remedy. Included in this category could be turnaround situations, as well as those borrowers previously rated satisfactory who have shown deterioration, for whatever reason, indicating a downgrading from the better categories. An element of asset quality, financial flexibility, or management is below average.

Potential Problem (Substandard) Borrowers with well-defined weaknesses that jeopardize the orderly liquidation of debt. A potential problem loan is inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Normal repayment from the borrower is in jeopardy. There is a distinct possibility that a partial loss of interest and/or principal will occur if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of potential problem assets, does not have to exist in individual assets classified potential problem.

Problem (Doubtful) Borrowers classified problem have all the weaknesses found in potential problem borrowers with the added provision that the weaknesses make collection of debt in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Serious problems exist to the point where partial loss of principal is likely. The possibility of loss is high, but because of certain important, reasonably specific pending factors that may work to strengthen the assets, the loan's classification as estimated loss is deferred until a more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures; capital injection; perfecting liens on additional collateral; and refinancing plans.

Loans not meeting the criteria above that are analyzed individually as part of the process described above are considered to be pass rated loans. Loans listed as not rated are predominantly homogenous loans.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

4. LOANS (continued)

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	<i>Pass</i>	<i>Watch</i>	<i>Potential Problem</i>	<i>Problem</i>	<i>Not Rated</i>
2013					
Commercial:					
Commercial real estate	\$ 55,235,277	\$ 1,517,674	\$ 2,422,922	\$ 3,057,500	\$ 0
Other	37,104,125	2,286,827	422,613	270,070	0
Residential real estate					
One to four family	0	0	0	633,805	37,131,141
Home equity lines of credit	0	0	0	0	7,096,967
Consumer	0	0	0	11,435	4,858,450
Total	<u>\$ 92,339,402</u>	<u>\$ 3,804,501</u>	<u>\$ 2,845,535</u>	<u>\$ 3,972,810</u>	<u>\$ 49,086,558</u>
2012					
Commercial:					
Commercial real estate	\$ 48,488,020	\$ 3,506,992	\$ 857,312	\$ 3,957,809	\$ 0
Other	34,004,488	3,852,287	208,226	237,255	0
Residential real estate					
One to four family	0	0	0	943,919	39,337,374
Home equity lines of credit	0	0	0	0	7,137,280
Consumer	0	0	0	29,180	4,533,291
Total	<u>\$ 82,492,508</u>	<u>\$ 7,359,279</u>	<u>\$ 1,065,538</u>	<u>\$ 5,168,163</u>	<u>\$ 51,007,945</u>

5. FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal,

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

5. FAIR VALUE (continued)

net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals which are updated no less frequently than annually. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly. No real estate owned property held at year-end 2013 or 2012 was being measured at fair value on a non-recurring basis.

Appraisals for both collateral-dependent impaired loans and real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Corporation. Once received, an officer reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On an annual basis, the Corporation compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to the appraisal value to arrive at fair value. The most recent analysis performed indicated that a discount of 10% should be applied to properties with appraisals performed within 12 months.

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	<i>Fair Value Measurements Using</i>		
	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
2013			
Assets:			
Available for sale securities			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 0	\$ 37,389,063	\$ 0
Corporate Securities	0	19,548,409	0
Total Securities	\$ 0	\$ 56,937,472	\$ 0
2012			
Assets:			
Available for sale securities			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 0	\$ 30,128,070	\$ 0
Corporate Securities	0	23,428,692	0
Total Securities	\$ 0	\$ 53,556,762	\$ 0

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

5. FAIR VALUE (continued)

Assets and Liabilities Measured on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

	<i>Fair Value Measurements Using</i>		
	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
2013			
Assets:			
Impaired loans:			
Commercial:			
Commercial real estate	\$ 0	\$ 0	\$ 1,857,400
Other	0	0	104,282
Residential real estate	0	0	278,275
Total	\$ 0	\$ 0	\$ 2,239,957
2012			
Assets:			
Impaired loans:			
Commercial:			
Commercial real estate	\$ 0	\$ 0	\$ 2,347,373
Other	0	0	107,007
Residential real estate	0	0	628,491
Total	\$ 0	\$ 0	\$ 3,082,871

