

Shareholder Report

First Quarter | **2018**



CENTRIC FINANCIAL CORPORATION



MAY 30, 2018

Dear Shareholders and Friends:

Optimism is contagious, and we are excited to see firsthand the economic impact of small business confidence in our markets.

I am pleased to present the first quarter 2018 financial report for Centric Financial Corporation, the holding company of Centric Bank. *Financing New Frontiers* is our banner for a new decade of distinction, and our double-digit growth in both loans and deposits is a strong indicator of rational exuberance.



Patricia A. Husic
President & CEO

The Small Business Optimism Index sustained record-high levels at 104.7 in March, according to the National Federation of Independent Business Small Business Economic Trends Survey. "The optimism small businesses owners have about the economy is turning into new job creation, increased wages and benefits, and investment," said NFIB President and CEO Juanita Duggan.

Our team responded to this surge in optimism and job creation with an increase in loans outstanding by \$52 million in the first quarter. As entrepreneurs sense a window of opportunity to bring their ideas to market, we're meeting the demand to finance their new frontiers.

We reported unaudited results for the first three months of 2018 of \$1.6 million in net income after taxes, a 107.2% increase or \$838,000 over the same period 2017. Our net interest income increased 19.8% to \$5.5 million for the three months of 2018. Net interest margin expanded from 3.96% to 4.03% year-to-date, and the efficiency ratio improved to 62.07% year-to-date, an improvement of 5.96% over the same period for 2017.

Earnings per share for the three months ended March 31, 2018, was \$.25, an increase of \$.13 per share over the first quarter of 2017. Return on average assets increased to 1.14%, an increase of 0.65% from the same period prior year; and return on average equity increased from 8.21% to 15.28%, a significant improvement over the same period 2017.

Total assets were \$611 million at March 31, 2018, reflecting an increase of \$101 million from the same period 2017. Total gross

loans outstanding grew \$100 million to \$548 million, an increase of 22% from the same period prior year. Loan growth was driven by an increase in commercial loans of \$47 million, or 45%; and commercial real estate loans increased by \$50 million, or 17% from March 31, 2017. Total deposits were \$523 million at March 31, 2018, an increase of \$94 million, or 22% over the same period end 2017. Non-interest bearing deposits are 14.4% of total deposits at March 31, 2018, and have grown by \$16 million from the same period in 2017.

Provision for loan losses totaled \$435,000 for the first three months of 2018, consistent with the same period last year. Our allowance for loans losses adequately reflect the risks inherent in our portfolio. As the loan growth continued to increase, asset quality improved and remains pristine. Non-performing assets as a percentage of total assets was 0.41% at March 31, 2018, a slight increase from the 0.40% at March 31, 2017.

Non-interest income, which is primarily driven by the sales of the guaranteed portion of the SBA 7(a) loans, increased by \$538,000. As compared to the period ending March 31, 2017, the first quarter of 2018 was more robust and off to a solid start in 2018. Sales of residential mortgages of \$5.8 million in the first quarter resulted in gains on sales of mortgages of \$125,000.

Non-interest expense increased by \$551,000 over the first quarter of 2017 and was a result of hiring of human capital, increased occupancy and data processing expenses. These expenses contributed to 18.9% of the increases.

Our team is privileged to champion the financing needs of small business—the job creators in our community. We remain intentional and disciplined in executing our strategic plan and delivering results to you, our shareholders. Working together to expand our horizons, we earn our independence daily and are grateful for the opportunity to be good stewards of your investments. As we grow and serve our business communities, we are guided by our brand promise: *We Revolve Around You.*

Sincerely,

Patricia A. Husic
President & CEO

FINANCIAL HIGHLIGHTS (UNAUDITED)

Consolidated Balance Sheet

(Dollars in thousands)

	At Period End		
	Mar 31, 2018	Dec 31, 2017	Mar 31, 2017
Assets			
Cash and cash equivalents	\$ 33,863	\$ 31,323	\$ 30,381
Other investments	14,890	15,203	17,353
Loans, net of allowance for loan and lease losses	541,974	490,706	442,874
Premises and equipment	6,650	6,738	6,687
Accrued interest receivable	1,496	1,506	1,150
Other assets	11,726	10,310	11,683
Total Assets	\$ 610,599	\$ 555,786	\$ 510,128
Liabilities			
Deposits – Noninterest-bearing	75,546	71,238	59,270
Deposits – Interest-bearing	447,847	413,596	369,663
Total deposits	523,393	484,834	428,933
Short-term borrowings	14,000	5,500	22,000
Long-term debt	27,607	21,670	18,642
Accrued interest payable	479	233	145
Other liabilities	1,876	1,984	1,899
Total Liabilities	567,355	514,221	471,619
Total Shareholders' Equity	43,244	41,565	38,509
Total Liabilities and Shareholders' Equity	\$ 610,599	\$ 555,786	\$ 510,128

