

2014

annual report



Centre 1 Bancorp, Inc.

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, email and traditional mail.

Our Goal

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

FROM OUR CEO

Dear Shareholders,

Our promise of providing excellent service, delivering Sound Advice, and creating convenience for our customers, has served the Stateline for over 130 years. This, combined with our expertise and long history, sets us apart from our competition. Our commitment to technology and diverse product offerings continue to fuel our growth. These factors resulted in outstanding 2014 performance.

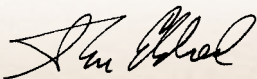
2014 Performance Highlights:

- **Net Income** increased 12.2% to \$7.1 million
- **Earnings goal** achieved
- **Dividends** increased for the fourth consecutive year to \$1.55 per share; representing a 55% increase since 2010
- **Capital ratios** improved 4.9%, continuing to exceed regulatory well-capitalized requirements

Delivering on the promise of Sound Advice is not just a tagline; it's who we are and what we do every day. It is woven into the fabric of the communities where we live and work. Families, small businesses and people of all ages rely on us for our financial expertise. We help homebuyers buy their first homes and parents save for college. Our Sound Advice helps entrepreneurs grow their family business and working families save for the future. We are the trusted place where kids open their first accounts and retirees keep their deposits safe.

We began as a family-owned and operated company, and as the fourth generation of my family to lead the bank, I am proud we remain the same way today. We care about our community and the people in it because this is our home. We live here. We raise our families here, and we are committed to helping our friends and neighbors with their financial lives. Commitment to these principles helps guarantee a bright future for everyone.

I would like to thank our board of directors, management team, and our exceptional family of employees for making a difference in the lives of people in our communities every day. I would also like to thank you, our shareholders, for your commitment to the financial well-being of families and businesses in the Stateline.

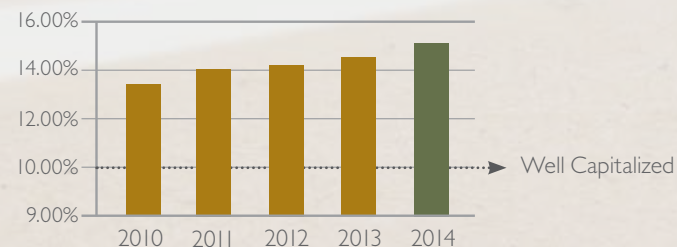


Steven M. Eldred

Chairman, President and Chief Executive Officer



TOTAL RISK-BASED CAPITAL RATIO



BANKING LOCAL = SMALL BANK VALUE + BIG BANK SERVICES

Better Debit Card. Happier Customers.

A new partnership with MasterCard® is part of our ongoing commitment to continuously improve the benefits and services we offer our customers



Our new World Debit MasterCard, offers all of the benefits of our Consumer Debit MasterCard plus these enhanced features:

- **Identity Theft Resolution with Wallet Protection**
Assists with credit bureau notification and debit card replacement and provides an ID Theft Affidavit should customer become the victim of Identity Theft.
- **Purchase Assurance**
Most items purchased with the World Debit MasterCard are covered if they are damaged or stolen within 90 days of the date of purchase.

Easy Savings Rewards

Business Debit MasterCard holders are now automatically enrolled to receive automatic cash rebates on their business spending at participating merchant locations.



My Card | My Life

Along with the Debit MasterCard partnership, we gave our customers the ability to customize their cards with anything that's important to them.

- Kids
- Pets
- Favorite vacation spot



Cards with personalized images are proven to increase card usage and maximize customer retention, while giving our customers flexibility over the look and feel of something they see every day.

one Powered by BaZing

We enhanced our consumer checking offering by launching **one** powered by BaZing to provide customers with everything they need in **one** account.



- Everyday savings for travel, restaurants and shopping
- Cell phone insurance
- ID Theft Assistance
- Health and Pharmacy savings



Benefits delivered online or right to your smart phone...easy for the whole family!

Your connection to the Connection

Keeping Employees in the Know

We launched an all employee email newsletter that serves as a snapshot of the upcoming week as well as a review of the past week's events. This useful tool provides quick reference to the multitude of projects, programs, and events throughout the company.

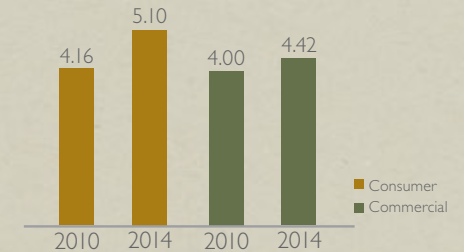


41,000 customers and counting

Through great service and sound advice we will earn all of our customers' business. Studies indicate that a typical customer has 8 different banking relationships and uses 15 different financial products.

