

The logo for Century Financial Corporation features the word "CENTURY" in a large, bold, dark red serif font. The letters "Y" and "R" are connected. Below "CENTURY" is the word "FINANCIAL CORPORATION" in a smaller, dark red, all-caps sans-serif font. The text is centered on a light gray background with a subtle gradient. The entire logo is framed by two horizontal dark green lines. The background of the cover is a deep red with a repeating pattern of concentric hexagons. A large, curved, metallic silver band sweeps across the middle of the cover, behind the logo.

CENTURY

FINANCIAL CORPORATION

2014 Annual Report

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The Annual Meeting of the shareholders of Century Financial Corporation will be held March 17, 2015 at 4:00 p.m., at the Dearth Community Center, Garfield Road, Coldwater, Michigan.

Financial Highlights

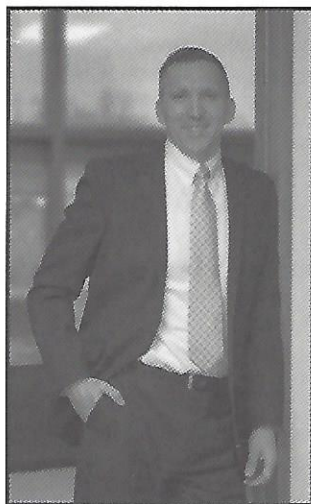
Century Financial Corporation

	2014	2013
<i>For the Year</i>		
Net Income	\$ 2,441,000	\$ 2,410,000
Cash Dividends	812,664	661,424
Return on Average Assets	0.90%	0.90%
Return on Average Equity	8.20%	8.46%
<i>At Year End</i>		
Assets	\$ 272,033,000	\$ 270,517,000
Deposits	236,342,000	238,660,000
Net Loans	167,590,000	149,005,000
Shareholders' Equity	31,207,000	28,318,000
<i>Per Share</i>		
Basic and Diluted Earnings	\$ 1.26	\$ 1.24
Cash Dividends	0.42	0.34
Book Value -- December 31	16.13	14.64

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 twelve banking offices located in Branch, St. Joseph and Hillsdale Counties in Michigan.

Message to Shareholders

Century Financial Corporation



My Fellow Shareholders,

It is my pleasure to announce that 2014 was another strong year for Century Financial Corporation and its subsidiary Century Bank and Trust. Our company earned \$2,441,000 or basic earnings per share of \$1.26 for the year. This exceeds 2013 results when net income of \$2,410,000 and earnings per share of \$1.24 were reported.

The 2014 performance represents a return on average assets (ROA) of 0.90% and a return on average equity (ROE) of 8.20%. For 2013 ROA was also 0.90% and ROE came in at 8.46%.

As always, there are a number of operation and lines of business items that contributed to achieving increased net income and earnings per share in 2014. However, as I have strongly expressed before...the vital element that continues to fuel our long-term success is the outstanding team of people that make up our company. I am honored to stand shoulder to shoulder with them and call them teammates. Please join me in sincerely thanking them for what they do each and every day to serve our customers and represent our bank.

For 2014 combined net interest and fee income totaled \$13,283,000. This compares to net operating revenue of \$13,327,000 in 2013. Century Bank and Trust's revenue mix for 2014 continued to be well diversified: 66% from net interest income and 34% from fee income.

Key contributors to revenue for the year were our Business Services, Trust and Investment Management and Deposit Services Groups. Throughout 2014, our commercial lenders expanded existing relationships and formed new ones as we served our local businesses' needs in the improving economic climate. Total commercial loans grew 12.67% over 2013 levels. The Trust and Investment Management Group continues its stalwart approach to helping clients. Through their balanced investment management advice and caring trust and estate planning services, this team again ended the year 2014 at another record revenue level – 9.17% higher than 2013 results. Consistent results from our Deposit Services area have been impressive throughout this historically low interest rate environment. They have diligently managed interest expense again in 2014 while maintaining our important core deposit relationships. In addition, they strive daily to provide customers with convenient access to their accounts and the latest technology – via products like debit cards, mobile banking and mobile deposit, just to name a few.

Century Bank and Trust's balance sheet continues to exhibit fortitude with strong capital and liquidity. Total assets ended the year at \$272,033,000, up from 2013 total assets of \$270,517,000. Though down slightly, deposits at 12-31-14 remained stable totaling \$236,342,000 compared to \$238,660,000 for year prior period. The net loan portfolio grew by 12.47% with asset quality measures and allowance for loan loss reserve remaining at sound levels.

The Board of Directors continues their persistent commitment to produce long-term shareholder value and return. Century Financial Corporation (CFC) paid an annual cash dividend in 2014 of \$0.42 per share – an \$0.08 increase over the 2013 payout of \$0.34 per share. As communicated to you on 9-22-14, the quarterly per share dividend was increased to \$0.11, which establishes a current annual payout rate at \$0.44 per share. The market share price of CFC stock (ticker symbol CYFL) was \$12.55 at 12-31-14 and \$12.35 at 12-31-13. Correspondingly, book value for the same time periods was \$16.13 and \$14.64.

