

# Shareholder Report

Second Quarter || 2019

Q2



CENTRIC FINANCIAL CORPORATION



**AUGUST 15, 2019**

Dear Shareholders and Friends:

We are pleased to report our financial results for the second quarter of 2019. Unlocking capacity and potential for small and women-owned businesses remains a core driver and is resulting in stronger lending relationships, an expanded Chester County footprint, and a boost in customer confidence.

For the six months ended June 30, 2019, Centric reported unaudited results of \$3.7 million in net income after taxes, a 5% increase over the same period 2018. Net interest income increased 21%, or \$2.4 million, to \$14.0 million for the same period. Net interest margin was 3.95% year-to-date, and the efficiency ratio for the first six months of 2019 was 64.53%, an increase of 3.3% over year-to-date 2018 largely due to the \$1.0 million increase in salary and employee benefits.



**Patricia A. Husic**  
President & CEO

Earnings per share for the six months ended June 30, 2019, was \$0.42, a decrease of \$.09 per share over the same period 2018 due to the increase in shares from the May 2018 capital raise. Return on average assets was 1.01%, a decrease of 0.17% from the same six month period prior year due to the increase in average assets by \$137 million; return on average equity decreased from 15.01% to 10.29%.

Total assets at June 30, 2019 culminated at \$787 million, reflecting an increase of \$105 million

from the same period end 2018. Total loans for the period end June 30, 2019 were \$663 million, an increase of \$62 million, or 10%, over prior year's period end, and \$25 million over the first quarter 2019. The increase in loans for both prior year and prior quarter are attributable to the growth in commercial and industrial loans of \$29 million and \$10 million, respectively, and commercial real estate loans of \$28 million and \$10 million, respectively. Total deposits expanded to \$654 million at June 30, 2019, an increase of \$99 million, or 18%, over the same period end 2018. Non-interest bearing deposits are 14% of total deposits at June 30, 2019, growing \$12 million from the prior year's period end.

Provision for loan losses totaled \$1,060,000 for the first six months of 2019, increasing \$190,000 from the same period last year. The ratio of allowance for loan and lease losses to total loans was 1.17% at June 30, 2019. Management believes the allowance for loan and leases losses at June 30, 2019 adequately reflects the risk inherent in the loan portfolio. Non-performing

assets as a percentage of total assets was 0.95% for June 30, 2019, an increase over the 0.76% held at March 31, 2019 and the 0.32% held at June 30, 2018. Year-over-year non-accrual loans increased \$4.1 million and loans past due 90 days and over increased \$1.5 million.

For the first six months ending June 30, 2019, non-interest income totaled \$2,041,000, a slight decline of \$9,000 over the same period 2018. Year-to-date, the gain on sale of SBA loans and the gain on the sale of mortgage loans were both down from the same period prior year by \$553,000 and \$20,000, respectively. The government shutdown during the first quarter 2019 impacted SBA loan production and sales. Other fees on loans, excluding sold loans, increased \$362,000, and other non-interest income increased \$202,000 over the prior year.

Non-interest expense for the first six months ending June 30, 2019, increased by \$1,938,000 to \$10,287,000 over the same period 2018. Salaries and benefits totaling \$5,836,000 was the largest contributor to the increase for this period, resulting from the hiring of human capital across all areas of the bank. Other factors in the increase were: professional fees of \$153,000, or 63%; Pennsylvania shares tax of \$106,000, or 41%; and Directors fees of \$101,000, or 136%, and other operating expenses of \$303,000, or 45%.

The Devon office is shattering their goals with a growing team of lenders, business development professionals, and cash management and treasury services. Our new Devon Financial Center, located across the street and on one of the most visible transportation corridors in the Commonwealth, is under construction with an expected grand opening in October. In Bucks County, our Doylestown Financial Center introduced Concierge Banking with Universal Bankers that provide near-instantaneous consumer banking services.

Our team remains focused on our customers' business growth, which is at historically high levels. In every department, we are executing our strategic plan, growing our core banking business, increasing profitability, and delivering performance returns to our shareholders.

We are deeply grateful for your trust and investment, and remain guided by our brand promise: *We Revolve Around You!*

Sincerely,

Patricia A. Husic  
President & CEO

## FINANCIAL HIGHLIGHTS (UNAUDITED)

Please visit the Investor Relations section on [CentricBank.com](http://CentricBank.com) for more detailed information in our earnings release.

