

Shareholder Report

Third Quarter | **2018**

Q3



CENTRIC FINANCIAL CORPORATION



NOVEMBER 19, 2018

Dear Shareholders and Friends:

Our future is full of good news for our customers, investors, and the communities we serve.

I am pleased to present the third quarter 2018 financial report for Centric Financial Corporation, the holding company of Centric Bank. Our 51% commercial loan growth and 28% deposit growth are charting a trendline of incredible community impact with stronger businesses, deeper services, safer data, and inclusive and wide-ranging opportunities. Our ground truth shows unprecedented business growth and access to capital—key indicators of our market success.



Patricia A. Husic
President & CEO

With the U.S. economy boasting a 3.5% GDP increase in Q3 2018 and consumer spending jumping 4%, we're honored to lead our region in small business lending and to be your trusted banking partner.

For the nine months of 2018, we reported unaudited results of \$5.9 million in net income after taxes, a 106% increase or \$1,237,000 over the same period 2017. Net interest income increased 31% to \$18.3 million for the nine months of 2018 as compared to the same period 2017.

Net interest margin was 3.96% year-to-date, and the efficiency ratio improved to 59.33% year-to-date, an improvement of 5.48% over the same period for 2017.

Earnings per share for the nine months ended September 30, 2018, was \$.79, an increase of \$.29 per share over the same period 2017. Return on average assets increased to 1.24%, an increase of 0.41% from the same period prior year; and return on average equity increased from 10.84% to 14.77%, a significant improvement over the same period 2017.

Total assets were \$717 million at September 30, 2018, reflecting an increase of \$184 million from the same period 2017. Total gross loans outstanding grew \$147 million to \$621 million, an increase of 31% from the same period prior year. Loan growth was driven by an increase in commercial loans of \$61 million, or 51%; and commercial real estate loans increased by \$79 million, or 26%, from September 30, 2017. Total deposits expanded to \$594 million at September 30, 2018, an increase of \$132 million, or 28.5%, over the same period end 2017. Non-interest bearing deposits are 15.4% of total deposits at September 30, 2018, growing \$18 million from the same period in 2017.

Provision for loan losses totaled \$1,305,000 for the nine months of 2018, increasing \$229,000 from the same period last year. 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 0.25% for September 30, 2018, an improvement over the 0.32% held at June 30, 2018.

Non-interest income increased to \$3,248,000 for the nine months of 2018. This was largely driven by the gain on the guaranteed portion of the SBA 7(a) loans sold of \$1,528,000. Sales of residential mortgages of \$14.4 million through September 30, 2018 resulted in gains on sales of mortgages of \$306,000.

Non-interest expense increased by \$1,754,000 to \$12,824,000 over the nine months of 2017. Salaries and benefits totaling \$7,439,000 for the nine months 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 19% of the increase.

Whether you prefer our mobile experience or an in-bank touch, your digital security is priority. The capital raised during our common stock offering in May is supporting system-wide technological and cybersecurity advancements. Our core system conversion was successfully implemented and completed in early October. This robust software will provide our business customers with more robust cash management services, as well as improvement of internal efficiencies throughout our organization. We are finalizing the last step to implement nCino, a loan operating system, in the month of December. nCino will enable our team to approve loans to our customers with a faster turnaround and enhance our value proposition to our customers. This software will enhance our internal efficiencies from lending, to credit underwriting, to loan documentation.

We are deeply committed to the banking and business goals of our customers and focused on being agile in the short-term and steady in the long game. With digital banking fast becoming the norm, our enhanced mobile and online services provide continuous financial access. Connecting on the channels of your choice, Centric Bank leads a community conversation that truly revolves around you.

Voted a Best Bank to Work For by *American Banker* in September, our team is making headlines with new initiatives, national awards, and sweeping community impact.

Our small business clients and shareholders bring life to our strategic plan and remind us daily of the importance of a thriving Main Street. As we crest \$700 million in assets, 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 for more detailed information in our earnings release.

Consolidated Balance Sheet

(Dollars in thousands)

	At Period End		
	Sep 30, 2018	Jun 30, 2018	Sep 30, 2017
Assets			
Cash and cash equivalents	\$ 67,147	\$ 47,957	\$ 30,133
Other investments	14,203	14,261	15,065
Loans, net of allowance for loan and lease losses	613,838	594,214	468,348
Premises and equipment	6,519	6,596	6,518
Accrued interest receivable	1,960	1,768	1,328
Other assets	13,294	17,007	11,528
Total Assets	\$ 716,961	\$ 681,803	\$ 532,920
Liabilities			
Deposits – Noninterest-bearing	91,544	81,010	73,678
Deposits – Interest-bearing	502,737	473,407	388,910
Total deposits	594,281	554,417	462,588
Short-term borrowings	22,500	30,000	2,500
Long-term debt	30,500	30,543	24,734
Accrued interest payable	629	463	308
Other liabilities	1,685	1,438	1,779
Total Liabilities	649,595	616,861	491,909
Total Shareholders' Equity	67,366	64,942	41,011
Total Liabilities and Shareholders' Equity	\$ 716,961	\$ 681,803	\$ 532,920

Consolidated Statement of Income

(Dollars in thousands)

	Three months ended			Nine months ended	
	Sep 30, 2018	Jun 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Interest income					
Interest and dividends on securities	\$ 145	\$ 133	\$ 135	\$ 412	\$ 397
Interest and fees on loans	8,387	7,554	5,925	22,486	16,754
Other	320	101	79	506	170
Total interest income	8,852	7,788	6,139	23,404	17,321
Interest expense					
Interest on deposits	1,687	1,278	776	4,002	2,136
Interest on borrowings	437	411	232	1,113	581
Total interest expense	2,124	1,689	1,008	5,115	2,717
Net interest income	6,728	6,099	5,131	18,289	14,604
Provision for loan losses	435	435	261	1,305	1,076
Net interest income after provision expense	6,293	5,664	4,870	16,984	13,528
Noninterest income	1,198	954	661	3,248	2,230
Noninterest expense	4,475	4,257	3,801	12,824	11,070
Income before taxes	3,016	2,361	1,730	7,408	4,688
Income tax expense	617	463	568	1,492	1,520
Net income available to common shareholders	\$ 2,399	\$ 1,898	\$ 1,162	\$ 5,916	\$ 3,168

Earnings and Per Share Data

Basic earnings per common share	\$ 0.28	\$ 0.26	\$ 0.18	\$ 0.79	\$ 0.50
Book value (at period end)	\$ 7.74	\$ 7.48	\$ 6.43		
Tangible book value (at period end)	\$ 7.69	\$ 7.42	\$ 6.35		
Close price (at period end)	\$ 12.50	\$ 11.50	\$ 7.95		
Common shares outstanding	8,698,318	8,686,988	6,376,079		
Average shares outstanding – basic (period to date)	8,675,765	7,309,401	6,355,877	7,463,040	6,351,870

Performance Ratios

Return on average assets (period to date)	1.35%	1.21%	0.88%	1.24%	0.83%
Return on average equity (period to date)	14.48%	14.77%	11.50%	14.77%	10.84%
Shareholders' equity/asset ratio	9.40%	9.53%	7.70%		
Net charge-offs/average loans (period to date)	0.21%	0.01%	0.00%		
Nonperforming assets/total assets	0.25%	0.32%	0.35%		
Allowance for loan & lease losses as a percentage of loans	1.09%	1.11%	1.18%		
Allowance for loan & lease losses/nonaccrual loans	616.52%	491.62%	943.52%		

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

Ambrish 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

Michele E. Light

Senior Vice President, Market Leader, Suburban Philadelphia

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