As Century Bank and Trust moves into 2015, I am confident we do so in a position of strength and with positive momentum. We undoubtedly will continue to face the recognizable hurdles present in today's banking environment. However our team has never played victim to challenges. Our daily actions will continue to be the pursuit of customer centered opportunities that provide long-term success for the client and the bank. We do this with a keen eye on our core principles for success: grow and retain profitable business activity, maintain strong asset quality, manage operating expenses and implement efficiencies.

In conclusion, I once again thank each shareholder for your confidence, continued business as a customer and mindful referrals of friends, family and associates to Century Bank and Trust. Your commitment and continued support are what make Century Bank and Trust such an exceptional organization.

I look forward to reporting to you in 2015.

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 2014 recorded net income of \$2,441,000 resulting in basic earnings per share of \$1.26. In 2013, net income was \$2,410,000 with basic earnings per share of \$1.24. The long-standing focus on balanced contributions from both net interest income and non-interest or fee income was again a leading factor for the bank's increase in net income and earnings per share in 2014. Featured performance highlights are:

- Net interest income, before provision expense, for 2014 was \$8,772,000 compared to \$8,537,000 in 2013.
- Total fee income was less, however, remained strong considering the anticipated slowdown in residential mortgage activity. Fee income in 2014 was \$4,511,000 versus \$4,790,000 in 2013. The variance was solely attributable to reduced gain on sale of residential mortgage loans. All other components of the bank's fee income were up nicely over 2013 levels.
- Trust and Investment Management Services again reported record results in 2014. This key and consistent component of non-interest income produced revenue of \$1,714,000, an increase of 9.17% or \$144,000 when compared to 2013 results of \$1,570,000.
- Deposit Services continued solid management of interest expense while maintaining deposit levels. Total interest expense was reduced by \$112,000 or 28.74% from 2013 levels.
- The provision for loan loss expense for 2014 was \$160,000 compared to \$485,000 in 2013.
- An increased level of operating expense was a consistent trend throughout the year. Total non-interest expense was up 2.70% -- or \$257,000 when comparing 2014 and 2013. When adjusted for year-over variance in other real estate owned and securities sales expense items, core operating expense was up \$204,000 or 2.14%. Primary factors were planned technology and equipment investment and elevated occupancy cost driven by winter weather.

The 2014 results represent a return on average assets (ROA) of 0.90% and a return on equity (ROE) of 8.20%. This compares to ROA of 0.90% and ROE of 8.46% for 2013.

Balance Sheet and Loan Portfolio

Strong capital and liquidity remain key attributes of Century Bank and Trust's balance sheet. Total assets grew \$1,516,000, ending the year at \$272,000,000. Capital ratios at 12-31-14 were: Total capital/risk weighted assets – 17.9%, Tier 1 capital/risk weighted assets – 16.8% and Tier 1 capital/average assets – 12.2%. These capital measures soundly exceed levels for a bank to be considered "well capitalized" by regulatory agencies.

Diligent work by all lending teams led to growth in the loan portfolio of 11.62% or \$17,664,000. At 12-31-14 total loans were \$169,713,000 with an allowance for loan loss reserve of \$2,124,000 or 1.25% of the loan portfolio. At 12-31-13, loans totaled \$152,049,000 with an allowance for loan loss reserve of \$3,044,000 or 2.00% of the loan portfolio. The Business Service Group was the main contributor with commercial loans increasing \$12,960,000 or 12.67%. The collective growth in the bank's residential mortgage and consumer loan portfolios was \$4,704,000 or 9.46%. Century Bank and Trust continues to service our customer's residential mortgage loans that are sold to the secondary market. This off-balance sheet portfolio was \$101,402,000 at 12-31-14 and \$100,223,000 at 12-31-13.

Net charge offs in 2014, as a percentage of average loans, was 0.67%. Approximately \$634,000 of the portfolio loss experience for the year was the charge-down of loans that had long-established specific reserves associated with them in the Allowance for Loan Loss. This action was taken to position these situations for various credit management options. At December 2014 nonaccrual loans totaled \$3,211,000 and Other Real Estate Owned was \$381,000. At December 31, 2013, these balances were \$4,356,000 and \$460,000, respectively.

