

# Madison County Financial, Inc.

## Reports 2018 and 2017 Financial Results

MADISON, Nebraska, February 12, 2019. 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 years ended December 31, 2018 and 2017.

The Company's net income for the three months ended December 31, 2018 was \$1.3 million or \$0.48 per diluted share, compared to net income of \$14,000 or \$0.01 per diluted share for the same period in 2017. The Company's net income for the year ended December 31, 2018 was \$5.6 million or \$2.04 per diluted share, compared to net income of \$3.5 million or \$1.27 per diluted share for the same period in 2017.

On December 22, 2017, the United States enacted tax reform legislation through the “Tax Cuts and Jobs Act Bill of 2017”, which significantly changed the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%, as well as other changes. As a result of the enactment of the legislation, the Company incurred additional one-time income tax expense of \$1.3 million during the fourth quarter of 2017, primarily related to the remeasurement of certain deferred tax assets and liabilities.

Total assets increased \$22.0 million to \$411.3 million at December 31, 2018, compared to \$389.3 million at December 31, 2017, resulting from increases in investment securities classified as available for sale and net loans, offset in part by a decrease in investment securities classified as held to maturity. 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 and Nebraska Department of Banking and Finance. 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 December 31, 2018, there were 2,780,121 issued and outstanding shares of common stock, par value \$0.01 per share, and at February 11, 2019, the number of issued and outstanding shares of common stock remained at 2,780,121. The Bank was considered well-capitalized under applicable federal regulatory capital guidelines at December 31, 2018.

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)

	Three Months Ended December 31,		Years Ended December 31,	
	2018	2017	2018	2017
	(Unaudited)			
<b>Operating Data:</b>				
Total interest income	\$ 4,474	\$ 4,014	\$ 17,015	\$ 15,378
Total interest expense	<u>1,380</u>	<u>762</u>	<u>4,454</u>	<u>2,632</u>
Net interest income	3,094	3,252	12,561	12,746
Provision for loan losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>275</u>
Net interest income after provision for loan losses	3,094	3,252	12,561	12,471
Total non-interest income	636	692	2,396	2,489
Total non-interest expense	<u>2,203</u>	<u>2,138</u>	<u>8,336</u>	<u>8,569</u>
Income before income taxes	1,527	1,806	6,621	6,391
Income tax expense	<u>241</u>	<u>1,792</u>	<u>1,041</u>	<u>2,923</u>
Net income	<u>\$ 1,286</u>	<u>\$ 14</u>	<u>\$ 5,580</u>	<u>\$ 3,468</u>
<b>Per Share Information:</b>				
Net income per share, basic	\$ 0.49	\$ 0.01	\$ 2.11	\$ 1.30
Average common shares outstanding, basic	2,595,161	2,619,159	2,624,936	2,636,874
Net income per share, diluted	\$ 0.48	\$ 0.01	\$ 2.04	\$ 1.27
Average common shares outstanding, diluted	2,689,142	2,696,907	2,715,828	2,699,488
Basic tangible book value per share	\$ 25.49	\$ 23.64	\$ 25.49	\$ 23.64
<b>Performance ratios (annualized for 3 month and 9 month periods):</b>				
Return on average assets	1.27%	0.01%	1.42%	0.94%
Return on average equity	7.01%	0.08%	7.76%	4.99%
Efficiency ratio	59.06%	54.21%	55.73%	56.25%
Interest rate spread	2.78%	3.29%	2.99%	3.37%
Net interest margin	3.20%	3.53%	3.33%	3.59%

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	December 31, 2018	December 31, 2017
(Unaudited)		
<b>Financial Condition Data:</b>		
Total assets	\$ 411,293	\$ 389,321
Securities, including FHLB and FRB Stock	76,203	73,898
Loans held for sale	142	295
Loans receivable, net of allowance for losses of \$9,725 and \$9,725, respectively	305,614	286,392
Deposits	282,092	260,762
Borrowings	51,600	54,600
Total liabilities	338,208	319,591
Stockholders' equity	73,085	69,730
<b>Balance Sheet Ratios:</b>		
Securities, including FHLB and FRB Stock, as a percent of total assets	18.53%	18.98%
Tangible common equity as a percent of tangible assets	17.33%	17.40%
<b>Asset Quality Data:</b>		
Nonaccrual loans	\$ 2,062	\$ 127
Accruing loans past due 90 days or more	-	-
<b>Asset Quality Ratios:</b>		
Nonperforming assets as a percent of total assets	0.50%	0.03%
Nonperforming loans as a percent of total assets	0.50%	0.03%
Nonperforming loans as a percent of total loans	0.65%	0.04%
Net chargeoffs as a percent of average loans	0.00%	0.00%
Allowance for loan losses as a percent of total loans	3.08%	3.28%
Allowance for loan losses as a percent of nonperforming loans	471.63%	7657.48%
<b>Regulatory Capital ratios (Bank only):</b>		
Total capital (to risk-weighted assets)	20.60%	20.62%
Tier 1 capital (to risk-weighted assets)	19.34%	19.35%
Tier 1 capital (to average assets)	17.25%	17.12%
Common Equity Tier 1 capital	19.34%	19.35%

SOURCE: Madison County Financial, Inc.