

ENDURANCE | FOCUS | RESULTS



Annual Report **2012**



Centre 1 Bancorp, Inc.



OUR HEADQUARTERS RECEIVES A FRESH LOOK

The 2012 façade renovation project incorporated a new stone panel system to highlight the pedestrian entries. The building's windows were also replaced and glazed reducing glare and creating a more energy efficient building.

This is the third Downtown Beloit renovation project the bank has undertaken in less than 10 years. In 2004, the Grand Avenue facility interior was remodeled and in 2008 the corporate services building across the street from headquarters underwent both an addition and interior remodel and exterior façade renovation. CEO, Steve Eldred reflected on several remodeling and renovation projects over the past 8 years at other First National locations in Roscoe, Illinois, and Monroe and Clinton, Wisconsin, "Projects like this continually underscore our commitment to beautify the communities we serve and help develop them as vibrant and prosperous business centers."

On the Cover: Grand Avenue facility after the renovation.



This copper time capsule, originally stocked and buried on December 26, 1972, was opened during our renovation. In order to preserve history, we placed the original contents, which included 1972 silver dollars and pennies, and added a few mementos from the past year, in a new time capsule placed in the foundation.



FROM OUR CEO

Dear Shareholders,

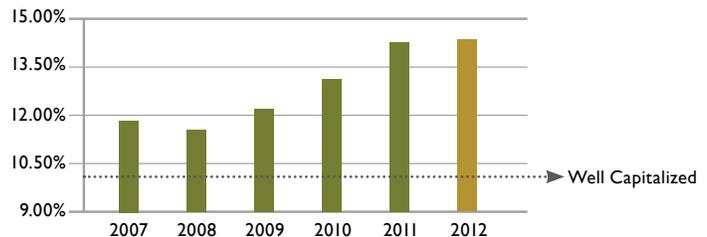
We are pleased to report that our enduring focus on our customers, team members, and the communities where we live and work have resulted in record performance for our shareholders. Equity grew by 4.7%, and stockholder dividends were increased for the second year in a row to \$1.30. 2012 reflects the efforts of our team working each day with an uncompromised commitment to be our customers' primary bank and provide an exceptional service experience.

Some of the elements driving this year's success are:

- **Net Income** exceeded historical levels and set a new record with a 20% increase over 2011.
- **Residential Mortgage Lending:** A record year as loan production volume of \$105 million was 19% higher than 2011 and origination income for mortgages sold on the secondary market exceeded \$1 million.
- **Loans** as of December are \$37 million above this time last year.
- **Deposits** were up over 5%
- **Capital ratios** improved and continued to exceed regulatory well-capitalized requirements.

We appreciate the dedication and guidance of our Board of Directors and want to thank our team members, whose experience and commitment are key to our continued growth and profitability. We are also most appreciative of the continued support of our shareholders, and look forward to your future support as we continue to build an outstanding company and provide an exceptional value.

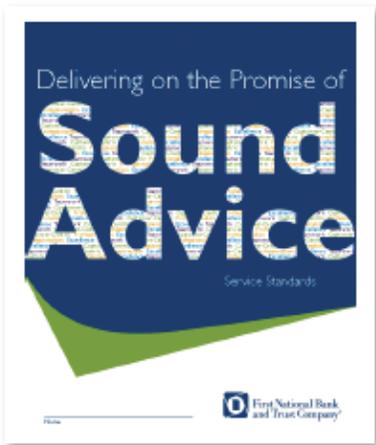
TOTAL RISK-BASED CAPITAL RATIO



This past year marked 130 years in business; a testament to the endurance of our company. We were reminded of this in August during the façade renovation of our Grand Avenue facility when contractors uncovered a time capsule in the cornerstone of the building that was placed there in 1972. Inside the capsule was a letter from our former City Manager of Beloit, Herbert Holt, who proclaimed First National Bank and our headquarters as "a tangible expression of optimism and viability of an institution and of our city as we look to the future together." We believe his comments continue to be as relevant in 2012 as they were in 1972 and we look forward to the future.

Steven M. Eldred
Chairman, President and
Chief Executive Officer

A YEAR IN REVIEW



FOCUSING ON SERVICE

We've always focused on delivering great service, in 2012 we committed to it by rolling out bank-wide service standards to deliver on the promise of Sound Advice. This commitment to excellence was kicked off to all employees in the fall.

RECOGNIZED FOR EXCELLENCE



5 Stars For 44 consecutive quarters, independent rating firm, Bauer Financial has given us a recommend rating for sound banking practices. In December, we maintained the highest 5 star rating.