Report of Independent Auditors

Century Financial Corporation



Crowe HorwathTM

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, 2014 and 2013, 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, 2014 and 2013, 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 6, 2015

Crowe Horwath LLP

Consolidated Balance Sheets

Century Financial Corporation

	<i>December 31,</i>	
	<i>2014</i>	<i>2013</i>
Assets		
Cash and due from banks	\$ 8,557,178	\$ 8,255,630
Short term investments	17,390,000	24,040,000
Total cash and cash equivalents	25,947,178	32,295,630
Securities available for sale	48,381,641	56,937,472
Securities held to maturity (Fair value of \$11,045,680 in 2014 and \$11,844,676 in 2013)	11,021,853	12,057,738
Federal Home Loan Bank and Federal Agriculture Mortgage Corp. stock	533,853	611,553
Loans held for sale	208,427	256,288
Loans, net	167,589,677	149,005,193
Premises and equipment, net	5,326,096	5,618,792
Bank owned life insurance	7,852,680	7,624,398
Accrued interest receivable	838,828	857,230
Other assets	4,332,760	5,252,864
Total Assets	\$ 272,032,993	\$ 270,517,158
Liabilities		
Deposits		
Noninterest-bearing	\$ 44,261,084	\$ 48,078,081
Time deposits of \$100,000 or more	19,619,375	22,142,683
Other time deposits	17,841,984	19,554,114
Other interest-bearing deposits	154,620,011	148,884,954
Total deposits	236,342,454	238,659,832
Accrued interest payable	14,676	21,396
Other liabilities	4,468,517	3,517,887
Total Liabilities	240,825,647	242,199,115
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	1,934,757	1,934,757
Paid in capital	19,202,709	19,202,709
Retained earnings	12,680,949	11,052,872
Accumulated other comprehensive loss	(2,611,069)	(3,872,295)
Total Shareholders' Equity	31,207,346	28,318,043
Total Liabilities and Shareholders' Equity	\$ 272,032,993	\$ 270,517,158

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

Consolidated Statements of Income

Century Financial Corporation

	<i>Year Ended</i> <i>December 31,</i>	
	<i>2014</i>	<i>2013</i>
<i>Interest Income</i>		
Loans, including fees	\$ 7,444,260	\$ 7,157,969
Securities		
Taxable	1,235,225	1,410,694
Non-taxable	296,378	299,107
Short term investments	74,068	59,006
Total interest income	9,049,931	8,926,776
<i>Interest Expense</i>		
Deposits	277,760	389,706
Other borrowings	15	35
Total interest expense	277,775	389,741
<i>Net Interest Income</i>		
	8,772,156	8,537,035
Provision for loan losses	160,000	485,000
Net interest income after provision for loan losses	8,612,156	8,052,035
<i>Non-interest Income</i>		
Service charges on deposit accounts	1,649,783	1,595,252
Trust and investment management revenue	1,714,132	1,569,947
Gain on sale of mortgage loans	562,141	1,080,063
Other income	584,799	544,437
Total non-interest income	4,510,855	4,789,699
<i>Non-interest Expense</i>		
Salaries and employee benefits	5,430,638	5,485,341
Occupancy and equipment expense	2,106,838	1,929,500
Loss on sale of securities	2,197	15,614
Other	2,233,961	2,086,248
Total non-interest expense	9,773,634	9,516,703
<i>Income Before Income Taxes</i>		
	3,349,377	3,325,031
<i>Income Taxes</i>	908,636	915,013
<i>Net Income Available to Shareholders</i>	\$ 2,440,741	\$ 2,410,018
<i>Basic and Diluted Earnings Per Share</i>		
	\$ 1.26	\$ 1.24

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

Consolidated Statements of Comprehensive Income

Century Financial Corporation

Year ended December 31,

2014

2013

Net Income Available to Shareholders	\$	2,440,741	\$	2,410,018
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Other Comprehensive Income

Unrealized gains (losses) on securities				
Reclassification adjustment for net				
(gains)/losses on sales of securities (A)		2,197		15,614
Unrealized holding gain/(loss)		2,698,328		(3,628,229)
Tax effect (C)		(918,178)		1,228,289
Net of tax		1,782,347		(2,384,326)
Defined benefit pension plan				
Net gain /(loss)		(968,221)		779,290
Reclassification adjustment for realized				
pension (gains)/losses (B)		178,643		260,041
Tax effect (C)		268,457		(353,373)
Net of tax		(521,121)		685,958
Total other comprehensive income (loss)		1,261,226		(1,698,368)

Comprehensive Income	\$	3,701,967	\$	711,650
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(A) Included in the gain/(loss) on sale of securities

(B) Included in salaries and employee benefits

(C) Income taxes for 2014 and 2013 include benefits of \$61,486 and \$93,723 related to reclassification adjustments