### Consolidated Balance Sheet

(Dollars in thousands)

	At Period End		
	Jun 30, 2019	Mar 31, 2019	Jun 30, 2018
<b>Assets</b>			
Cash and cash equivalents	\$ 63,802	\$ 47,483	\$ 47,957
Other investments	34,529	27,541	14,261
Loans, net of allowance for loan and lease losses	654,985	630,362	594,214
Premises and equipment	16,410	12,308	6,596
Accrued interest receivable	2,476	2,279	1,768
Other assets	14,550	14,179	17,007
<b>Total Assets</b>	<b>\$ 786,752</b>	<b>\$ 734,152</b>	<b>\$ 681,803</b>
<b>Liabilities</b>			
Deposits – Noninterest-bearing	92,808	92,096	81,010
Deposits – Interest-bearing	561,066	521,825	473,407
Total deposits	653,874	613,921	554,417
Short-term borrowings	-	3,000	30,000
Long-term debt	56,909	43,102	30,543
Accrued interest payable	545	601	463
Other liabilities	1,689	1,809	1,438
<b>Total Liabilities</b>	<b>713,017</b>	<b>662,433</b>	<b>616,861</b>
<b>Total Shareholders' Equity</b>	<b>73,735</b>	<b>71,719</b>	<b>64,942</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 786,752</b>	<b>\$ 734,152</b>	<b>\$ 681,803</b>

### Consolidated Statement of Income

(Dollars in thousands)

	Three months ended			Six months ended	
	Jun 30, 2019	Mar 31, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
<b>Interest income</b>					
Interest and dividends on securities	\$ 251	\$ 269	\$ 133	\$ 520	\$ 267
Interest and fees on loans	9,471	8,752	7,554	18,223	14,099
Other	323	209	101	532	186
Total interest income	10,045	9,230	7,788	19,275	14,552
<b>Interest expense</b>					
Interest on deposits	2,427	2,105	1,278	4,532	2,315
Interest on borrowings	420	372	411	792	676
Total interest expense	2,847	2,477	1,689	5,324	2,991
<b>Net interest income</b>	<b>7,198</b>	<b>6,753</b>	<b>6,099</b>	<b>13,951</b>	<b>11,561</b>
Provision for loan losses	525	535	435	1,060	870
<b>Net interest income after provision expense</b>	<b>6,673</b>	<b>6,218</b>	<b>5,664</b>	<b>12,891</b>	<b>10,691</b>
Noninterest income	1,191	850	954	2,041	2,050
Noninterest expense	5,419	4,868	4,257	10,287	8,349
Income before taxes	2,445	2,200	2,361	4,645	4,392
Income tax expense	501	443	463	944	875
<b>Net income available to common shareholders</b>	<b>\$ 1,944</b>	<b>\$ 1,757</b>	<b>\$ 1,898</b>	<b>\$ 3,701</b>	<b>\$ 3,517</b>

### Earnings and Per Share Data

Basic earnings per common share	\$ 0.22	\$ 0.21	\$ 0.26	\$ 0.42	\$ 0.51
Book value (at period end)	\$ 8.43	\$ 8.20	\$ 7.48		
Tangible book value (at period end)	\$ 8.37	\$ 8.15	\$ 7.42		
Close price (at period end)	\$ 10.10	\$ 10.70	\$ 11.50		
Common shares outstanding	8,746,455	8,742,290	8,686,988		
Average shares outstanding – basic (period to date)	8,713,808	8,706,540	7,309,401	8,710,510	6,845,287

### Performance Ratios

Return on average assets (period to date)	1.02%	0.99%	1.21%	1.01%	1.18%
Return on average equity (period to date)	10.69%	9.89%	14.77%	10.29%	15.01%
Shareholders' equity/asset ratio (at period end)	9.37%	9.77%	9.53%		
Net charge-offs/average loans (period to date)	0.03%	0.13%	0.01%		
Nonperforming assets/total assets (at period end)	0.95%	0.76%	0.32%		
Allowance for loan & lease losses as a percentage of loans	1.17%	1.14%	1.11%		
Allowance for loan & lease losses/nonaccrual loans	142.24%	159.73%	491.62%		

## 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

**FIG Partners**  
1475 Peachtree St. NE,  
Suite 800  
Atlanta, GA 30309

**Keefe, Bruyette & Woods**  
787 Seventh Avenue  
New York, NY 10019

**Raymond James  
& Associates, Inc.**  
222 South Riverside Plaza  
Seventh Floor  
Chicago, IL 60606

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

## 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

Managing Partner, Flowers & Flowers, CPAs

### 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

### Kimberly L. Turner

Senior Vice President, Chief Risk Officer

## SENIOR LEADERSHIP TEAM

### Christopher J. Bickel

Senior Vice President, Devon Market Leader

### Kevin M. Boland

Senior Vice President, Lancaster Market Leader

### Donald J. Bonafede

Senior Vice President, Senior Commercial Lender

### Michele E. Light

Senior Vice President, Doylestown Market Leader

### Shane E. McNaughton

Senior Vice President, Management Information Systems

### Timothy J. Merrell

Senior Vice President, Director of Cash Management and  
Treasury Services

### 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