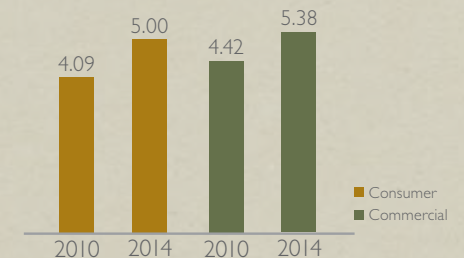
ACQUISITION

Average number of financial products used by new banking customers



ORGANIC GROWTH

Average number of financial products used by all banking customers



Customer Experience

Our scores continue to improve and exceed the industry benchmark, grading us on a scale of 1-10.

9.3

TREND

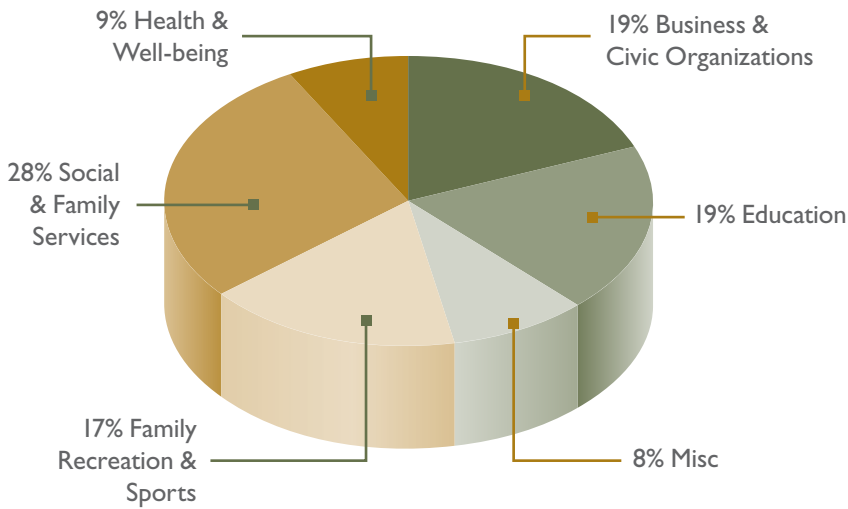
BENCHMARK



9.1

GIVING BACK

Through volunteerism and monetary support, we contributed to more than 210 organizations in 2014.



#FNBT SOUNDADVICE



520 Sound Advice Facebook Posts & Tweets



14,150 Facebook Fans

146 Twitter Followers

TOP POSTS & TWEETS FOR 2014

Through likes, shares, retweets and comments, our fans are telling us what they love to hear about on social media.

twitter

First National Bank @fnbtsoundadvice • Feb 13
Love & Money. Sound financial advice for marriage and finance. [#FNBTSoundAdvice](#)

facebook

First National Bank and Trust May 7, 2014

Employees recently rallied around one of our own in Walk MS-Janesville. A team of 12 walked with Toni Tilley while others raised funds with a jersey/jean day. In all, Toni's team raised over \$2,200 for MS research & education.

Like · Comment · Share

facebook

First National Bank and Trust January 6, 2015

Money Trivia Monday! The first U.S. coin to have the inscription "In God We Trust" was an 1864 two-cent piece. It was produced for only nine years.

Like · Comment · Share

facebook

First National Bank and Trust May 30, 2014

Congratulations to the 2014 Financial Literacy Champion award winner, Erica Schwartz and St. Peter Catholic School - South Beloit!

Like · Comment · Share

More than **40** **EVENTS**

were held at our branches this past year as a resource for our customers and community members.



Coin Appraisals



Shred Events



Electronics Recycling Drives



Blood Drives



Flu Shot Clinics



Economic Forecast Luncheons

150 customers, employees and community members attended spring and fall Economic Forecasts hosted by our Wealth Management Team

AWARDS AND RECOGNITION



Local Banker Earns Certificate of Excellence for Education

Barbara Schultz, assistant vice president and branch manager for FNBT's Janesville office, earned the Certificate of Excellence Award for making 29 financial education presentations throughout the year.

"This is a great honor for Barb and the entire staff at First National Bank and Trust," said Marie Strombeck, senior vice president of FNBT. "We are very proud of our volunteer bankers who provide Sound Advice and guide young people towards lifelong savings habits."