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, 2013	\$ 1,963,660	\$ 19,540,051	\$ 9,304,278	\$ (2,173,927)	\$ 28,634,062
Net income	0	0	2,410,018	0	2,410,018
Other comprehensive loss	0	0	0	(1,698,368)	(1,698,368)
Cash dividends, \$.34 per share	0	0	(661,424)	0	(661,424)
Repurchase of shares	(28,903)	(337,342)	0	0	(366,245)
Balance, December 31, 2013	1,934,757	19,202,709	11,052,872	(3,872,295)	28,318,043
Net income	0	0	2,440,741	0	2,440,741
Other comprehensive income	0	0	0	1,261,226	1,261,226
Cash dividends, \$.42 per share	0	0	(812,664)	0	(812,664)
Balance, December 31, 2014	\$ 1,934,757	\$ 19,202,709	\$ 12,680,949	\$ (2,611,069)	\$ 31,207,346

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

Consolidated Statements of Cash Flows

Century Financial Corporation

	Year ended December 31,	
	2014	2013
Cash Flows from Operating Activities		
Net Income	\$ 2,440,741	\$ 2,410,018
Adjustments to Reconcile Net Income to Net Cash from Operating Activities		
Depreciation	530,648	543,335
Net (accretion)/amortization on securities	290,791	(58,761)
Provision for loan losses	160,000	485,000
Gain on sales of mortgage loans	(562,141)	(1,080,063)
Proceeds from sales of mortgage loans	15,349,514	34,176,819
Mortgage loans originated for sale	(14,739,510)	(31,952,104)
Loss on sales of securities	2,197	15,614
Loss/(gain) on sales of other real estate owned	19,846	(15,837)
Earnings on bank owned life insurance	(228,282)	(231,710)
Net Change in Assets and Liabilities		
Interest receivable	18,402	49,433
Interest payable	(6,720)	(18,184)
Other assets	196,582	(69,367)
Other liabilities	161,052	(183,564)
Net cash from operating activities	3,633,120	4,070,629
Cash Flows from Investing Activities		
Redemption of Federal Home Loan Bank stock	77,700	0
Purchases of securities available for sale	(5,500,000)	(33,120,000)
Proceeds from sales, calls and maturities of securities available for sale	16,542,803	26,088,764
Proceeds from calls, prepayment and maturities of securities held to maturity	1,829,450	1,260,421
Purchases of securities held to maturity	(873,000)	(5,438,000)
Net change in portfolio loans	(19,600,135)	(6,150,731)
Proceeds from sales of other real estate owned	909,604	641,431
Premises and equipment expenditures, net	(237,952)	(252,838)
Net cash from investing activities	(6,851,530)	(16,970,953)
Cash Flows from Financing Activities		
Net change in time deposits of \$100,000 or more	(2,523,308)	(7,274,183)
Net change in other deposits	205,930	13,347,733
Repurchase of stock	0	(366,245)
Cash dividends paid	(812,664)	(661,424)
Net cash from financing activities	(3,130,042)	5,045,881
Net Change in Cash and Cash Equivalents	(6,348,452)	(7,854,443)
Cash and cash equivalents at beginning of year	32,295,630	40,150,073
Cash and Cash Equivalents at End of Year	\$ 25,947,178	\$ 32,295,630
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for	2014	2013
Interest	\$ 284,495	\$ 407,925
Income taxes	571,300	989,000
Supplemental Disclosures of Non-Cash Financing and Investing Activities		
Transfers of loans to other real estate owned	\$ 855,651	\$ 456,000

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 6, 2015, 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.

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 three months or less upon acquisition. Overnight investments can be liquidated to cash within seven 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.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, determined based upon the contractual terms of the loan, 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.

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

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$218,000 and \$216,000 for the years ended December 31, 2014 and 2013. 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.

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 \$381,000 and \$460,000 of foreclosed assets at December 31, 2014 and 2013.

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 2014 or 2013.

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

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2014 and 2013.

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>
2014				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 34,762,863	\$ 9,281	\$ (637,735)	\$ 34,134,409
Corporate Securities	14,127,670	197,543	(77,981)	14,247,232
	<u>\$ 48,890,533</u>	<u>\$ 206,824</u>	<u>\$ (715,716)</u>	<u>\$ 48,381,641</u>
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
	<u>\$ 60,146,889</u>	<u>\$ 284,048</u>	<u>\$ (3,493,465)</u>	<u>\$ 56,937,472</u>

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

3. SECURITIES (continued)

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>
2014				
Obligations of states and political subdivisions	\$ 11,016,624	\$ 60,714	\$ (37,233)	\$ 11,040,105
Mortgage-backed securities, residential	5,229	346	0	5,575
Totals	\$ 11,021,853	\$ 61,060	\$ (37,233)	\$ 11,045,680

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

Securities with unrealized losses at year end 2014 and 2013, 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>
2014						
U.S. Treasury	\$ 1,498,325	\$ (1,675)	\$ 30,134,679	\$ (636,060)	\$ 31,633,004	\$ (637,735)
Obligations of states and political subdivisions	0	0	2,840,568	(37,233)	2,840,568	(37,233)
Corporate securities	1,720,355	(11,754)	3,779,765	(66,227)	5,500,120	(77,981)
Total temporarily impaired	\$ 3,218,680	\$ (13,429)	\$ 36,755,012	\$ (739,520)	\$ 39,973,692	\$ (752,949)

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)

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 2014 and 2013 were \$250,626 and \$754,681 resulting in gross losses of \$2,197 and \$15,614, respectively.