The following represent impairment charges recognized during the period:

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a recorded investment of \$3,379,957, before a valuation allowance of \$1,140,000 at year-end 2013, resulting in a provision for loan losses of \$51,000 for 2013. At December 31, 2012 impaired loans had a recorded investment of \$4,602,871, before a valuation allowance of \$1,520,000, resulting in a provision for loan losses of \$750,000 for the year ending December 31, 2012.

As discussed previously, the fair values of impaired loans and other real estate carried at fair value are determined by third party appraisals. Management makes adjustments to these appraised values based on the age of the appraisal and the type of property. The following table presents quantitative information about level 3 fair value measurements for the larger classes of financial instruments measured at fair value on a non-recurring basis at December 31, 2013:

	<i>Fair Value</i>	<i>Valuation Technique(s)</i>	<i>Unobservable Input</i>	<i>Discount Rate (Range and Average)</i>
2013				
Impaired loans:				
Commercial:				
Commercial real estate	\$ 1,857,400	Sales comparison	Management discount for property type and recent market volatility	10%
2012				
Impaired loans:				
Commercial:				
Commercial real estate	\$ 2,347,373	Sales comparison	Management discount for property type and recent market volatility	10%

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

5. FAIR VALUE (continued)

Fair Value of Financial Instruments

The estimated fair values of financial instruments excluding available for sale securities, in thousands, are as follows as of December 31:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 32,296	\$ 32,296	\$ 40,150	\$ 40,150
Securities held to maturity	12,058	11,845	7,799	7,816
Loans held for sale	256	256	1,401	1,401
Loans, net	149,005	148,379	143,795	143,793
FHLB and FAMC stock	612	N/A	612	N/A
Accrued interest receivable	857	857	907	907
Financial liabilities				
Deposits	\$ 238,660	\$ 238,720	\$ 232,586	\$ 232,726
Accrued interest payable	21	21	40	40

The estimated fair value approximates carrying amount for all items except those described below. Estimated fair value for loans is based on current market rates for new loans with similar maturities, applied until the loan is assumed to reprice or be paid. Estimated fair value for time deposits are based on current market rates at year-end applied until maturity. It was not practicable to determine the fair value of Federal Home Loan Bank stock due to restrictions placed on its transferability. Estimated fair value for other financial instruments and off-balance-sheet loan commitments are considered nominal.

6. PREMISES AND EQUIPMENT

Major classifications of premises and equipment were as follows at December 31:

	2013	2012
Land	\$ 1,385,439	\$ 1,385,439
Buildings	8,142,183	8,044,900
Furniture, fixtures and equipment	6,050,241	6,058,575
Total cost	15,577,863	15,488,914
Less accumulated depreciation	(9,959,071)	(9,579,625)
Total	\$ 5,618,792	\$ 5,909,289

7. LOAN SERVICING

Mortgage loans serviced for others are not reported as assets. The principal balances of these loans at year-end are as follows:

	2013	2012
Mortgage loan portfolios serviced for:		
FHLMC	\$ 83,119,510	\$ 75,897,988
FHLBI	17,103,241	12,794,656

Custodial escrow balances maintained in connection with serviced loans were \$142,523 and \$95,364 at December 31, 2013 and 2012, respectively.

Activity for loan servicing rights follows:

	2013	2012
Servicing rights		
Beginning of year	\$ 455,376	\$ 348,117
Additions	323,493	310,592
Amortized to expense	(215,712)	(203,333)
End of year	\$ 563,157	\$ 455,376

The fair value of servicing rights at year-end 2013 and 2012 were approximately \$1,141,000 and \$693,000.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

8. DEPOSITS

At December 31, 2013, scheduled maturities of time deposits were as follows:

2014	\$ 30,302,212
2015	8,652,695
2016	2,618,230
2017	122,338
2018 and later	1,322
Total	<u>\$ 41,696,797</u>

Related party deposits totaled \$4,151,595 and \$4,279,603 at December 31, 2013 and 2012, respectively.