32 bankers from First National Bank and Trust (FNBT) earned recognition recently with an award from the Wisconsin Bankers Association (WBA) for contributing their time and talent to the community through the Bankers Promoting Financial Literacy program.



A Five Star Bank

We continue to earn BauerFinancial's 5-Star Superior rating for strength and security, proof positive that you don't have to be the biggest to be the best.

BauerFinancial Inc., Coral Gables, Florida, the nation's bank rating firm, has been evaluating and rating banks since 1983. A 5-Star Superior rating indicates that First National Bank and Trust is one of the strongest in the nation, excelling in areas of capital, loan quality, profitability and more. In fact, First National Bank and Trust has earned this highest rating for the most recent 14 consecutive quarters. *"Local decisions, responsive service and a dedication to making the community a better place to live. These are the hallmarks of community banks and they are alive and thriving at First National Bank and Trust",* champions Karen L. Dorway, president of BauerFinancial. *"Community banks have an understanding of what the community needs and provide the financial support tailored to those needs. The money deposited into a community bank is loaned back out to the community. It all stays local."*

Rising Star in Banking

Our Marketing Director, Laura Pomerene, was honored by NorthWestern Financial Review as one of 6 Rising Stars in banking in the Midwest. Laura was recognized for leading the effort to raise the visibility of FNBT starting in 2008, implementing the Sound Advice brand promise and service standards, and launching our social media strategy.



Silver Winner In The 35th Annual Telly Awards

The Telly Awards has named First National Bank and Trust [FNBT] as a Silver winner in the 35th Annual Telly Awards for their piece titled "Value of a Dollar – Why choose a Community Bank". The video was designed to illustrate how a dollar deposited at FNBT benefits the economic well-being of the Stateline communities.

With nearly 12,000 entries from all 50 states and numerous countries, this is truly an honor and less than 10% of the entries are chosen as winners of the Silver Telly, the highest honor. The video can be seen at www.bankatfirstnational.com/Resources/videos.html

Downtown Beloit Association (DBA)

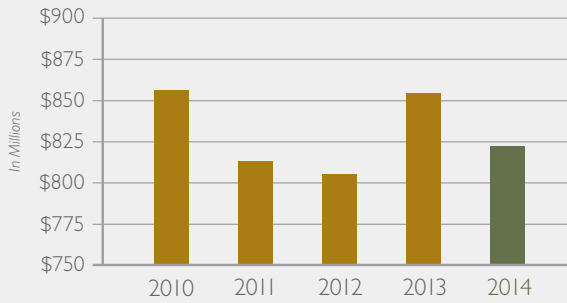
Thank you so much to First National Bank and Trust Company and Steve Eldred for making downtown so beautiful. They have continued to improve their plaza over the years and it always looks amazing. But this year they have also taken on all four corners of State and Grand and really made them the centerpiece of downtown. Thank you so much for your generosity! Our downtown businesses are all amazing!