The fair value of debt securities and carrying amount, if different, at year end 2014 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	\$ 797,500	\$ 798,067	\$ 3,526,797	\$ 3,547,523
Due from one to five years	5,798,730	5,809,375	12,215,845	12,310,727
Due from five to ten years	1,084,000	1,084,000	18,643,467	18,305,102
Due after ten years	3,336,395	3,348,664	14,504,424	14,218,290
Mortgage-backed, residential	5,229	5,575	0	0
Totals	<u>\$ 11,021,853</u>	<u>\$ 11,045,680</u>	<u>\$ 48,890,533</u>	<u>\$ 48,381,641</u>

Securities pledged at year end 2014 and 2013 had a carrying amount \$8,003,028 and \$8,002,783 and were pledged to secure public deposits.

4. LOANS

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

	<i>2014</i>	<i>2013</i>
Commercial:		
Commercial real estate	\$ 68,829,458	\$ 62,233,373
Other	46,447,748	40,083,635
Residential real estate:		
One to four family	41,276,310	37,764,946
Home equity lines of credit	7,399,354	7,096,967
Consumer	5,760,433	4,869,885
Subtotal	<u>169,713,303</u>	<u>152,048,806</u>
Allowance for loan losses	<u>(2,123,627)</u>	<u>(3,043,613)</u>
Loans, net	<u>\$ 167,589,677</u>	<u>\$ 149,005,193</u>

At December 31, 2014 and 2013, certain officers and directors, and companies in which they are principal owners, were indebted to the Corporation in the aggregate of \$2,474,876 and \$2,293,919, 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>
2014					
Allowance for loan losses:					
Beginning balance	\$ 2,097,859	\$ 528,230	\$ 79,139	\$ 338,385	\$ 3,043,613
Provision for loan losses	(62,996)	184,516	24,375	14,105	160,000
Loans charged-off	(811,216)	(315,917)	(70,544)	0	(1,197,677)
Recoveries	60,248	20,747	36,696	0	117,691
Total ending balance	<u>\$ 1,283,895</u>	<u>\$ 417,576</u>	<u>\$ 69,665</u>	<u>\$ 352,490</u>	<u>\$ 2,123,627</u>

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	<u>\$ 2,097,859</u>	<u>\$ 528,230</u>	<u>\$ 79,139</u>	<u>\$ 338,385</u>	<u>\$ 3,043,613</u>

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>
2014					
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	\$ 370,000	\$ 0	\$ 0	\$ 0	\$ 370,000
Collectively evaluated for impairment	913,895	417,576	69,665	352,490	1,753,626
Total ending allowance balance	<u>\$ 1,283,895</u>	<u>\$ 417,576</u>	<u>\$ 69,665</u>	<u>\$ 352,490</u>	<u>\$ 2,123,626</u>
Loans:					
Individually evaluated for impairment	\$ 3,192,627	\$ 626,129	\$ 0	\$ 0	\$ 3,818,756
Collectively evaluated for impairment	112,084,579	48,049,535	5,760,433	0	165,894,547
Total ending loans balance	<u>\$ 115,277,206</u>	<u>\$ 48,675,664</u>	<u>\$ 5,760,433</u>	<u>\$ 0</u>	<u>\$ 169,713,303</u>

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	<u>\$ 2,097,859</u>	<u>\$ 528,230</u>	<u>\$ 79,139</u>	<u>\$ 338,385</u>	<u>\$ 3,043,613</u>
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	<u>\$ 102,317,008</u>	<u>\$ 44,861,913</u>	<u>\$ 4,869,885</u>	<u>\$ 0</u>	<u>\$ 152,048,806</u>

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>
2014						
With no related allowance recorded:						
Commercial:						
Commercial real estate	\$ 69,622	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other	48,451	12,900	0	17,150	0	0
Residential real estate	626,129	626,129	0	629,297	14,346	14,293
Consumer	0	0	0	0	0	0
Subtotal	744,202	639,029	0	646,447	14,346	14,293
With an allowance recorded:						
Commercial:						
Commercial real estate	4,144,708	3,141,227	361,656	3,966,603	9,503	11,351
Other	179,500	38,500	8,344	114,496	0	0
Residential real estate	0	0	0	0	0	0
Subtotal	4,324,208	3,179,727	370,000	4,081,099	9,503	11,351
Total	\$ 5,068,410	\$ 3,818,756	\$ 370,000	\$ 4,727,546	\$ 23,849	\$ 25,644