9. INCOME TAX

Income tax expense (benefit) consists of:

	2013	2012
Current liability	\$ 647,701	\$ 846,309
Deferred (benefit) liability	267,312	(31,177)
Total income tax expense (benefit)	<u>\$ 915,013</u>	<u>\$ 815,132</u>

Deferred tax assets and liabilities at December 31 consist of:

	2013	2012
Deferred tax assets		
Allowance for loan losses	\$ 981,874	\$ 1,074,905
Deferred compensation	5,063	5,058
Nonaccrual loans	296,539	275,464
Pension liability	903,617	1,256,990
Unrealized loss on securities available for sale	1,091,202	0
Capital loss carry-forward	104,361	104,361
Tax credits carry-forward	0	79,849
Accrued liabilities	120,700	112,200
Other	14,852	11,616
Total deferred tax assets	<u>\$ 3,518,208</u>	<u>\$ 2,920,443</u>
Deferred tax liabilities		
Deferred loan fees/costs	(113,692)	(87,641)
Depreciation	(241,678)	(236,972)
Mortgage servicing rights	(191,473)	(154,828)
Pension expense	(410,480)	(354,952)
Unrealized gain on securities available for sale	0	(137,087)
Other	(46,676)	(42,358)
Total deferred tax liabilities	<u>\$ (1,003,999)</u>	<u>\$ (1,013,838)</u>
Net deferred tax assets	2,514,209	1,906,605
Valuation allowance	(104,361)	(104,361)
Total deferred tax assets	<u>\$ 2,409,848</u>	<u>\$ 1,802,244</u>

A valuation allowance related to deferred tax assets is required when it is considered more likely than not that all or part of the benefits related to such assets will not be realized. Management has determined that a valuation allowance against the unrealized capital loss carry-forward is required.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

9. INCOME TAX (Continued)

The difference between the financial statement tax expense and amounts computed by applying the statutory federal tax rate of 34% to pretax income is reconciled as follows:

	2013	2012
Statutory rate applied to income before taxes	\$ 1,130,511	\$ 1,015,365
Add (deduct):		
Non-taxable income	(142,756)	(123,935)
Bank owned life insurance	(78,781)	(82,170)
Other	6,039	5,872
Total income tax expense (benefit)	<u>\$ 915,013</u>	<u>\$ 815,132</u>

There were no unrecognized tax benefits at December 31, 2013, and the Corporation does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months.

The Corporation is no longer subject to examination by the Internal Revenue Service for years before 2010.

No amounts of interest, penalties, and/or accruals were recorded during or for the years ended December 31, 2013 and 2012.

10. EARNINGS PER SHARE

A reconciliation of the numerators and denominators of basic and diluted earnings per share for the years ended December 31 are as follows:

	2013	2012
Basic earnings per share		
Net income available to common shareholders	\$ 2,410,018	\$ 2,171,235
Weighted average common shares outstanding	1,945,583	1,977,253
Basic earnings per share	<u>\$1.24</u>	<u>\$1.10</u>
Diluted earnings per share		
Net income available to common shareholders	\$ 2,410,018	\$ 2,171,235
Weighted average common shares outstanding for basic earnings per share	1,945,583	1,977,253
Weighted average common and dilutive potential common shares outstanding	1,945,583	\$ 1,977,253
Diluted earnings per share	<u>\$ 1.24</u>	<u>\$ 1.10</u>

11. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

The Corporation has a funded noncontributory defined benefit pension plan that covers substantially all of its employees. The plan provides defined benefits based on years of service and final average salary. The Corporation uses a December 31 measurement date. As of December 31, 2009 the pension plan was frozen. No employee could become a participant of the plan after December 31, 2009. Participants earned no additional benefits under the plan after December 31, 2009. A participant's benefit will be determined using years of benefit service, average compensation, and covered compensation as of December 31, 2009. Participants will continue to earn additional vesting years of service after December 31, 2009.

