


Central Bancshares, Inc.

CONNECTING WITH
OUR
COMMUNITIES.



2017
FIRST QUARTER
REPORT



Central Bank & Trust Co.
Central Bank of Jefferson County
Central Insurance Services
Central Investment Center, Inc.

HELPING TO KEEP OUR COMMUNITIES STRONG.

HABITAT FOR
HUMANITY



Habitat for Humanity was founded on the conviction that every man, woman and child should have a simple, durable place to live in dignity and safety, and that decent shelter in decent communities should be a matter of conscience and action for all. Central Bank is proud to be a longtime supporter of this mission in Central Kentucky.

MISSION STATEMENT

The mission of Central Bancshares is to become Kentucky's leading, high-performing, community banking company by empowering our staff to deliver consistently superior service and value to our customers, shareholders and communities. We will be successful because Central Bankers are our greatest resource and our most sustainable advantage.

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For additional copies or
INFORMATION

MARKETING
CENTRAL BANK
300 West Vine Street
Lexington, KY 40507

FINANCIAL HIGHLIGHTS

For three months ended March 31

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| RESULTS OF OPERATIONS: | | | | | |
| Net income | \$ 4,243,627 | \$ 4,798,133 | \$ 4,461,947 | \$ 3,167,389 | \$ 3,077,738 |
| Net income per share | 12.20 | 13.79 | 12.82 | 9.10 | 8.85 |
| Cash dividends per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Book value per share at quarter end | 695.59 | 650.70 | 603.49 | 563.60 | 526.60 |
| AT MARCH 31: | | | | | |
| Assets | \$2,300,841,767 | \$2,198,589,426 | \$2,136,759,954 | \$2,111,065,113 | \$2,111,204,277 |
| Earning assets | 2,190,550,605 | 2,092,404,366 | 2,022,149,616 | 1,976,689,453 | 1,982,736,880 |
| Net loans | 1,808,356,232 | 1,659,512,134 | 1,601,744,965 | 1,599,105,435 | 1,549,293,031 |
| Deposits | 1,919,872,406 | 1,819,033,158 | 1,802,625,810 | 1,795,252,403 | 1,794,226,708 |
| Shareholders' equity | 242,010,535 | 226,391,649 | 209,966,967 | 196,088,556 | 183,217,184 |
| PERFORMANCE RATIOS: | | | | | |
| Return on average assets | 0.75% | 0.89% | 0.85% | 0.62% | 0.60% |
| Return on average shareholders' equity | 7.16% | 8.59% | 8.63% | 6.58% | 6.82% |
| Average tangible equity | | | | | |
| to average assets | 9.97% | 9.74% | 9.17% | 8.78% | 8.06% |
| Net charge-offs to average loans | 0.03% | 0.01% | 0.00% | 0.12% | 0.06% |
| Allowance for loan losses as a | | | | | |
| percentage of quarter end loans | 1.16% | 1.28% | 1.42% | 1.46% | 1.77% |
| Net interest margin (tax equivalent) | 3.87% | 3.73% | 3.75% | 3.81% | 3.60% |

