

## 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, 2018, Century Bank and Trust reported net income of \$1,613,000 or earnings per share of \$0.84 resulting in Return on Average Assets (ROA) of 1.09% and Return on Average Equity (ROE) of 8.96%. This compares favorably to net income of \$1,408,000 or earnings per share of \$0.73 for the same period ending June 30, 2017. ROA and ROE at June 30, 2017 were 0.97% and 8.09%, respectively. When benchmarking June 30, 2018 to June 30, 2017, net income increased 14.6%.

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

- 2018 – net income of \$806,000 and earnings per share of \$0.42.
- 2017 – net income of \$693,000 and earnings per share of \$0.36.

### Balance Sheet

Total assets for the bank at June 30, 2018 were \$301,352,000, compared to \$291,250,000 at June 30, 2017 – an increase of 3.47%.

Loans ended the period at \$204,333,000. This is a \$14,660,000 or 7.73% increase over June 30, 2017. Total loans are up \$12,709,000 or 6.63% from December 31, 2017 levels.

The allowance for loan loss, as a percentage of loans, at June 30, 2018 stands at 1.29%. At June 30, 2017 it was 1.25%. A provision for loan loss expense of \$275,000 was made in the second quarter. A \$70,000 expense was made during the same period in 2017.

Shareholder equity at June 30, 2018 and 2017 was \$36,602,000 and \$35,437,000, respectively. Capital ratios at June 30, 2018 remain strong and well above minimum regulatory requirements.

### Income Statement

Total revenue at June 30, 2018 was \$7,967,000 compared to \$7,318,000 at June 30, 2017. For the three months concluding June 30, 2018, total revenue was \$4,034,000 compared to \$3,663,000 for the same period in 2017. Key year-over highlights are:

- \$572,000 increase in net interest income
- \$62,000 increase in Trust and Investment Management revenue
- \$7,000 net increase in Service Charge income

Non-interest expense for the six months ended June 30, 2018 totaled \$5,543,000 versus \$5,258,000 at June 30, 2017. Operating costs, net of employee related expenses, increased \$146,000 when comparing June 2018 and 2017.

Our long-term commitment to the communities and clients we serve combined with the current active economic landscape has produced solid 2018 first-half performance for our company. This is a cumulative result of very strong effort by each member of the bank's team . . . along with your business and customer referrals as a shareholder. I thank you for your continued support and loyalty.

*Eric H. Beckhusen*

Eric H. Beckhusen  
Chairman & CEO

## Directors & Officers

### Century Financial Corporation Directors

|   |   |
|---|---|
| Eric H. Beckhusen<br><i>Chairman &amp; CEO,<br/>Century Bank and Trust</i>                  | Thomas G. Kramer<br><i>Chief Financial Officer,<br/>ADAPT, Incorporated</i> |
| Robert P. Brothers<br><i>Attorney at Law</i>  | Caroline P. Lowe<br><i>Certified Public Accountant</i>                      |
| Jeffrey W. Budd<br><i>C.P.A., Utility Director,<br/>Coldwater Board of Public Utilities</i> | William G. Pridgeon<br><i>Pridgeon Farms, LLC</i>                           |
| James W. Gordon<br><i>Certified Public Accountant,<br/>James W. Gordon, CPA, P.C.</i>       | Eric J. Wynes<br><i>President,<br/>Century Bank and Trust</i>               |
| Bruce S. A. Gosling,<br><i>Certified Public Accountant,<br/>Norman &amp; Paulsen, P.C.</i>  |   |

