

# Madison County Financial, Inc.

## Reports Second Quarter 2017 Financial Results

MADISON, Nebraska, August 7, 2017. Madison County Financial, Inc. (OTC Pink: MCBK) ("Company"), the parent holding company of Madison County Bank ("Bank"), today announced its results of operations for the three months and six months ended June 30, 2017 and 2016.

The Company's net income for the three months ended June 30, 2017 was \$1.1 million or \$0.41 per diluted share, compared to net income of \$1.2 million or \$0.42 per diluted share for the same period in 2016. The Company's net income for the six months ended June 30, 2017 was \$2.2 million or \$0.78 per diluted share, compared to net income of \$2.2 million or \$0.77 per diluted share for the same period in 2016.

Total assets increased \$11.3 million to \$374.3 million at June 30, 2017, compared to \$363.0 million at December 31, 2016, resulting from increases in investment securities classified as available for sale, investment securities classified as held to maturity, Federal Home Loan Bank stock, Federal Reserve Bank stock, and net loans, offset in part by a decrease in cash and cash equivalents. Effective June 19, 2017, the Bank converted to a Nebraska state-chartered member bank from a federal savings bank. As a state-chartered member bank, the Bank is now regulated by the Board of Governors of the Federal Reserve System. Federal Reserve Bank stock and Federal Home Loan Bank stock are required investments for institutions that are members of the Federal Reserve and Federal Home Loan Bank systems. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

As of June 30, 2017, there were 2,885,021 issued and outstanding shares of common stock, par value \$0.01 per share, and at August 4, 2017, there were 2,859,021 issued and outstanding shares of common stock. The Bank was considered well-capitalized under applicable federal regulatory capital guidelines at June 30, 2017.

This release may contain forward-looking statements within the meaning of the federal securities laws. These statements are not historical facts; rather, they are statements based on the Company's current expectations regarding its business strategies and their intended results and its future performance. Forward-looking statements are preceded by terms such as "expects", "believes", "anticipates", "intends" and similar expressions.

Forward-looking statements are not guarantees of future performance. Numerous risks and uncertainties could cause or contribute to the Company's actual results, performance and achievements to be materially different from those expressed or implied by the forward-looking statements. Factors that may cause or contribute to these differences include, without limitation, general economic conditions, including changes in market interest rates and changes in monetary and fiscal policies of the federal government, legislative and regulatory changes.

Because of the risks and uncertainties inherent in forward-looking statements, readers are cautioned not to place undue reliance on them, whether included in this report or made elsewhere from time to time by the Company or on its behalf. Except as may be required by applicable law or regulation, the Company assumes no obligation to update any forward-looking statements.

**MADISON COUNTY FINANCIAL, INC.**  
**CONSOLIDATED FINANCIAL HIGHLIGHTS**  
(Dollars in Thousands, Except Per Share Data)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(Unaudited)			
<b>Operating Data:</b>				
Total interest income	\$ 3,772	\$ 3,739	\$ 7,399	\$ 7,423
Total interest expense	<u>605</u>	<u>519</u>	<u>1,144</u>	<u>1,037</u>
Net interest income	3,167	3,220	6,255	6,386
Provision for loan losses	<u>140</u>	<u>210</u>	<u>230</u>	<u>525</u>
Net interest income after provision for loan losses	3,027	3,010	6,025	5,861
Total non-interest income	565	548	1,157	1,142
Total non-interest expense	<u>2,119</u>	<u>1,992</u>	<u>4,365</u>	<u>4,104</u>
Income before income taxes	1,473	1,566	2,817	2,899
Income tax expense	<u>340</u>	<u>405</u>	<u>661</u>	<u>738</u>
Net income	<u>\$ 1,133</u>	<u>\$ 1,161</u>	<u>\$ 2,156</u>	<u>\$ 2,161</u>
<b>Per Share Information:</b>				
Net income per share, basic	\$ 0.42	\$ 0.42	\$ 0.80	\$ 0.78
Average common shares outstanding, basic	2,658,598	2,687,107	2,654,258	2,721,458
Net income per share, diluted	\$ 0.41	\$ 0.42	\$ 0.78	\$ 0.77
Average common shares outstanding, diluted	2,720,495	2,700,858	2,706,930	2,740,765
Basic tangible book value per share	\$ 23.08	\$ 21.57	\$ 23.08	\$ 21.57
<b>Performance ratios</b> (annualized for 3 month and 6 month periods):				
Return on average assets	1.24%	1.34%	1.20%	1.23%
Return on average equity	6.54%	7.03%	6.29%	6.50%
Efficiency ratio	56.78%	52.87%	58.89%	54.52%
Interest rate spread	3.40%	3.67%	3.44%	3.62%
Net interest margin	3.60%	3.86%	3.63%	3.81%

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	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
(Unaudited)		
<b>Financial Condition Data:</b>		
Total assets	\$ 374,319	\$ 362,977
Securities, including FHLB and FRB Stock	71,969	66,309
Loans held for sale	492	-
Loans receivable, net of allowance for losses of \$9,680 and \$9,450, respectively	276,719	268,025
Deposits	255,209	248,391
Borrowings	44,300	42,400
Total liabilities	305,222	294,988
Stockholders' equity	69,097	67,989
<b>Balance Sheet Ratios:</b>		
Securities, including FHLB Stock and FRB Stock, as a percent of total assets	19.23%	18.27%
Tangible common equity as a percent of tangible assets	17.91%	18.14%
<b>Asset Quality Data:</b>		
Nonaccrual loans	\$ 524	\$ 672
Accruing loans past due 90 days or more	-	88
<b>Asset Quality Ratios:</b>		
Nonperforming assets as a percent of total assets	0.14%	0.21%
Nonperforming loans as a percent of total assets	0.14%	0.21%
Nonperforming loans as a percent of total loans	0.18%	0.27%
Net chargeoffs as a percent of average loans	0.00%	0.00%
Allowance for loan losses as a percent of total loans	3.38%	3.41%
Allowance for loan losses as a percent of nonperforming loans	1847.33%	1243.42%
<b>Regulatory Capital ratios (Bank only):</b>		
Total capital (to risk-weighted assets)	20.03%	20.77%
Tier 1 capital (to risk-weighted assets)	18.76%	19.50%
Tier 1 capital (to average assets)	17.69%	18.24%
Common Equity Tier 1 capital	18.76%	19.50%

SOURCE: Madison County Financial, Inc.