Consolidated Statement of Income

(Dollars in thousands)

	Three months ended		
	Mar 31, 2018	Dec 31, 2017	Mar 31, 2017
Interest income			
Interest and dividends on securities	\$ 134	\$ 127	\$ 127
Interest and fees on loans	6,545	6,288	5,202
Other	85	62	29
Total interest income	6,764	6,477	5,358
Interest expense			
Interest on deposits	1,037	878	653
Interest on borrowings	265	244	146
Total interest expense	1,302	1,122	799
Net interest income	5,462	5,355	4,559
Provision for loan losses	435	320	435
Net interest income after provision expense	5,027	5,035	4,124
Noninterest income	1,096	949	558
Noninterest expense	4,092	3,933	3,540
Income before taxes	2,031	2,051	1,142
Income tax expense	412	1,475	361
Net income available to common shareholders	\$ 1,619	\$ 576	\$ 781

Per Share Data

Net income – basic (period to date)	\$ 0.25	\$ 0.09	\$ 0.12
Book value (at period end)	\$ 6.76	\$ 6.51	\$ 6.07
Tangible book value (at period end)	\$ 6.68	\$ 6.44	\$ 5.99
Close price (at period end)	\$ 9.10	\$ 8.60	\$ 8.25
Close price/book value ratio	134.6%	132.1%	135.9%
Average shares outstanding – basic (period to date)	6,376,017	6,362,955	6,348,640

Financial Ratios

Shareholders' equity/asset ratio	7.08%	7.48%	7.55%
Return on average assets (period to date)	1.14%	0.43%	0.65%
Return on average equity (period to date)	15.28%	5.55%	8.21%
Net charge-offs/average loans (period to date)	0.06%	0.01%	0.06%
Nonperforming assets/total assets	0.41%	0.46%	0.40%
Allowance for loan & lease losses as a percentage of loans	1.14%	1.19%	1.09%
Allowance for loan & lease losses/nonaccrual loans	444.54%	430.73%	716.41%

MARKET MAKERS

Centric Financial Corporation
common stock is traded as
OTC Pink: CFCX.

Boenning & Scattergood, Inc.
4 Tower Bridge
200 Bar Harbor Drive, Suite 300
West Conshohocken, PA 19428

Wedbush Securities, Inc.
One SW Columbia Street,
Suite 1000
Portland, OR 97258

Monroe Financial Partners, Inc.
100 North Riverside Plaza,
Suite 1620
Chicago, IL 60606

TRANSFER AGENT

AST Financial

ATTN: Centric Financial Corporation
6201 15th Avenue, Brooklyn, NY 11219
800-937-5449 | info@amstock.com

BOARD OF DIRECTORS

Donald E. Enders, Jr.

Chairman of the Board, President, Colonial Park Realty Company,
Enders Insurance Associates

John A. Maher, CPA

Vice Chairman of the Board, Member, Pennsylvania House of
Representatives

Patricia A. Husic

President & Chief Executive Officer, Centric Financial Corporation
and Centric Bank

Kerry A. Pae

Secretary of the Board, President & Owner, Kerry Pae Auctioneers, Inc.

Frank A. Conte, CLU, ChFC

Managing Partner, Conte Wealth Advisors

Steven P. Dayton

Business Development, RVG Management & Development Company

Thomas H. Flowers, CPA

Partner, Flowers & Flowers, CPAs

Amrish Gupta, MD, FACP

President, Medical Associates of Northern Virginia

Nicole S. Kaylor

Of Counsel, McNeese Wallace & Nurick LLC

Jeffrey W. Keiser, DDS

Partner & President, Forest Hills Dental Associates, PC

Fred M. Essis

Director Emeritus, President & Chief Executive Officer,
Essis & Sons Carpet One

EXECUTIVE OFFICERS

Patricia A. Husic

President & Chief Executive Officer

Jeffrey W. Myers

Senior Executive Vice President & Chief Lending Officer,
Asst. Secretary

Sandra J. Schultz

Executive Vice President & Chief Financial Officer, Treasurer

Terrence M. Monteverde

Executive Vice President & Chief Credit Officer

Clair M. Finkenbinder III

Executive Vice President, Chief Information Officer & Director of
Operations

Leslie A. Meck

Senior Vice President & Chief Retail Officer

SENIOR LEADERSHIP TEAM

Donald J. Bonafede

Senior Vice President, Senior Commercial Lender

Dragan Dodik

Senior Vice President, Market Leader, Lancaster

Michele E. Light

Senior Vice President, Market Leader, Suburban Philadelphia

Shane E. McNaughton

Senior Vice President, Management Information Systems

Christine Pavlakovich, SHRM-SCP

Senior Vice President, Director of Human Resources

Michael J. Watson

Senior Vice President, Senior Commercial Lender

Paul B. Zwally

Senior Vice President, Director of Mortgage Services
& Commercial Lender