Outstanding For the 2nd year, www.bankatfirstnational.com earned an "Outstanding" award from the Web Marketing Association, an achievement for websites that score higher than the industry average. One judge commented, "Best banking site I have seen – easy to use, nice to look at - warm and friendly feel with easy to find content that does not overwhelm. Great site."

Advisor-Friendly Company

The Wealth Management Team earned a coveted spot on The Trust Advisor's 2013 list of advisor-friendly trust companies. This recognition was achieved through a renewed dedication to partnering with investment managers and brokers creating a more holistic approach to asset management. Aric Burch, of First National's advisor-friendly trust division explains, "Our advisor-friendly team creates a winning partnership for the advisor who can provide their clients with the flexibility and protection of a modern trust arrangement. Looking forward, we see this becoming a more common way to add value to our client relationships."

5

FIVE YEARS OF PROGRESS

Our Goal:

Through great service and sound advice – is to earn all of our customers' business. We know that consumers and businesses have multiple banking and financial relationships and our Going for Gr8 sales program is focused on becoming their primary bank. We want to satisfy all our customers' financial needs and help them succeed financially.

TECHNOLOGY DRIVES A BETTER EXPERIENCE

Got an App for That?

More than 5,000 customers downloaded the new Apple and Android Apps to access online banking via their mobile phones last year. Customers can pay bills, transfer money and see their transaction history at home or on the go.

Instant Answers

This enhanced search engine at bankatfirstnational.com is a convenient way for customers to get information they need online simply by asking a question. Over 90% of customer questions are answered instantly from a prebuilt database of popular requests. If a question is not currently in our database, customers may submit their question for a personalized answer. On average 250 questions are instantly answered each month providing 24-7 advice when customers need it.



Financial Resources



A new financial resource center was created to give web visitors quick access to financial calculators, educational articles, online tutorials and more.



Securing the Future

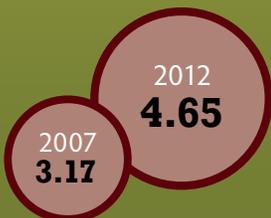
Helping customers manage their money wisely for retirement helps ensure financial stability. Last year, our Wealth Management Team launched eMoney, an innovative and unique online platform to enhance collaboration and deliver exceptional service. This advanced technology helps our team deliver customized analyses to high net-worth clients, while connecting them to their complete financial picture.

Send Money to Friends and Family



Popmoney® is an innovative personal payment service that eliminates the hassles of checks and cash. Popmoney allows customers to send and receive money as easily as sending and receiving email and text messages. Best of all, customers use their current checking account. With Popmoney, you can send and receive money using online banking via a computer or a mobile phone. It's that easy!

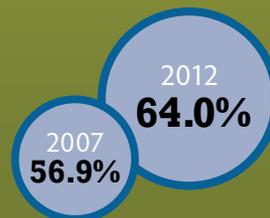
AVERAGE # OF PRODUCTS PER CONSUMER HOUSEHOLD



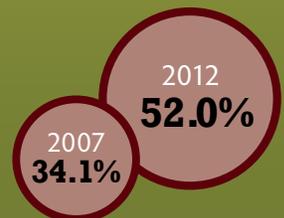
AVERAGE # OF PRODUCTS PER BUSINESS



SHARE OF DEPOSIT WALLET



SHARE OF LOAN WALLET





On the Social Scene

A 12 week Facebook campaign kick-off last summer did not go unnoticed. Our customers and community responded to a Grill Giveaway with more than 6,000 likes and ongoing participation. A great way to communicate with our customers and advocate for financial literacy, our community-focused page continues to receive attention as one of the most active banking Facebook pages in the Stateline.



GIVING BACK

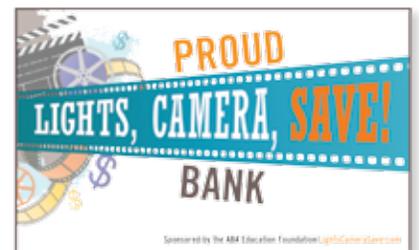
We continue to commit time and resources to the communities where we live and work - even motorcycle parking helped Muscular Dystrophy's 18th Annual Tub Run fundraiser. Our employees also play an integral role in the contributions we make as a company donating countless hours to the causes in which they believe.

IMPROVING FINANCIAL LITERACY

We believe it is our responsibility to enrich our communities by supporting the economic well-being and quality of life for everybody. One of the primary ways we do this is by helping improve financial literacy among children and adults.