Information about the pension plan as of and for the years ended December 31 was as follows:

	2013	2012
Projected benefit obligation	\$ 6,301,006	\$ 6,805,520
Fair value of plan assets	4,882,996	4,184,860
Unfunded status	<u>\$ (1,418,010)</u>	<u>\$ (2,620,660)</u>
Accrued benefit cost	\$ 1,418,010	\$ 2,620,660
Accumulated benefit obligation	6,301,006	6,805,520
Employer contribution	427,862	345,715
Benefits paid	315,087	344,184

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

11. EMPLOYEE BENEFIT PLANS (Continued)

Components of Net Periodic Benefit Cost and other Amounts Recognized in Other Comprehensive Income:

	2013	2012
Interest cost	\$ 247,613	\$ 265,059
Expected return on plan assets	(243,111)	(209,807)
Amortization of net loss	260,041	187,196
Net periodic benefit cost	<u>264,543</u>	242,448
Net actuarial (gain) loss	(779,290)	331,466
Amortization of prior service cost	(260,041)	(187,196)
Total recognized in other comprehensive income	<u>(1,039,331)</u>	144,270
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (774,788)</u>	<u>\$ 386,718</u>

Weighted average assumptions used to determine benefit obligations at year-end:

Discount rate	4.50%	3.75%
---------------	-------	-------

Weighted average assumptions used to determine net cost:

Discount rate	3.75%	4.25%
Expected rate of return on plan assets	6.5%	7.0%

Amounts recognized in accumulated other comprehensive loss, before taxes, consisted of a net loss of \$2,657,697 and \$3,697,028 at December 31, 2013 and 2012, respectively.

The estimated net loss for the pension plan that will be amortized from accumulated other comprehensive loss into periodic benefit costs during the year ending December 31, 2014 is \$179,000.

The Bank's overall investment strategy is to achieve a mix of approximately 55% of investments for long-term growth and 45% for near-term benefit payments with a wide diversification of asset types, fund strategies and fund managers. Equity securities primarily include investments in common stocks and multi-class mutual funds. Debt securities include government agencies, investment grade global corporate bonds, and global high yield corporate bonds. Real estate investments are primarily held in REITS and a diversified mutual fund. Other investments consist of certificates of deposit and a money market instrument.

The expected rate of return on plan assets is based on management's estimate of future long-term rates of return on similar assets and is consistent with historical returns on such assets.

Target asset allocation for 2014, allocations at year-end 2013 and 2012, and weighted average rate of return by asset class are as follows:

	<i>Target Allocation</i>	<i>Percentage of Plan Assets at Year-End</i>		<i>Weighted Average Rate of Return</i>
	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>
Equity securities	55%	62%	54%	24.61%
Debt securities	40%	36%	38%	1.10%
Cash and other	5%	3%	7%	19.00%
Total		<u>100%</u>	<u>100%</u>	<u>14.22%</u>

The Bank expects to contribute approximately \$175,000 to its pension plan in 2014.

The following benefit payments are expected to be paid:

2014	\$365,372
2015	319,476
2016	302,522
2017	315,000
2018	339,606
2019 - 2023	1,822,981

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

11. EMPLOYEE BENEFIT PLANS (continued)

Fair Value of Plan Assets:

Fair value is the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date.

The Corporation used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Equity, debt, and other securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Discounted cash flows are calculated using spread to swap and LIBOR curves that are updated to incorporate loss severities, volatility, credit spread and optionality. During times when trading is more liquid, broker quotes are used (if available) to validate the model. Rating agency and industry research reports as well as defaults and deferrals on individual securities are reviewed and incorporated in to the calculations.