CONSOLIDATED BALANCE SHEETS

| | March 31 2017 | March 31 2016 |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Cash and due from banks | \$ 49,570,040 | \$ 38,417,917 |
| Federal funds sold | 81,600,000 | 151,500,000 |
| Total cash and cash equivalents | <u>131,170,040</u> | <u>189,917,917</u> |
| Securities | 273,485,134 | 254,291,664 |
| Loans, net of unearned income | 1,829,498,788 | 1,681,088,009 |
| Allowance for loan losses | (21,142,556) | (21,575,875) |
| Loans, net | <u>1,808,356,232</u> | <u>1,659,512,134</u> |
| Premises and equipment, net | 33,380,113 | 36,187,223 |
| Federal Home Loan Bank stock | 6,751,100 | 6,751,100 |
| Intangible assets | 14,313,393 | 14,333,393 |
| Prepaid expenses and other assets | 33,385,755 | 37,595,995 |
| Total assets | <u>\$ 2,300,841,767</u> | <u>\$ 2,198,589,426</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Deposits: | | |
| Non-interest bearing | \$ 626,602,791 | \$ 539,277,792 |
| Interest bearing | 1,293,269,615 | 1,279,755,366 |
| Total deposits | <u>1,919,872,406</u> | <u>1,819,033,158</u> |
| Customer sweep accounts | 102,827,481 | 106,027,971 |
| Federal funds purchased | 500,000 | 500,000 |
| Federal Home Loan Bank advances | 558,381 | 708,958 |
| Long term debt payable | 15,000,000 | 15,000,000 |
| Other liabilities | 20,072,964 | 30,927,690 |
| Total liabilities | <u>2,058,831,232</u> | <u>1,972,197,777</u> |
| SHAREHOLDERS' EQUITY | | |
| Common stock, par value, \$10 a share; | | |
| 350,000 shares authorized, 347,922 shares outstanding | 3,479,220 | 3,479,220 |
| Additional paid-in capital | 6,890,468 | 6,890,468 |
| Retained earnings | 237,801,954 | 222,393,765 |
| Accumulated other comprehensive income (loss) | (6,161,107) | (6,371,804) |
| Total shareholders' equity | <u>242,010,535</u> | <u>226,391,649</u> |
| Total liabilities and shareholders' equity | <u>\$ 2,300,841,767</u> | <u>\$ 2,198,589,426</u> |

CONSOLIDATED STATEMENTS OF INCOME

| | For three months ended | |
|---|------------------------|---------------------|
| | March 31 2017 | March 31 2016 |
| INTEREST INCOME | | |
| Interest and fees on loans | \$ 20,335,919 | \$ 19,211,024 |
| Interest on securities | 1,113,909 | 911,861 |
| Interest on short term investments | 176,675 | 178,587 |
| | <u>21,626,503</u> | <u>20,301,472</u> |
| INTEREST EXPENSE | | |
| Interest on deposits | 1,026,530 | 1,104,140 |
| Interest on borrowed funds | 202,431 | 262,020 |
| | <u>1,228,961</u> | <u>1,366,160</u> |
| Net interest income | 20,397,542 | 18,935,312 |
| Provision for loan losses | 1,131,000 | - |
| Net interest income after provision for loan losses | <u>19,266,542</u> | <u>18,935,312</u> |
| OTHER INCOME | | |
| Service charges on deposit accounts | 1,855,066 | 1,862,604 |
| Service charges on loans | 2,374,674 | 2,802,472 |
| Wealth management income | 3,540,113 | 3,337,659 |
| Other income | 1,464,069 | 1,472,231 |
| | <u>9,233,922</u> | <u>9,474,966</u> |
| OTHER EXPENSES | | |
| Salaries | 9,372,306 | 9,074,373 |
| Benefits | 2,327,622 | 2,051,275 |
| Occupancy | 4,496,817 | 4,486,034 |
| Other non-interest expenses | 6,873,771 | 6,666,514 |
| | <u>23,070,516</u> | <u>22,278,196</u> |
| Income before provision for income taxes | 5,429,948 | 6,132,082 |
| Provision for income taxes | 1,186,321 | 1,333,949 |
| Net income | <u>\$ 4,243,627</u> | <u>\$ 4,798,133</u> |
| Basic earnings per share | \$ 12.20 | \$ 13.79 |

BOARDS OF DIRECTORS



Luther Deaton, Jr.
Luther Deaton, Jr.
Chairman, President & CEO

Central Bancshares, Inc. and Central Bank & Trust Co. Board of Directors

Luther Deaton, Jr.
Chairman, President & CEO, Central Bancshares, Inc. and Central Bank & Trust Co.

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Ray, Foley, Hensley & Company, PLLC Certified Public Accountants*

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Travis Neurosurgical Consulting

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Central Bank, Lexington

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Assistant Vice President

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