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	1,144,770	920,308	0	1,011,224	18,225	16,135
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	3,890,755	3,379,957	1,140,000	3,541,237	11,763	14,821
Total	\$ 5,035,525	\$ 4,300,265	\$ 1,140,000	\$ 4,552,461	\$ 29,988	\$ 30,956

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>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Commercial:				
Commercial real estate	\$ 2,187,922	\$ 3,057,500	\$ 0	\$ 0
Other	335,900	230,184	0	0
Residential real estate:				
One to four family	601,169	886,582	178,978	667,001
Home equity lines of credit	16,060	112,248	0	0
Consumer	69,785	69,872	95	774
Total	<u>\$ 3,210,836</u>	<u>\$ 4,356,386</u>	<u>\$ 179,073</u>	<u>\$ 667,775</u>

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

	<i>30 - 89 Days</i>		<i>Greater than 89 Days</i>		<i>Total Past Due</i>	<i>Loans Not Past Due</i>	<i>Total</i>
	<i>Past Due</i>		<i>Past Due</i>				
2014							
Commercial:							
Commercial real estate	\$ 1,634,237	\$ 2,187,922	\$ 3,822,159	\$ 65,007,299	\$ 68,829,458		
Other	444,478	12,900	457,378	45,990,370	46,447,748		
Residential real estate:							
One to four family	1,736,275	588,456	2,324,731	38,951,579	41,276,310		
Home equity lines of credit	71,784	4,802	76,586	7,322,768	7,399,354		
Consumer	57,601	55,395	112,996	5,647,437	5,760,433		
Total	<u>\$ 3,944,375</u>	<u>\$ 2,849,475</u>	<u>\$ 6,793,850</u>	<u>\$ 162,919,453</u>	<u>\$ 169,713,303</u>		

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>\$ 144,475,197</u>	<u>\$ 152,048,806</u>		

Troubled Debt Restructurings:

The Corporation has allocated \$270,000 and \$1,140,000 of specific reserve to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2014 and 2013. No additional amounts are committed to be lent to these borrowers.

During the years ended December 31, 2014 and 2013, 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 24 months to 36 months. Modifications involving an extension of the maturity date were for periods ranging from 13 months to 240 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>Pre-Modification</i>	<i>Post-Modification</i>
	<i>Number</i>	<i>Outstanding</i>	<i>Outstanding</i>
	<i>of Loans</i>	<i>Recorded</i>	<i>Recorded</i>
		<i>Investment</i>	<i>Investment</i>
2014			
Commercial:			
Commercial real estate	3	\$ 1,095,871	\$ 1,201,598
Other	1	24,361	25,516
Residential real estate:			
One to four family	1	5,636	8,268
Consumer	3	23,258	22,183
Total	8	\$ 1,149,126	\$ 1,257,565

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

The troubled debt restructurings described above did not increase the allowance for loan losses in the years 2014 and 2013. The restructurings did not result in charge offs during 2014; 2013 restructurings resulted in charge offs of \$460,112. 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 2014 or 2013 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. These loans are monitored for credit quality based primarily on payment performance.

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>
2014					
Commercial:					
Commercial real estate	\$ 63,384,637	\$ 1,238,181	\$ 2,018,718	\$ 2,187,922	\$ 0
Other	43,563,247	2,348,878	184,723	350,900	0
Residential real estate					
One to four family	0	0	0	0	41,276,310
Home equity lines of credit	0	0	0	0	7,399,354
Consumer	0	0	0	0	5,760,433
Total	\$ 106,947,884	\$ 3,587,059	\$ 2,203,441	\$ 2,538,822	\$ 54,436,097
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	\$ 92,339,402	\$ 3,804,501	\$ 2,845,535	\$ 3,972,810	\$ 49,086,558

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, and management makes adjustments to appraised values based on market conditions. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

5. FAIR VALUE (continued)

for determining fair value. Non-real estate collateral may be valued using an appraisal, 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, and management makes adjustments to appraised values based on market conditions. 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 2014 or 2013 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>
2014			
Assets:			
Available for sale securities			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 0	\$ 34,134,409	\$ 0
Corporate Securities	0	14,247,232	0
Total Securities	\$ 0	\$ 48,381,641	\$ 0
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

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>
2014			
Assets:			
Impaired loans:			
Commercial:			
Commercial real estate	\$ 0	\$ 0	\$ 2,779,571
Other	0	0	30,156
Residential real estate	0	0	0
Total	\$ 0	\$ 0	\$ 2,809,727
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

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 \$3,179,727, before a valuation allowance of \$370,000 at year-end 2014, resulting in no significant provision for loan losses for 2014. At December 31, 2013 impaired loans had a recorded investment of \$3,379,957, before a valuation allowance of \$1,140,000, resulting in a provision for loan losses of \$51,000 for the year ending December 31, 2013.