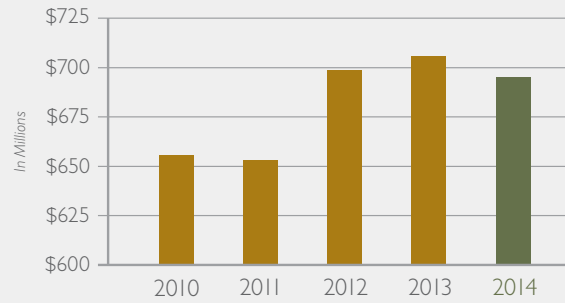
Social Shout Out by the DBA

OUR PERFORMANCE

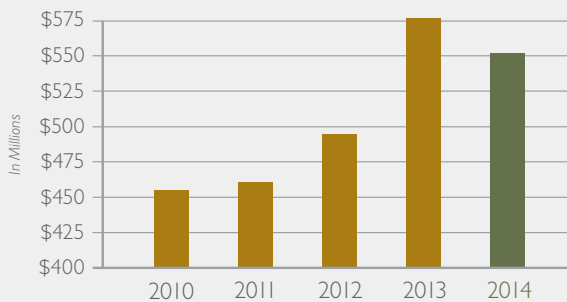
ASSETS



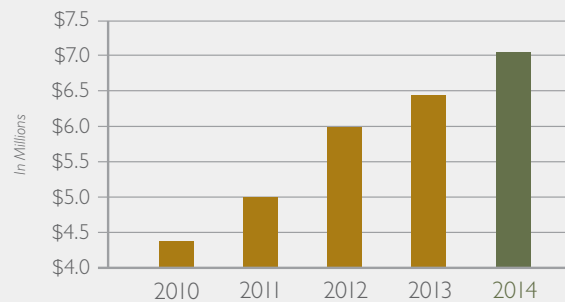
DEPOSITS



LOANS



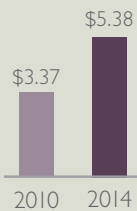
NET INCOME



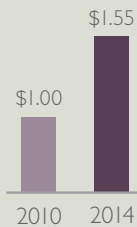
CENTRE I BANCORP AT-A-GLANCE

Asset Size	\$823 million
Deposits	\$695 million
Loans	\$553 million
Total Risk-Based Capital Ratio <i>(Well-capitalized is 10.00% or higher)</i>	15.07%
Tier I Capital <i>(Well-capitalized is 6.00% or higher)</i>	10.64%
Earnings per Share	\$5.38
Return on Average Assets	0.88%
Return of Average Common Equity	8.26%
Net Interest Income	\$27.8 million
Net Income	\$7.1 million

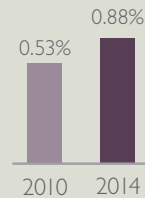
EARNING PER SHARE



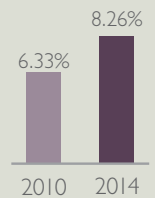
DIVIDENDS



RETURN ON AVERAGE ASSETS (ROA)



RETURN ON AVERAGE COMMON EQUITY (ROE)



CONSOLIDATED BALANCE SHEETS

As of December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and due from banks	\$ 28,124,463	\$ 32,366,557
Federal funds sold	9,580,747	20,649,178
Interest bearing deposits in banks	466,683	397,175
Cash and cash equivalents	38,171,893	53,412,910
Available for sale securities stated at fair value	176,722,656	168,527,135
Held to maturity securities, fair value of \$6,498,850 and \$6,498,850 in 2014 and 2013	6,500,000	6,500,000
Loans, less allowance for loan losses of \$9,774,270 and \$9,094,127 in 2014 and 2013	552,809,166	578,258,590
Loans held for sale	1,270,197	185,412
Premises and equipment, net	21,078,711	20,975,832
Goodwill	9,364,557	9,364,557
Accrued interest receivable and other assets	17,043,270	18,502,743
TOTAL ASSETS	\$ 822,960,450	\$ 855,727,179
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Noninterest-bearing	\$ 163,999,583	\$ 181,589,264
Interest-bearing	531,222,613	540,563,874
Total deposits	695,222,196	722,153,138
Securities sold under repurchase agreements	3,153,059	4,638,242
Other borrowings	26,750,000	36,275,000
Accrued interest payable and other liabilities	9,366,996	9,607,605
Total liabilities	734,492,251	772,673,985
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value, 2,000,000 shares authorized, 1,311,250 shares issued in 2014 and 2013, 1,303,139 and 1,306,189 shares outstanding in 2014 and 2013, respectively	1,311,250	1,311,250
Surplus	8,791,356	9,512,592
Retained earnings	78,048,398	72,933,081
Treasury stock, 8,111 and 5,061 shares in 2014 and 2013, respectively, at cost	(533,298)	(279,953)
Accumulated other comprehensive income (loss)	850,493	(423,776)
Total Stockholders' Equity	88,468,199	83,053,194
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 822,960,450	\$ 855,727,179

