

## To Our Shareholders

Mid-year greetings fellow shareholders. It is my pleasure to report second-quarter results for Century Financial Corporation and its subsidiary Century Bank and Trust.

For the six months ending June 30, 2014, Century Bank and Trust reported net income of \$1,103,000 or earnings per share of \$0.57. This compares to net income of \$1,422,000 or earnings per share of \$0.73 for the same period ending June 30, 2013.

The bank's second quarter results for the three months ended June 30th are as follows:

- 2014 – net income of \$638,000 and earnings per share of \$0.33.
- 2013 – net income of \$729,000 and earnings per share of \$0.37.

For the six months ending June 30, 2014, the return on average equity was 7.47% and the return on average assets was 0.83%. At June 30, 2013, return on average equity was 10.03% and return on average assets was 1.09%.

### Balance Sheet

The bank had total assets of \$269,000,000 at June 30, 2014, compared to \$263,000,000 at June 30, 2013.

Total loans were \$163,388,000 at June 30, 2014 and \$151,646,000 at June 30, 2013. Year over the loan portfolio has seen growth of \$11,742,000 or 7.74%. Total loans at 12-31-13 were \$152,049,000.

The allowance for loan loss, as a percentage of loans, at June 30, 2014 and June 30, 2013, was 1.77% and 1.85%, respectively. A provision for loan loss expense of \$30,000 was made in the second quarter, compared to a \$100,000 expense in the second quarter of 2013.

The bank's capital position continues to be very strong. At June 30, 2014, shareholder's equity totaled \$30,276,000 compared to \$28,800,000 at June 20, 2013. At June 30, 2014, key capital ratios were: risk-based capital – 18.17%; tier one capital – 16.92% and leverage ratio 12.03%.

### Income Statement

Net interest income for the six months ending June 30, 2014 was \$4,340,000 compared to \$4,232,000 for the same period ending June 30, 2013.

The bank's non-interest income totaled \$2,079,000 for the six months ended June 30, 2014. For the same period in 2013, \$2,428,000 was recognized. The decrease in non-interest income is attributable to the expected significant reduction in residential mortgage refinancing activity. All other categories of the bank's non-interest income are up when comparing mid-year 2014 and 2013.

Year over comparison of total revenue components as of mid-year:

- Interest income - \$50,000 increase
- Interest expense - \$57,000 decrease
- Trust and Investment Management revenue - \$50,000 increase
- Service Charge and other non-interest income - \$38,000 increase
- Gain on sale of mortgage loans - \$436,000 decrease

Non-interest expense for the six months ended June 30, 2014 was \$4,891,000, an increase of \$330,000 from the June 30, 2013 amount of \$4,561,000. As reported at March 31, 2014, planned investments in technology and equipment along with elevated occupancy expense associated with the 2014 winter months are the main contributors to this variance. In aggregate, these categories are approximately \$213,000 higher when comparing June 30, 2014 to June 30, 2013.

As we close mid-year and begin executing on the second-half of 2014, it is with enthusiasm and confidence in our core strategy. Our teams remain focused on serving and growing our customer relationships in ways that drive long-term profitability while mindfully managing risk and expenses.

In closing, I again thank shareholders for your support and loyalty, your business as customers, and your continued referrals of friends, family and associates to Century Bank and Trust.



Eric H. Beckhusen  
Chairman & CEO

## Directors & Officers

### Century Financial Corporation Directors

Eric H. Beckhusen <i>Chairman &amp; CEO, Century Bank and Trust</i>	Caroline P. Lowe <i>Certified Public Accountant</i>
Robert P. Brothers <i>Attorney-at-Law</i>	Kelly B. Murphy <i>President, Murphy Oil Co., Inc.</i>
Bruce S.A. Gosling <i>Certified Public Accountant, Norman and Paulsen, P.C.</i>	Robert W. Shedd <i>Northshore Asset Mgt.</i>
John D. Hutchinson <i>Attorney-at-Law</i>	Stanley R. Welch <i>Chairman of the Board, Bronson Plating Co.</i>
Thomas G. Kramer <i>Executive Director, ADAPT, Incorporated</i>	Eric J. Wynes <i>President, Century Bank and Trust</i>

### Century Bank and Trust Officers

Eric H. Beckhusen <i>Chairman &amp; CEO</i>	Jared E. Hoffmaster <i>Assistant Vice President &amp; Investment Officer</i>
Eric J. Wynes <i>President</i>	Jeffrey S. Holbrook <i>Assistant Vice President &amp; Commercial Loan Officer</i>
Dylan M. Foster <i>Senior Vice President</i>	Barry R. Miller <i>Assistant Vice President &amp; Mortgage Loan Officer</i>
Gaylene S. Adams <i>Vice President</i>	Vicki R. Morris <i>Assistant Vice President &amp; Mortgage Loan Officer</i>
Julie A. Andrews <i>Vice President &amp; Senior Trust Officer</i>	Andrea J. Strong <i>Assistant Vice President &amp; Teller Operations Officer</i>
Jessica A. Handy-Drewek <i>Vice President &amp; Commercial Loan Officer</i>	Adam M. Wright <i>Assistant Vice President &amp; Commercial Loan Officer</i>
Donna M. Hobday <i>Vice President</i>	Donna L. Penick <i>Auditor</i>
Ginger J. Kesler <i>Vice President</i>	Katherine L. Sexton-Deck <i>Controller</i>
Ronald H. Uhl <i>Vice President</i>	W. Samuel Davenport III <i>Loan Officer</i>
David L. Wright <i>Vice President</i>	Rebecca R. Duke <i>Marketing Director</i>
Alicia K. Cole <i>Assistant Vice President &amp; Trust Officer</i>	Heather E. Eldridge <i>Trust Operations Officer</i>
Corey L. Collins <i>Assistant Vice President &amp; Deposit Services Officer</i>	AnnMarie L. Sanders <i>Commercial Loan Officer</i>
Michael D. Eddy <i>Assistant Vice President &amp; Mortgage Loan Officer</i>	Kathy A. Tomson <i>Mortgage Loan Officer</i>