Several of our initiatives include:

- Participating in the Federal Reserve's Money Smart Week, a public awareness campaign designed to help consumers better manage their personal finances. A collaboration and coordinated effort of hundreds of organizations throughout the country, Money Smart Week's free educational seminars and activities are focused on the importance of financial literacy and providing free resources to help consumers of all ages and income levels.
- Joining 1,000 other banks across the country to participate in the American Bankers Association (ABA), *Teach Children to Save Day*. This program has been in existence for 15 years and reaches five million children annually.
- Encouraging teens to save by participating in the ABA Educational Foundation's *Lights, Camera, Save!* A video contest that engages teens in educating themselves and their peers about the value of saving and using money wisely.
- Continuing our long-term alliance with the Wisconsin Bankers Association, Bankers Promoting Financial Literacy (BPFL). Along with offering BPFL educational lessons to local schools, our bankers also provide tours and set up classroom demonstrations of our virtual education tool, Money Island. Over 700 teachers, parents and kids have registered and played Money Island over the past 18 months.



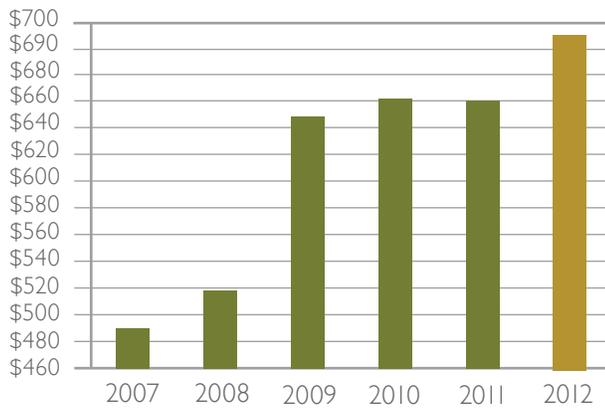
OUR PERFORMANCE

Centre I Bancorp at a Glance

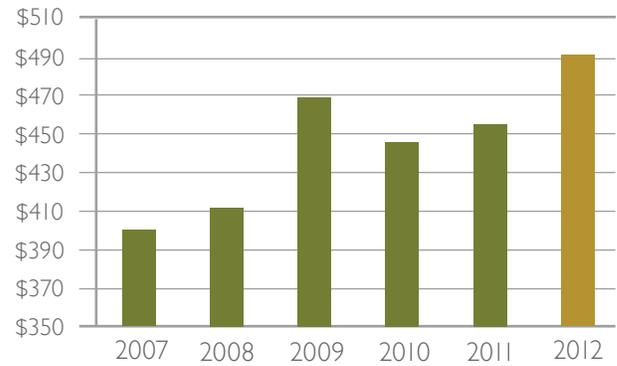
Asset Size	\$826 million
Deposits	\$696 million
Loans	\$493 million
Total Risk-Based Capital Ratio	14.60%
<i>(well-capitalized is 10.00% or higher)</i>	
Tier I Capital	9.69%
<i>(well-capitalized is 6.00% or higher)</i>	
Earnings Per Share	\$4.60
Return on Average Assets	.72%

Return on Average Common Equity	7.53%
Net Interest Income	\$26.8 million
Net Income	\$6.0 million
Customers	36,000 consumers 4,000 businesses
Employees	250
Bank Locations	12