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2014 and 2013

	2014	2013
INTEREST INCOME		
Interest and fees on loans	\$ 26,375,537	\$ 26,809,255
Interest on investment securities		
Taxable	388,612	948,269
Tax exempt	3,433,501	3,586,545
Interest on federal funds sold	10,963	1,909
Other	59,815	55,241
Total Interest Income	<u>30,268,428</u>	<u>31,401,219</u>
INTEREST EXPENSE		
Interest on deposits	1,804,729	2,417,646
Interest on securities sold under repurchase agreements	9,726	12,777
Interest on other borrowings	652,143	1,288,248
Total Interest Expense	<u>2,466,598</u>	<u>3,718,671</u>
Net interest income before provision for loan losses	27,801,830	27,682,548
Provision for loan losses	1,600,000	1,736,000
Net interest income after provision for loan losses	<u>26,201,830</u>	<u>25,946,548</u>
NONINTEREST INCOME		
Service fees on deposit accounts	3,824,952	3,928,220
Trust income	1,845,915	1,562,409
Investment sales commissions	596,086	730,457
Gain on sale of loans	443,580	747,951
Gain on sale of securities	73,966	189,509
Other income	2,727,035	2,277,259
Total Noninterest Income	<u>9,511,534</u>	<u>9,435,805</u>
NONINTEREST EXPENSE		
Salaries	12,317,399	12,272,902
Pension, profit sharing and other employee benefits	4,178,400	3,908,279
Occupancy	2,433,447	2,348,464
Computer services	1,197,927	1,044,970
Furniture and equipment expenses	1,061,231	1,041,945
FDIC assessment	412,500	375,000
Other expenses	6,801,793	7,329,473
Total Noninterest Expense	<u>28,402,697</u>	<u>28,321,033</u>
Income before income taxes	7,310,667	7,061,320
Less: Income tax expense	173,167	701,307
NET INCOME	<u>\$ 7,137,500</u>	<u>\$ 6,360,013</u>
Basic earnings per share	<u>\$ 5.45</u>	<u>\$ 4.87</u>
Diluted earnings per share	<u>\$ 5.38</u>	<u>\$ 4.85</u>
Weighted average shares outstanding	<u>1,308,640</u>	<u>1,306,710</u>

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

As of December 31, 2014 and 2013

	Common stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total
Balances – January 1, 2013	\$ 1,311,250	\$ 9,560,468	\$ 68,334,313	\$ (227,978)	\$ 2,312,017	\$ 81,290,070
Comprehensive income	-	-	6,360,013	-	(2,735,793)	3,624,220
Cash dividends – \$1.35 per share	-	-	(1,763,485)	-	-	(1,763,485)
Exercise of stock options – 15,905 shares	-	(137,679)	-	783,321	-	645,642
Stock compensation expense	-	56,728	-	-	-	56,728
Purchase of treasury stock – 16,337 shares	-	-	-	(835,296)	-	(835,296)
Vesting of restricted stock	-	33,075	-	-	-	33,075
Tax impact of dividends on restricted stock	-	-	2,240	-	-	2,240
Balances – December 31, 2013	1,311,250	9,512,592	72,933,081	(279,953)	(423,776)	83,053,194
Comprehensive income	-	-	7,137,500	-	1,274,269	8,411,769
Cash dividends – \$1.55 per share	-	-	(2,028,943)	-	-	(2,028,943)
Exercise of stock options – 28,597 shares	-	(381,338)	-	1,782,420	-	1,401,082
Stock compensation expense	-	75,026	-	-	-	75,026
Purchase of treasury stock – 31,647 shares	-	-	-	(2,035,765)	-	(2,035,765)
Vesting of restricted stock	-	33,076	-	-	-	33,076
New grant of Restricted Stock – 8,000 Shares	-	(448,000)	-	-	-	(448,000)
Tax impact of dividends on restricted stock	-	-	6,760	-	-	6,760
Balances – December 31, 2014	\$ 1,311,250	\$ 8,791,356	\$ 78,048,398	\$ (533,298)	\$ 850,493	\$ 88,468,199

The company's financial statements for 2014 and 2013 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 Centre I Bancorp, Inc., Attn: Donna Beilfuss, 345 East Grand Avenue, Beloit, WI 53511 or by calling 608-363-8080.

Centre I Bancorp, Inc. Officers

Steven M. Eldred

*Chairman of the Board,
President and CEO*

Dennis A. Staaland

Vice President and Secretary

Board of Directors

Brian K. Bisbey

*Executive Vice President and COO,
First National Bank and Trust Company*

Gregory K. Britton

Retired 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. Knueppel

*Retired Chairman and CEO,
Regal-Beloit Corporation*

Donna K. Beilfuss

Chief Financial Officer and Treasurer

Brian K. Bisbey

Chief Credit Officer

Dwight L. Kruse

President, Century 21 Affiliated

Charles P. McCleary

Chairman, McCleary Inc.

James L. Packard

*Retired Executive Chairman,
Regal-Beloit Corporation*

Dennis A. Staaland

*Executive Vice President and Trust Officer,
First National Bank and Trust Company*

H. Jack Warner

Retired Chairman and CEO, Kerry Americas

Roger T. Kemman

President, Ryeco, Inc.

Annual Meeting

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

Friday, April 24 • 9:00 a.m.

Third Floor Conference Center
First National Bank and Trust Company
345 E. Grand Avenue, Beloit, WI 53511

800.667.4401

www.bankatfirstnational.com



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