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 tables present 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:

	<i>Fair Value</i>	<i>Valuation Technique(s)</i>	<i>Unobservable Input</i>	<i>Discount Rate (Range and Average)</i>
2014				
Impaired loans:				
Commercial:				
Commercial real estate	\$ 2,779,571	Sales comparison	Management discount for property type and recent market volatility	10%
2013				
Impaired loans:				
Commercial:				
Commercial real estate	\$ 1,857,400	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:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 25,947	\$ 25,947	\$ 32,296	\$ 32,296
Securities held to maturity	11,022	11,046	12,058	11,845
Loans held for sale	208	208	256	256
Loans, net	167,590	168,914	149,005	148,379
FHLB and FAMC stock	534	N/A	612	N/A
Accrued interest receivable	839	839	857	857
Financial liabilities				
Deposits	\$ 236,342	\$ 236,253	\$ 238,660	\$ 238,720
Accrued interest payable	15	15	21	21

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:

	2014	2013
Land	\$ 1,385,439	\$ 1,385,439
Buildings	8,146,176	8,142,183
Furniture, fixtures and equipment	4,889,193	6,050,241
Total cost	14,420,809	15,577,863
Less accumulated depreciation	(9,094,713)	(9,959,071)
Total	\$ 5,326,096	\$ 5,618,792

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:

	2014	2013
Mortgage loan portfolios serviced for:		
FHLMC	\$ 81,158,290	\$ 83,119,510
FHLBI	20,243,452	17,103,241

Custodial escrow balances maintained in connection with serviced loans were \$273,371 and \$142,523 at December 31, 2014 and 2013, respectively.

Activity for loan servicing rights follows:

	2014	2013
Servicing rights		
Beginning of year	\$ 563,157	\$ 455,376
Additions	160,158	323,493
Amortized to expense	(219,067)	(215,712)
End of year	\$ 504,248	\$ 563,157

The fair value of servicing rights at year-end 2014 and 2013 were approximately \$1,086,000 and \$1,141,000.

Notes to Consolidated Financial Statements (continued)

Century Financial Corporation

8. DEPOSITS

At December 31, 2014, scheduled maturities of time deposits were as follows:

2015	\$ 26,076,460
2016	8,714,201
2017	2,648,092
2018	21,277
2019 and later	1,329
Total	<u>\$ 37,461,359</u>

Related party deposits totaled \$3,854,945 and \$4,151,595 at December 31, 2014 and 2013, respectively.

Time deposits that meet or exceed the FDIC Insurance limit of \$250,000 at year-end 2014 and 2013 were \$10,129,569 and \$8,905,174, respectively.

9. INCOME TAX

Income tax expense (benefit) consists of:

	2014	2013
Current liability	\$ 466,279	\$ 647,701
Deferred (benefit) liability	442,357	267,312
Total income tax expense (benefit)	<u>\$ 908,636</u>	<u>\$ 915,013</u>

Deferred tax assets and liabilities at December 31 consist of:

	2014	2013
Deferred tax assets		
Allowance for loan losses	\$ 670,712	\$ 981,874
Deferred compensation	5,068	5,063
Nonaccrual loans	198,537	296,539
Pension liability	1,172,074	903,617
Unrealized loss on securities available for sale	172,972	1,091,202
Capital loss carry-forward	101,754	104,361
Accrued liabilities	42,500	120,700
Other	12,053	14,852
Total deferred tax assets	<u>2,375,670</u>	<u>3,518,208</u>
Deferred tax liabilities		
Deferred loan fees/costs	(129,454)	(113,692)
Depreciation	(203,943)	(241,678)
Mortgage servicing rights	(171,444)	(191,473)
Pension expense	(404,839)	(410,480)
Unrealized gain on securities available for sale	0	0
Other	(46,518)	(46,676)
Total deferred tax liabilities	<u>(956,198)</u>	<u>(1,003,999)</u>
Net deferred tax assets	1,419,472	2,514,209
Valuation allowance	(101,754)	(104,361)
Total deferred tax assets	<u>\$ 1,317,718</u>	<u>\$ 2,409,848</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. If unused, the capital loss carry-forward will expire in 2015.

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:

	2014	2013
Statutory rate applied to income before taxes	\$ 1,138,788	\$ 1,130,511
Add (deduct):		
Non-taxable income	(155,294)	(142,756)
Bank owned life insurance	(77,617)	(78,781)
Other	2,759	6,039
Total income tax expense (benefit)	\$ 908,636	\$ 915,013

There were no unrecognized tax benefits at December 31, 2014, 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 2011.

No amounts of interest, penalties, and/or accruals were recorded during or for the years ended December 31, 2014 and 2013.