The fair value of the plan assets at December 31, by asset class, is as follows:

	at December 31, 2013 Using:			at December 31, 2012 Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan assets						
Cash	\$ 128,611	\$ 0	\$ 0	\$ 301,429	\$ 0	\$ 0
Equity securities						
U.S. large cap	2,181,557	0	0	1,587,905	0	0
U.S. mid cap	167,550	0	0	54,235	0	0
U.S. small cap	168,833	0	0	198,647	0	0
Preferred stock	135,337	0	0	160,118	0	0
International (developed)	206,143	0	0	93,180	0	0
International (emerging)	98,502	0	0	97,962	0	0
Debt securities						
U.S. government obligations	0	321,340	0	0	341,960	0
Certificates of deposit	0	458,583	0	0	145,015	0
Investment grade corporate bonds	653,680	0	0	886,761	0	0
High yield bonds	304,460	0	0	236,253	0	0
Specialty						
Precious Metals	58,400	0	0	81,396	0	0
Total plan assets	\$ 4,103,073	\$ 779,923	\$ 0	\$ 3,697,885	\$ 486,975	\$ 0

Employee Stock Ownership Plan (ESOP)

An ESOP is maintained for the benefit of all qualified employees. Annual matching contributions are made at the discretion of the Board of Directors. The contribution to the ESOP was \$131,828 for 2013 and \$114,047 for 2012.

12. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Some financial instruments are used to meet customer financing needs and to reduce exposure to interest rate changes. These financial instruments include commitments to make loans, unused lines of credit, and standby letters of credit. These involve, to varying degrees, credit and interest-rate risk in excess of the amount reported in the balance sheet.

Outstanding commitments to make loans and unused lines of credit totaled \$29,235,000 and \$24,233,000 at December 31, 2013 and 2012, respectively. Commitments under letters of credit were \$1,868,000 and \$1,692,000 at December 31, 2013 and 2012, respectively.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

12. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (continued)

Commitments to make loans are agreements to lend to a customer as long as there is no violation of any condition established in the commitment, and generally have fixed expiration dates. Standby letters of credit are conditional commitments to guarantee a customer's performance to a third party. Exposure to credit loss if the other party does not perform is represented by the contractual amount of these items. Collateral or other security is normally not obtained for these financial instruments prior to their use, and many of the commitments are expected to expire without being used.

13. REGULATORY MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. These prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet various requirements can initiate regulatory action. Management believes the Bank meets all the capital requirements to which it is subject at year-end 2013.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2013 and 2012, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

	<i>Capital to risk-weighted assets</i>		<i>Tier 1 capital to average assets</i>
	<i>Total</i>	<i>Tier 1</i>	
Well capitalized	10%	6%	5%
Adequately capitalized	8%	4%	4%
Under capitalized	6%	3%	3%

At December 31, the Bank's actual capital levels and minimum required levels, in thousands, approximated:

	<i>Actual</i>		<i>Minimum required for capital adequacy purposes</i>		<i>Minimum required to be well capitalized under prompt corrective action regulations</i>	
	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>
2013						
Total capital (to risk weighted assets)	\$ 34,500	18.0%	\$ 15,345	8.0%	\$ 19,181	10.0%
Tier 1 capital (to risk weighted assets)	32,094	16.7%	7,673	4.0%	11,509	6.0%
Tier 1 capital (to average assets)	32,094	12.2%	10,526	4.0%	13,158	5.0%
2012						
Total capital (to risk weighted assets)	\$ 33,040	17.9%	\$ 14,781	8.0%	\$ 18,477	10.0%
Tier 1 capital (to risk weighted assets)	30,718	16.6%	7,391	4.0%	11,086	6.0%
Tier 1 capital (to average assets)	30,718	11.6%	10,589	4.0%	13,236	5.0%

Banking regulations require maintaining certain capital levels and may limit the dividend paid by the Bank to the Corporation or by the Corporation to the shareholders.