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Second Quarter  
Report to Shareholders  
June 30, 2014

Bronson • Coldwater • Nottawa  
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Three Rivers

### Consolidated Balance Sheet

	June 30,	
	2014	2013
<b>Assets</b>		
Cash and due from banks	\$ 5,284,210	\$ 10,366,379
Short term investments	500,000	1,510,000
Investment securities available for sale	50,084,530	62,347,861
Investment securities (market value of \$11,259,170 in 2014 and \$12,506,783 in 2013) held to maturity	11,727,252	13,284,707
Federal funds sold and other overnight investments	24,074,000	9,984,000
Loans	163,387,746	151,645,793
Less: Allowance for loan loss	(2,888,276)	(2,813,116)
Loans, Net	160,499,470	148,832,677
Bank premises and equipment, net	5,472,434	5,746,401
Bank owned life insurance	7,737,580	7,508,018
Accrued interest receivable and other assets	3,575,570	3,491,707
<b>Total Assets</b>	<b>\$ 268,955,045</b>	<b>\$ 263,071,750</b>
<b>Liabilities</b>		
Deposits		
Non-interest bearing	\$ 46,488,493	\$ 45,600,353
Interest bearing	189,640,686	185,865,611
<b>Total Deposits</b>	<b>236,129,179</b>	<b>231,465,964</b>
Accrued interest payable and other liabilities	2,549,761	2,805,315
Long-term borrowings	0	0
<b>Total Liabilities</b>	<b>\$ 238,678,940</b>	<b>\$ 234,271,279</b>
<b>Shareholders' Equity</b>		
Common stock - \$1 par value;		
Shares authorized: 3,000,000 in 2014 and 2013;		
issued and outstanding: 1,934,757 in 2014		
and 1,939,260 in 2013	\$ 1,934,757	\$ 1,939,260
Paid in capital	19,202,709	19,258,101
Retained earnings	11,768,955	10,413,330
Accumulated other comprehensive loss	(2,630,316)	(2,810,218)
<b>Total Shareholders' Equity</b>	<b>\$ 30,276,105</b>	<b>\$ 28,800,473</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>\$ 268,955,045</b>	<b>\$ 263,071,752</b>
<b>Book Value Per Share</b>	<b>\$ 15.65</b>	<b>\$ 14.85</b>

### Consolidated Statement of Income

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
<b>Interest Income</b>				
Loans, including fees	\$ 1,867,542	\$ 1,821,165	\$ 3,647,557	\$ 3,550,010
Securities				
Taxable	317,147	373,944	656,065	711,178
Non-Taxable	73,281	79,618	151,533	148,194
Federal funds sold and other overnight investments	13,664	7,095	27,445	21,921
Short term investments	4,371	5,364	9,300	10,429
<b>Total Interest Income</b>	<b>\$ 2,276,005</b>	<b>\$ 2,287,186</b>	<b>\$ 4,491,900</b>	<b>\$ 4,441,732</b>
<b>Interest Expense</b>				
Interest on other deposits	54,928	66,749	118,158	141,135
Interest on time deposits over \$100,000	17,223	30,005	34,081	68,275
Other interest expense	3	24	7	28
<b>Total Interest Expense</b>	<b>\$ 72,155</b>	<b>\$ 96,778</b>	<b>\$ 152,247</b>	<b>\$ 209,438</b>
Net Interest Income	2,203,850	2,190,408	4,339,653	4,232,294
<b>Provision for Loan Losses</b>	<b>30,000</b>	<b>100,000</b>	<b>30,000</b>	<b>100,000</b>
Net Interest Income after Provision for Loan Losses	2,173,850	2,090,408	4,309,653	4,132,294
<b>Non-interest Income</b>				
Trust and investment management revenue	404,717	377,479	802,375	752,713
Service charges on deposit accounts	413,780	405,210	785,526	772,801
Gain on sale of mortgage loans	118,105	335,365	213,921	650,525
Other income	144,090	114,928	277,358	252,399
<b>Total Non-interest Income</b>	<b>\$ 1,080,692</b>	<b>\$ 1,232,982</b>	<b>\$ 2,079,180</b>	<b>\$ 2,428,438</b>
<b>Non-interest Expense</b>				
Salaries	858,245	917,219	1,794,951	1,784,389
Employee benefits	432,459	439,992	908,441	892,621
Occupancy and equipment expense	508,740	515,942	1,109,341	970,289
Other expense	571,644	425,851	1,078,133	914,106
<b>Total Non-interest Expense</b>	<b>\$ 2,371,088</b>	<b>\$ 2,299,004</b>	<b>\$ 4,890,866</b>	<b>\$ 4,561,405</b>
<b>Income Before Income Taxes</b>	<b>883,454</b>	<b>1,024,386</b>	<b>1,497,967</b>	<b>1,999,327</b>
<b>Income Taxes</b>	<b>245,653</b>	<b>295,799</b>	<b>394,803</b>	<b>577,074</b>
<b>Net Income</b>	<b>\$ 637,801</b>	<b>\$ 728,587</b>	<b>\$ 1,103,164</b>	<b>\$ 1,422,253</b>
<b>Basic &amp; Diluted Earnings Per Share</b>	<b>\$ 0.33</b>	<b>\$ 0.37</b>	<b>\$ 0.57</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.