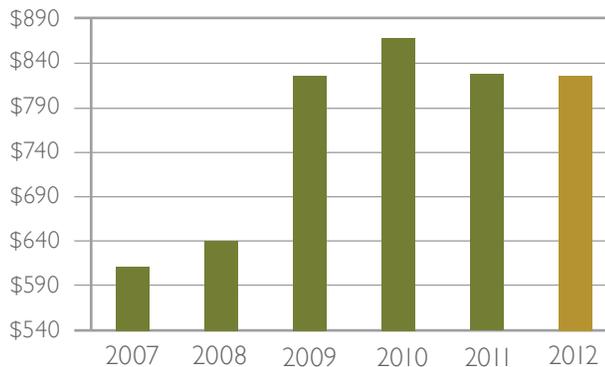
DEPOSITS



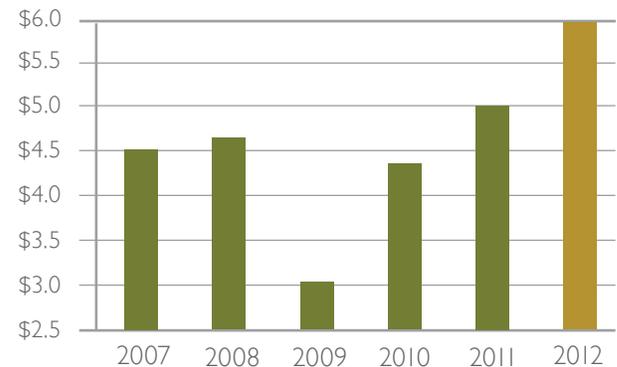
LOANS



TOTAL ASSETS



NET INCOME



CONSOLIDATED BALANCE SHEETS

December 31, 2012 and 2011

ASSETS

	2012	2011
Cash and due from banks	\$27,526,096	\$28,805,856
Federal funds sold	<u>7,540,614</u>	<u>4,278,6890</u>
Cash and cash equivalents	35,066,710	33,084,545
Available for sale securities – stated at fair value	245,604,863	291,521,648
Held to maturity securities, fair value of \$6,501,500 and \$6,166,500 in 2012 and 2011, respectively	6,501,184	6,470,735
Loans, less allowance for loan losses of \$9,069,552 and \$8,234,219 in 2012 and 2011, respectively	493,354,137	456,049,401
Loans held for sale	1,210,377	1,327,818
Premises and equipment, net	20,350,053	19,510,226
Goodwill	9,364,557	9,364,557
Accrued interest receivable and other assets	<u>14,609,087</u>	<u>16,323,080</u>
 TOTAL ASSETS	 <u>\$826,060,968</u>	 <u>\$833,652,010</u>

LIABILITIES

Deposits		
Noninterest-bearing	\$148,516,239	\$142,373,187
Interest-bearing	<u>547,922,830</u>	<u>518,466,424</u>
Total deposits	696,439,069	660,839,611
Securities sold under repurchase agreements	3,731,803	47,641,101
Other borrowings	35,750,000	40,000,000
Accrued interest payable and other liabilities	<u>8,850,026</u>	<u>7,577,307</u>
 Total Liabilities	 <u>744,770,898</u>	 <u>756,058,019</u>

STOCKHOLDERS' EQUITY

Common stock, \$1 par value, 2,000,000 shares authorized, 1,311,250 and 1,304,621 shares issued in 2012 and 2011, 1,306,621 and 1,298,321 shares outstanding in 2012 and 2011, respectively	1,311,250	1,304,621
Surplus	9,810,468	10,033,353
Retained earnings	68,084,313	63,762,801
Treasury stock, 4,629 and 6,300 shares in 2012 and 2011, at cost	(227,978)	(297,675)
Accumulated other comprehensive income	<u>2,312,017</u>	<u>2,790,891</u>
Total Stockholders' Equity	<u>81,290,070</u>	<u>77,593,991</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u>\$826,060,968</u>	 <u>\$833,652,010</u>

CONSOLIDATED STATEMENTS OF INCOME

December 31, 2012 and 2011

	2012	2011
INTEREST INCOME		
Interest and fees on loans	\$26,420,237	\$26,998,858
Interest on investment securities		
Taxable	1,258,927	2,762,875
Tax exempt	3,786,786	3,197,186
Other	60,537	58,893
Total Interest Income	<u>31,526,487</u>	<u>33,017,812</u>
INTEREST EXPENSE		
Interest on deposits	3,087,971	5,051,524
Interest on securities sold under repurchase agreements	29,617	121,468
Interest on other borrowings	1,581,965	2,085,866
Total Interest Expense	<u>4,699,553</u>	<u>7,258,858</u>
Net interest income before provision for loan losses	26,826,934	25,758,954
Provision for loan losses	<u>2,100,000</u>	<u>3,650,000</u>
Net interest income after provision for loan losses	<u>24,726,934</u>	<u>22,108,954</u>
NONINTEREST INCOME		
Service fees on deposit accounts	4,017,471	4,151,118
Trust income	1,428,008	1,482,816
Investment sales commissions	716,327	676,956
Gain on sale of loans	1,120,758	595,917
Gain on sale of securities	418,181	71,397
Other income	1,893,538	2,101,509
Total Noninterest Income	<u>9,594,283</u>	<u>9,079,713</u>
NONINTEREST EXPENSE		
Salaries	11,800,220	10,942,116
Pension, profit sharing and other employee benefits	4,193,471	3,443,778
Occupancy	2,279,697	2,182,195
Computer services	1,001,392	897,653
Furniture and equipment expenses	1,010,061	994,705
FDIC assessment	605,000	753,000
Other expense	6,646,961	6,296,980
Total Noninterest Expense	<u>27,536,802</u>	<u>25,510,427</u>
Income before income taxes	6,784,415	5,678,240
Less: Income tax expense	<u>768,890</u>	<u>668,116</u>
NET INCOME		
	<u>\$6,015,525</u>	<u>\$5,010,124</u>
Basic earnings per share	<u>\$4.60</u>	<u>\$3.85</u>
Diluted earnings per share	<u>\$4.58</u>	<u>\$3.82</u>
Weighted average shares outstanding	<u>1,306,710</u>	<u>1,300,594</u>

