

# Shareholder Report

Second Quarter | **2018**



CENTRIC FINANCIAL CORPORATION



**AUGUST 17, 2018**

Dear Shareholders and Friends:

I am pleased to present the second quarter 2018 financial report for Centric Financial Corporation, the holding company of Centric Bank. Our double-digit loan and deposit growth are powerful indicators of historic consumer confidence and unleashed job creation.

"Expansion continues to be a priority for small businesses who show no signs of slowing as they anticipate more sales and better business conditions," says Juanita Duggan, President and CEO of the National Federation of Independent Business. *Financing New Frontiers* is our commitment to fuel the entrepreneurs, startups, and small businesses in central to southeastern Pennsylvania. We



**Patricia A. Husic**  
President & CEO

are honored to be the "Champion for the Small Business Owners."

Our team has increased loans outstanding by \$52.6 million in the second quarter. Building on a powerhouse SBA lending team, Centric Bank ranks #7 in SBA 7(a) loans by dollar amount in the Eastern District and is the community bank of choice for small business, non-profit organizations, professional associations, doctors, individuals, and families.

We reported unaudited results for the first six months of 2018 of \$3.5 million in net income after taxes, a 75% increase or \$1,511,000 over the same period 2017. Our net interest income increased 22% to \$11.6 million for the first six months of 2018 as compared to the first six months of 2017. Net interest margin expanded from 3.96% to 4.01% year-to-date, and the efficiency ratio improved to 61.23% year-to-date, an improvement of 3.51% over the same period for 2017.

Earnings per share for the six months ended June 30, 2018, was \$.51, an increase of \$.19 per share over the same period 2017. Return on average assets increased to 1.18%, an increase of 0.38% from the same period prior year; and return on average equity increased from 10.39% to 15.01%, a significant improvement over the same period 2017.

Total assets were \$682 million at June 30, 2018, reflecting an increase of \$157 million from the same period 2017. Total gross loans outstanding grew \$137 million to \$601 million, an increase of 29% from the same period prior year. Loan growth was driven by an increase in commercial loans of \$33 million, or 20%; and commercial real estate loans increased by \$68 million, or 36% from June 30, 2017. Total deposits expanded to \$554 million at June 30, 2018, an increase of \$96 million, or 21% over the same period end 2017. Non-interest bearing deposits are 14.6% of total deposits at June 30, 2018, growing \$4 million from the same period in 2017.

Provision for loan losses totaled \$870,000 for the first six months of 2018, consistent with the same period last year of \$815,000. Our allowance for loan losses adequately reflects the risks inherent in our portfolio. As loan growth continues to increase, asset quality remains strong with non-performing assets as a percentage of total assets at 0.32% for June 30, 2018, an improvement over the 0.41% held at March 31, 2018.

Non-interest income increased to \$2,050,000 for the first six months of 2018. This was largely driven by the gain on the guaranteed portion of the SBA 7(a) loans sold of \$1,079,000. Sales of residential mortgages of \$10.4 million in the first half of 2018 resulted in gains on sales of mortgages of \$213,000.

Non-interest expense increased by \$1,080,000 to \$8,349,000 over the first six months of 2017. Salaries and benefits totaling \$4,815,000 for the first half of 2018 was the largest contributor to the increase, resulting from annual increases and the hiring of human capital across all areas of the Bank. Increased expense in occupancy and data processing were also factors, contributing 26% of the increase.

On May 29, 2018, we announced the successful results of our private placement offering of Centric Financial Corporation's common stock totaling approximately \$21 million. The capital raised will be used to support our organic growth, make system-wide technological and cybersecurity advancements, hire additional commercial lenders to help small business owners grow and scale in the markets we serve, and expand our physical footprint with new financial centers.

Continuing the momentum of our growth trajectory, we are deeply committed to a digital strategy that integrates customer experience with fintech. One of the most significant technology investments for our organization will launch this fall with an upgrade to our core banking system and our loan operating and processing system. This will improve real-time lending decisions, increase institutional efficiencies, and support our business goals.

With growth comes opportunity for even greater community impact. While our team serves the financing needs of small business, we continue to serve and support non-profits and friends in need.

We are intentional and disciplined in executing our strategic plan and delivering results to you, our shareholders. Working together to strengthen entrepreneurship and finance Main Street, we earn our independence daily and are grateful for the opportunity to be good stewards of your resources. As we crest \$700 million in assets, we remain guided by our brand promise: *We Revolve Around You!*

Sincerely,

**Patricia A. Husic**  
President & CEO

## FINANCIAL HIGHLIGHTS (UNAUDITED)

Please visit Investor Relations on CentricBank.com for more detailed information in our second quarter earnings release.