### Century Bank and Trust Officers

|  |   |
|--|---|
| Eric H. Beckhusen<br><i>Chairman &amp; CEO</i>   | Jared E. Hoffmaster<br><i>Assistant Vice President &amp;<br/>Investment Officer</i>     |
| Eric J. Wynes<br><i>President</i>  | Vicki R. Morris<br><i>Assistant Vice President &amp;<br/>Mortgage Loan Officer</i>      |
| Dylan M. Foster<br><i>Senior Vice President</i>  | Scott R. Petersen<br><i>Assistant Vice President &amp;<br/>Commercial Loan Officer</i>  |
| Rebecca S. Crabill<br><i>Chief Financial Officer</i>                                   | Andrea J. Strong<br><i>Assistant Vice President &amp;<br/>Teller Operations Officer</i> |
| Julie A. Andrews<br><i>Vice President &amp;<br/>Senior Trust Officer</i>               | Adam M. Wright<br><i>Assistant Vice President &amp;<br/>Commercial Loan Officer</i>     |
| Donna M. Hobday<br><i>Vice President</i>   | Donna L. Penick<br><i>Auditor</i>   |
| Jeffrey S. Holbrook<br><i>Vice President</i>   | Jason C. Dozeman<br><i>Commercial Loan Officer</i>                                      |
| Ginger J. Kesler<br><i>Vice President</i>  | Heather E. Eldridge<br><i>Trust Operations Officer</i>                                  |
| Barry R. Miller<br><i>Vice President</i>   | Alicia A. Finnerman<br><i>Mortgage Loan Officer</i>                                     |
| AnnMarie L. Sanders<br><i>Vice President</i>   | Sergio Gomez<br><i>Mortgage Loan Officer</i>  |
| Ronald H. Uhl<br><i>Vice President</i>   | Joshua D. Jones<br><i>Mortgage Loan Officer</i>   |
| Alicia K. Cole<br><i>Assistant Vice President &amp;<br/>Trust Officer</i>              | Tracy A. Richer<br><i>Trust Officer</i>   |
| Corey L. Collins<br><i>Assistant Vice President &amp;<br/>Deposit Services Officer</i> | Erik L. Schaeffer<br><i>Trust Officer</i>   |
| Michael D. Eddy<br><i>Assistant Vice President &amp;<br/>Mortgage Loan Officer</i>     | Kathy A. Tomson<br><i>Mortgage Loan Officer</i>   |



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(866) 680-BANK

Second Quarter  
Report to Shareholders  
June 30, 2018

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

### Consolidated Balance Sheet

|  | June 30,              |                       |
|--|-----------------------|-----------------------|
|  | 2018                  | 2017                  |
| <b>Assets</b>  |                       |                       |
| Cash and due from banks  | \$ 8,316,114          | \$ 10,235,592         |
| Interest bearing deposits in other financial institutions  | 3,242,671             | 3,491,149             |
| Investment securities available for sale   | 46,540,929            | 54,834,276            |
| Investment securities (market value of \$13,596,744 in 2018 and \$17,994,906 in 2017) held to maturity | 13,498,887            | 17,963,420            |
| Federal funds sold and other overnight investments   | 10,575,592            | 329,000               |
| Loans  | 204,333,253           | 189,673,100           |
| Less: Allowance for loan loss  | (2,640,424)           | (2,364,555)           |
| <b>Loans, Net</b>  | <b>201,692,830</b>    | <b>187,308,545</b>    |
| Bank premises and equipment, net   | 5,088,542             | 4,936,795             |
| Bank owned life insurance  | 8,665,594             | 8,433,784             |
| Accrued interest receivable and other assets   | 3,731,214             | 3,717,083             |
| <b>Total Assets</b>  | <b>\$ 301,352,373</b> | <b>\$ 291,249,645</b> |
| <b>Liabilities</b>   |                       |                       |
| Deposits   |                       |                       |
| Non-interest bearing   | 85,008,154            | \$ 76,840,343         |
| Interest bearing   | 175,238,821           | 167,766,299           |
| <b>Total Deposits</b>  | <b>260,246,975</b>    | <b>244,606,641</b>    |
| Accrued interest payable and other liabilities   | 2,003,423             | 3,205,593             |
| Other borrowings   | 2,500,000             | 8,000,000             |
| <b>Total Liabilities</b>   | <b>\$ 264,750,397</b> | <b>\$ 255,812,234</b> |
| <b>Shareholders' Equity</b>  |                       |                       |
| Common stock - \$1 par value;  |                       |                       |
| Shares authorized: 3,000,000 in 2018 and 2017;   |                       |                       |
| issued and outstanding: 1,914,140 in 2018 and 1,921,140 in 2017  | \$ 1,914,140          | \$ 1,921,140          |
| Paid in capital  | 18,867,310            | 19,003,810            |
| Retained earnings  | 17,281,883            | 14,791,548            |
| Accumulated other comprehensive loss   | (1,461,357)           | (279,087)             |
| <b>Total Shareholders' Equity</b>  | <b>\$ 36,601,975</b>  | <b>\$ 35,437,411</b>  |
| <b>Total Liabilities and Shareholder's Equity</b>  | <b>\$ 301,352,373</b> | <b>\$ 291,249,645</b> |
| <b>Book Value Per Share</b>  | <b>\$ 19.12</b>       | <b>\$ 18.45</b>       |