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

December 31, 2012 and 2011

	Common Stock	Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
BALANCES December 31, 2010	\$1,299,621	\$9,801,396	\$60,182,235	\$ (346,012)	\$(1,846,141)	\$69,091,099
Comprehensive income	-	-	5,010,124	-	4,637,032	9,647,156
Cash dividends – \$1.30 per share	-	-	(1,429,558)	-	-	(1,429,558)
Exercise of stock options – 5,000 shares	5,000	185,919	-	-	-	190,919
Stock compensation expense	-	46,038	-	-	-	46,038
Purchase of treasury stock – 8,300 shares	-	-	-	(392,175)	-	(392,175)
Sale of treasury stock – 9,522 shares	-	-	-	440,512	-	440,512
BALANCES December 31, 2011	1,304,621	10,033,353	63,762,801	(297,675)	2,790,891	77,593,991
Comprehensive income	-	-	6,015,525	-	(478,874)	5,536,651
Cash dividends – \$1.10 per share	-	-	(1,697,607)	-	-	(1,697,607)
Exercise of stock options – 17,724 shares	6,629	51,137	-	546,429	-	604,195
Stock compensation expense	-	56,728	-	-	-	56,728
Purchase of treasury stock – 16,424 shares	-	-	-	(807,482)	-	(807,482)
Transfer of treasury stock to restricted stock – 7,000 shares	-	(330,750)	-	330,750	-	-
Tax impact of dividends on restricted stock	-	-	3,594	-	-	3,594
BALANCES December 31, 2012	<u>\$1,311,250</u>	<u>\$9,810,468</u>	<u>\$68,084,313</u>	<u>\$(227,978)</u>	<u>\$2,312,017</u>	<u>\$81,290,070</u>

OUR OFFICERS AND DIRECTORS

CENTRE I BANCORP, INC. OFFICERS

Steven M. Eldred
Chairman of the Board
and President

Dennis A. Staalnd
Vice President and Secretary

Donna K. Beilfuss
Chief Financial Officer
and Treasurer

Brian K. Bisbey
Chief Credit Officer

Charles P. McCleary
Chairman
McCleary Inc.

James L. Packard
Retired Executive Chairman
Regal-Beloit Corporation

Dennis A. Staalnd
Executive Vice President
and Trust Officer
First National Bank
and Trust Company

BOARD OF DIRECTORS

Brian K. Bisbey
Executive Vice President and COO
First National Bank
and Trust Company

Gregory K. Britton
President and CEO
Beloit Health System

Steven M. Eldred
Chairman of the Board,
President and CEO
First National Bank
and Trust Company

Peter C. Halverson
Owner
Manufactured Housing
Community Operator

Roger T. Kemman
President
Ryeco, Inc.

Henry W. Kneuppel
Retired Chairman and CEO
Regal-Beloit Corporation

Dwight L. Kruse
President
Century 21 Affiliated

H. Jack Warner
Retired Chairman and CEO
Kerry Americas

The company's financial statements
for 2012 and 2011 were audited by
Baker Tilly Virchow Krause, LLP,
Milwaukee, Wisconsin.

You may obtain a copy of their
report, including the financial
statements and other information,
by writing or calling:

Centre I Bancorp, Inc.
Attn: Donna K. Beilfuss
345 East Grand Avenue
Beloit, WI 53511
608-363-8080



**The annual meeting of shareholders of
Centre I Bancorp, Inc. will be held:**

Friday, April 26, 2013, 9 a.m.
3rd floor Conference Center
First National Bank and Trust Company
345 E Grand Avenue, Beloit, Wisconsin 53511



OUR MISSION

We will be the premier community bank in the markets we serve through our commitment to building long-term relationships. Our goal is to increase value for our shareholders, customers, team members, and communities by providing sound advice and innovative and competitive financial products.

OUR VISION

We will satisfy our customers' financial needs and help them succeed financially. Our product is service, our value added is advice and our competitive advantage is our people.

OUR STRATEGIC DIRECTION

We strive to become a "super" community bank. We will offer more than traditional banking services, including Trust, Retirement Services, Investment Management, Brokerage and Insurance. We are also a distributor – delivering through a variety of channels that our customers have told us they want: the traditional branch, ATM network, customer support center, internet, mobile phone, e-mail and traditional mail.

OUR GOAL

Through great service and sound advice, our goal is to earn all of our customers' business.



Centre 1 Bancorp, Inc.

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www.bankatfirstnational.com • 800-667-4401