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:

	2014	2013
Basic earnings per share		
Net income available to common shareholders	\$ 2,440,741	\$ 2,410,018
Weighted average common shares outstanding	1,934,757	1,945,583
Basic earnings per share	\$1.26	\$1.24

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:

	2014	2013
Projected benefit obligation	\$ 7,322,054	\$ 6,301,006
Fair value of plan assets	5,097,875	4,882,996
Unfunded status	\$ (2,224,179)	\$ (1,418,010)
Accrued benefit cost	\$ 2,224,179	\$ 1,418,010
Accumulated benefit obligation	7,322,054	6,301,006
Employer contribution	157,229	427,862
Benefits paid	337,544	315,087

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:

	2014	2013
Service cost	\$ 32,916	\$ 10
Interest cost	275,415	247,613
Expected return on plan assets	(313,154)	(243,111)
Amortization of net loss	178,643	260,041
Net periodic benefit cost	173,820	264,543
Net actuarial (gain) loss	968,221	(779,290)
Amortization of prior service cost	(178,643)	(260,041)
Total recognized in other comprehensive income	789,578	(1,039,331)
Total recognized in net periodic benefit cost and other comprehensive income	\$ 963,398	\$ (774,788)

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

Discount rate	3.75%	4.50%
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Weighted average assumptions used to determine net cost:

Discount rate	4.50%	3.75%
Expected rate of return on plan assets	6.50%	6.50%

Amounts recognized in accumulated other comprehensive loss, before taxes, consisted of a net loss of \$3,447,275 and \$2,657,697 at December 31, 2014 and 2013, 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, 2015 is \$240,000.

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 2015, allocations at year-end 2014 and 2013, and weighted average rate of return by asset class are as follows:

	Target Allocation	Percentage of Plan Assets at Year-End		Weighted Average Rate of Return
	2015	2014	2013	2014
Equity securities	55%	63%	62%	10.51%
Debt securities	40%	36%	36%	4.16%
Cash and other	5%	1%	3%	0.13%
Total		100%	100%	8.17%

The Bank is required to contribute approximately \$8,000 to its pension plan in 2015. However, the Bank reserves the right to make contributions to the plan.

The following benefit payments are expected to be paid:

2015	\$343,697
2016	306,153
2017	318,893
2018	344,690
2019	333,848
2020 - 2024	1,983,510

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, 2014 Using:			at December 31, 2013 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	\$ 68,410	\$ 0	\$ 0	\$ 128,611	\$ 0	\$ 0
Equity securities						
U.S. large cap	2,371,548	0	0	2,181,557	0	0
U.S. mid cap	187,426	0	0	167,550	0	0
U.S. small cap	167,455	0	0	168,833	0	0
Preferred stock	153,964	0	0	135,337	0	0
International (developed)	161,381	0	0	206,143	0	0
International (emerging)	118,446	0	0	98,502	0	0
Debt securities						
U.S. government obligations	0	315,256	0	0	321,340	0
Certificates of deposit	0	473,261	0	0	458,583	0
Investment grade corporate bonds	673,157	0	0	653,680	0	0
High yield bonds	350,353	0	0	304,460	0	0
Specialty						
Precious Metals	57,200	0	0	58,400	0	0
Total plan assets	\$ 4,309,358	\$ 788,517	\$ 0	\$ 4,103,073	\$ 779,923	\$ 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 \$156,630 for 2014 and \$131,828 for 2013.

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 \$31,822,000 and \$29,235,000 at December 31, 2014 and 2013, respectively. Commitments under letters of credit were \$1,597,000 and \$1,868,000 at December 31, 2014 and 2013, 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 2014.

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, 2014 and 2013, 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.

Capital ratio minimums that are prescribed by the prompt corrective action regulations are as follows:

	<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>
2014						
Total capital (to risk weighted assets)	\$ 35,855	17.9%	\$ 16,022	8.0%	\$ 20,028	10.0%
Tier 1 capital (to risk weighted assets)	33,731	16.8%	8,011	4.0%	12,017	6.0%
Tier 1 capital (to average assets)	33,731	12.2%	11,066	4.0%	13,832	5.0%
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%

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

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

Donna M. Hobday
Vice President

Ginger J. Kesler
Vice President

Ronald H. Uhl
Vice President

David L. Wright
Vice President

Alicia K. Cole
*Assistant Vice President &
Trust Officer*

Corey L. Collins
*Assistant Vice President & Deposit
Services Officer*

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

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

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

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

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

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

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

Donna L. Penick
Auditor

Katherine L. Sexton-Deck
Controller

W. Samuel Davenport III
Loan Officer

Rebecca R. Duke
Marketing Director

Heather E. Eldridge
Trust Operations Officer

Tracy A. Richer
Trust Officer

AnnMarie L. Sanders
Commercial Loan Officer

Erik L. Schaeffer
Trust Officer

Kathy A. Tomson
Mortgage Loan Officer

Century Financial Corporation

Eric H. Beckhusen
Chairman & CEO

Eric J. Wynes
President

Office and ATM Locations

Century Financial Corporation

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

Coldwater Auto Bank 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

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
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Bronson, Michigan

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Reading Office
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