### Consolidated Statement of Income

|  | Three Months Ended<br>June 30, |                     | Six Months Ended<br>June 30, |                     |
|--|--------------------------------|---------------------|------------------------------|---------------------|
|  | 2018                           | 2017                | 2018                         | 2017                |
| <b>Interest Income</b>                               |                                |                     |                              |                     |
| Loans, including fees                                | \$ 2,505,906                   | \$ 2,136,396        | \$ 4,939,451                 | \$ 4,195,966        |
| Securities   |                                |                     |                              |                     |
| Taxable  | 260,858                        | 303,358             | 532,010                      | 608,559             |
| Non-Taxable  | 77,900                         | 94,849              | 163,064                      | 186,266             |
| Federal funds sold and other overnight investments   | 55,463                         | 21,620              | 119,388                      | 48,839              |
| Interest on deposits in other financial institutions | 16,043                         | 16,892              | 31,946                       | 33,598              |
| <b>Total Interest Income</b>                         | <b>\$ 2,916,170</b>            | <b>\$ 2,573,115</b> | <b>\$ 5,785,859</b>          | <b>\$ 5,073,228</b> |
| <b>Interest Expense</b>                              |                                |                     |                              |                     |
| Interest on other deposits                           | 145,770                        | 66,763              | 242,125                      | 123,845             |
| Interest on time deposits over \$100,000             | 7,941                          | 5,985               | 15,602                       | 12,242              |
| Other interest expense                               | 9,669                          | 2,984               | 21,698                       | 2,992               |
| <b>Total Interest Expense</b>                        | <b>\$ 163,380</b>              | <b>\$ 75,732</b>    | <b>\$ 279,425</b>            | <b>\$ 139,078</b>   |
| Net Interest Income                                  | 2,752,789                      | 2,497,383           | 5,506,434                    | 4,934,149           |
| <b>Provision for Loan Losses</b>                     | <b>275,000</b>                 | <b>70,000</b>       | <b>480,000</b>               | <b>125,000</b>      |
| Net Interest Income after Provision for Loan Losses  | 2,477,789                      | 2,427,383           | 5,026,434                    | 4,809,149           |
| <b>Non-interest Income</b>                           |                                |                     |                              |                     |
| Trust and investment management revenue              | 515,037                        | 463,409             | 986,856                      | 925,278             |
| Service charges on deposit accounts                  | 449,807                        | 450,677             | 878,744                      | 871,037             |
| Gain on sale of mortgage loans                       | 161,903                        | 104,631             | 283,243                      | 300,502             |
| Other income   | 154,513                        | 147,143             | 311,838                      | 287,457             |
| <b>Total Non-interest Income</b>                     | <b>\$ 1,281,260</b>            | <b>\$ 1,165,860</b> | <b>\$ 2,460,681</b>          | <b>\$ 2,384,273</b> |
| <b>Non-interest Expense</b>                          |                                |                     |                              |                     |
| Salaries   | 1,262,031                      | 1,055,359           | 2,534,398                    | 2,165,492           |
| Employee benefits                                    | 404,864                        | 546,636             | 849,419                      | 1,078,698           |
| Occupancy and equipment expense                      | 484,957                        | 482,682             | 1,023,339                    | 968,181             |
| Other expense  | 632,653                        | 554,340             | 1,135,922                    | 1,045,355           |
| <b>Total Non-interest Expense</b>                    | <b>\$ 2,784,505</b>            | <b>\$ 2,639,017</b> | <b>\$ 5,543,078</b>          | <b>\$ 5,257,726</b> |
| <b>Income Before Income Taxes</b>                    | <b>974,545</b>                 | <b>954,226</b>      | <b>1,944,038</b>             | <b>1,935,697</b>    |
| <b>Income Taxes</b>                                  | <b>168,459</b>                 | <b>261,227</b>      | <b>331,183</b>               | <b>527,977</b>      |
| <b>Net Income</b>                                    | <b>\$ 806,086</b>              | <b>\$ 692,999</b>   | <b>\$ 1,612,855</b>          | <b>\$ 1,407,719</b> |
| <b>Basic &amp; Diluted Earnings Per Share</b>        | <b>\$ 0.42</b>                 | <b>\$ 0.36</b>      | <b>\$ 0.84</b>               | <b>\$ 0.73</b>      |

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