### Consolidated Balance Sheet

(Dollars in thousands)

	At Period End		
	Jun 30, 2018	Mar 31, 2018	Jun 30, 2017
<b>Assets</b>			
Cash and cash equivalents	\$ 47,957	\$ 33,863	\$ 29,326
Other investments	14,261	14,890	17,069
Loans, net of allowance for loan and lease losses	594,214	541,974	458,767
Premises and equipment	6,596	6,650	6,560
Accrued interest receivable	1,768	1,496	1,182
Other assets	17,007	11,726	11,606
<b>Total Assets</b>	<b>\$ 681,803</b>	<b>\$ 610,599</b>	<b>\$ 524,510</b>
<b>Liabilities</b>			
Deposits – Noninterest-bearing	81,010	75,546	77,260
Deposits – Interest-bearing	473,407	447,847	381,321
Total deposits	554,417	523,393	458,581
Short-term borrowings	30,000	14,000	2,000
Long-term debt	30,543	27,607	22,410
Accrued interest payable	463	479	144
Other liabilities	1,438	1,876	1,579
<b>Total Liabilities</b>	<b>616,861</b>	<b>567,355</b>	<b>484,714</b>
<b>Total Shareholders' Equity</b>	<b>64,942</b>	<b>43,244</b>	<b>39,796</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 681,803</b>	<b>\$ 610,599</b>	<b>\$ 524,510</b>

### Consolidated Statement of Income

(Dollars in thousands)

	Three months ended			Six months ended	
	Jun 30, 2018	Mar 31, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017
<b>Interest income</b>					
Interest and dividends on securities	\$ 133	\$ 134	\$ 135	\$ 267	\$ 262
Interest and fees on loans	7,554	6,545	5,627	14,099	10,829
Other	101	85	62	186	91
Total interest income	7,788	6,764	5,824	14,552	11,182
<b>Interest expense</b>					
Interest on deposits	1,278	1,037	707	2,315	1,360
Interest on borrowings	411	265	203	676	349
Total interest expense	1,689	1,302	910	2,991	1,709
<b>Net interest income</b>	<b>6,099</b>	<b>5,462</b>	<b>4,914</b>	<b>11,561</b>	<b>9,473</b>
Provision for loan losses	435	435	380	870	815
<b>Net interest income after provision expense</b>	<b>5,664</b>	<b>5,027</b>	<b>4,534</b>	<b>10,691</b>	<b>8,658</b>
Noninterest income	954	1,096	1,011	2,050	1,569
Noninterest expense	4,257	4,092	3,729	8,349	7,269
Income before taxes	2,361	2,031	1,816	4,392	2,958
Income tax expense	463	412	591	875	952
<b>Net income available to common shareholders</b>	<b>\$ 1,898</b>	<b>\$ 1,619</b>	<b>\$ 1,225</b>	<b>\$ 3,517</b>	<b>\$ 2,006</b>

### Per Share Data

Net income – basic (period to date)	\$ 0.26	\$ 0.25	\$ 0.19	\$ 0.51	\$ 0.32
Book value (at period end)	\$ 7.48	\$ 6.76	\$ 6.25		
Tangible book value (at period end)	\$ 7.42	\$ 6.68	\$ 6.17		
Close price (at period end)	\$ 11.50	\$ 9.10	\$ 7.75		
Close price/book value ratio	153.7%	134.6%	124.0%		
Average shares outstanding – basic (period to date)	7,309,401	6,376,017	6,350,937	6,845,287	6,349,833

### Financial Ratios

Shareholders' equity/asset ratio	9.53%	7.08%	7.59%		
Return on average assets (period to date)	1.21%	1.14%	0.95%	1.18%	0.80%
Return on average equity (period to date)	14.77%	15.28%	12.51%	15.01%	10.39%
Net charge-offs/average loans (period to date)	0.01%	0.06%	-0.05%	0.03%	0.00%
Nonperforming assets/total assets	0.32%	0.41%	0.36%		
Allowance for loan & lease losses as a percentage of loans	1.11%	1.14%	1.15%		
Allowance for loan & lease losses/nonaccrual loans	491.62%	444.54%	876.09%		

## 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

Managing 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