Directors

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

Robert P. Brothers
Attorney-at-Law

Bruce S. A. Gosling,
*Certified Public Accountant,
Norman & 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,
C. A. Murphy Oil Co.*

Robert W. Shedd
Northshore Asset Management

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

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

Officers

Century Bank and Trust

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

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*

Michael D. Eddy
*Assistant Vice President &
Mortgage Loan Officer*

Jared E. Hoffmaster
*Assistant Vice President &
Investment Officer*

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

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

Donna L. Penick
Auditor

Katherine L. Sexton-Deck
Controller

Corey L. Collins
Deposit Services Officer

W. Samuel Davenport III
Loan Officer

Rebecca R. Duke
Marketing Director

Heather E. Eldridge
Trust Operations Officer

Jessica A. Handy
Commercial Loan Officer

Jeffrey S. Holbrook
Commercial Loan Officer

AnnMarie L. Sanders
Commercial Loan Officer

Andrea J. Strong
Teller Operations Officer

Kathy A. Tomson
Mortgage Loan Officer

Adam M. Wright
Commercial Loan Officer

Century Financial Corporation

Eric H. Beckhusen
Chairman & CEO

Eric J. Wynes
President

Office and ATM Locations

Century Financial Corporation

Office Locations

Coldwater Main Office
100 West Chicago Street
Coldwater, Michigan 49036
(517) 278-1500

Coldwater AutoBank Office
64 North Monroe Street
Coldwater, Michigan 49036
(517) 278-1500

Coldwater East Office
745 East Chicago Street
Coldwater, Michigan 49036
(517) 278-1500

Coldwater Fairfield Office
496 Marshall Street
Coldwater, Michigan 49036
(517) 278-1500

Bronson Office
106 East Chicago Street
Bronson, Michigan 49028
(517) 369-2100

Quincy Office
109 West Chicago Street
Quincy, Michigan 49082
(517) 639-8800

Reading Office
108 North Main Street
Reading, Michigan 49274
(517) 283-2148

Jonesville Loan Center
859 Olds Road
Jonesville, Michigan 49250
(517) 849-9010

Nottawa Office
25985 M-86
Nottawa, Michigan 49075
(269) 467-9615

Sturgis Main Office
300 West Chicago Road
Sturgis, Michigan 49091
(269) 651-5491

Sturgis West Office
201 South Centerville Road
Sturgis, Michigan 49091
(269) 651-5491

Sturgis North Office
1031 North Nottawa Road
Sturgis, Michigan 49091
(269) 651-5491

Three Rivers Office
1310 West Broadway
Three Rivers, Michigan 49093
(269) 273-3690

ATM Locations

Century Bank and Trust
Coldwater Main Office
100 West Chicago Street
Coldwater, Michigan

Century Bank and Trust
AutoBank Drive-Thru
64 North Monroe Street
Coldwater, Michigan

Century Bank and Trust
East Branch
745 East Chicago Street
Coldwater, Michigan

Century Bank and Trust
Fairfield Plaza
496 Marshall Street
Coldwater, Michigan

Century Bank and Trust
Bronson Office
106 East Chicago Street
Bronson, Michigan

Century Bank and Trust
Quincy Office
109 West Chicago Street
Quincy, Michigan

West Side Shell
480 West Chicago Street
Coldwater, Michigan

Community Health Center
274 East Chicago Street
Coldwater, Michigan

Century Bank and Trust
Reading Office
108 North Main Street
Reading, Michigan

Century Bank and Trust
Three Rivers Office
1310 West Broadway
Three Rivers, Michigan

Century Bank and Trust
West Branch
201 South Centerville Road
Sturgis, Michigan

Century Bank and Trust
North Branch
1031 North Nottawa Road
Sturgis, Michigan

Murphy Oil USA
1450 South Centerville Road
Sturgis, Michigan

24 Hour Online Banking at CenturyBankandTrust.com

Toll Free (866) 680-2265