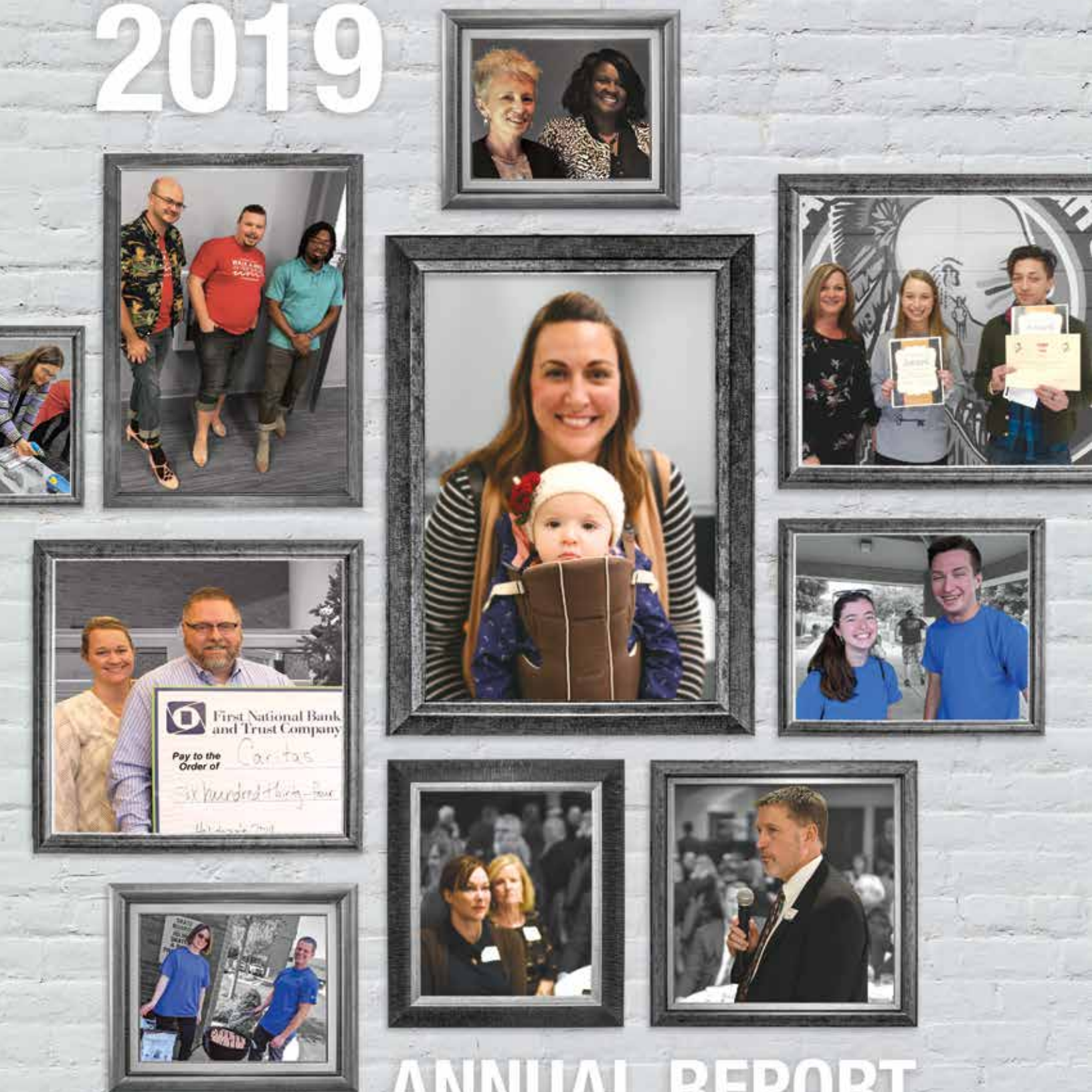


2019



ANNUAL REPORT



Centre 1 Bancorp, Inc.

OUR MISSION & VISION



We treat our customers, employees, shareholders and communities like family by delivering an exceptional experience.

We will help all of our families succeed.



This year's annual report concept aligns with our mission and vision to treat all of our stakeholders like family. Throughout the report you'll see our family album showcasing our employee and community families.

TO OUR SHAREHOLDERS

Dear Shareholder Family,

For generations, First National Bank and Trust (FNBT) has earned its reputation as a bank that builds and values relationships. 2019 marked the 137th year in FNBT's proud history. Last year we began the execution of our 3-year strategic plan and laid out several important themes that revolved around improving our impact for all stakeholders.

- **Strong, effective family** –We will be a stronger, more effective family by taking care of each other, our shareholders, our customers and our communities.
- **Deep and valued relationships** –We will value our customers like family and seek to build deep relationships which are mutually beneficial.
- **Consistent excellence** –We will consistently deliver service with excellence, in any way our customers choose to interact with us.
- **First National first.** We will become the bank that customers contact first when they have a financial need.



This focus was designed to improve upon the meaningful tradition of family within the Bank, while enhancing the future course of shareholder returns for Centre 1 Bancorp. We have made great strides towards improving efficiency, growth, and core profitability, all while shaping a culture that enhances accountability and empowers our customers and employees. 2019 is our first-year building towards our newly defined future and we are proud to share our progress to date.

For 2019, we reported net income of \$9 million and improved our dividends per share to \$2.50. We grew our loan portfolio \$26 million and deposits by \$10 million. Our loan growth was achieved via the same conservative credit standards that have served the bank well for more than a century. Loan product expansion in residential lending, a refreshed focus on small business customers, and additions to our commercial and mortgage lending staff helped drive our results.

Deposit growth was modest, yet we succeeded in a planned shift in our deposit mix to demand deposit (checking) accounts by more than \$30 million. This type of account anchors most of our consumer and business relationships, and is less costly for the bank positively impacting our net interest margin.

As we look ahead, we believe FNBT will operate more efficiently and continue to enhance earnings. We believe FNBT will represent a better experience for customers and employees. And we believe FNBT will continue to be a driving force that helps all our families succeed.

Your investment in Centre 1 Bancorp has enabled us to thrive for nearly 140 years. Thank you for your continued trust and support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Eldred', written in a cursive, flowing style.

Steven M. Eldred

Chief Executive Officer

YEAR IN REVIEW

Giving Back Where We Live and Work

The United Way Blackhawk Region awarded First National Bank and Trust (FNBT) with the 2019 Gold Award in recognition of our United Way workplace campaign. Although the first time to receive this award, FNBT has been a longtime supporter of United Way and together with our employees, we've been fighting for the health, education and financial stability of every person in the communities we serve. Through our partnership with United Way, we are helping fund programs such as Meals on Wheels, American Red Cross, Regional Hospice, Boys & Girls Club, and many more.

Strong Community Bank = Strong Businesses and Strong Communities

Community banks serve a vital role as contributors to the nation's economic resilience. We understand that FNBT's strength and stability has an incalculable impact on thousands of lives here in the Stateline and are pleased to report that we have again earned a 5-Star rating from Bauer Financial, the nation's premier bank rating firm. Earning this rating indicates that the bank is excelling in areas of capital adequacy, profitability, asset quality and much more. "As the president of BauerFinancial, I am often asked what it takes to be a 5-Star bank," reflects Karen Dorway, president of the research firm. "Like so many other things in life, success in banking boils down to knowledge. Knowledge of banking, of course, but knowledge of its customers and the communities the bank serves are equally important. This intimacy enables the bank to steer clear of danger and work with customers for a common goal. It's what gets so many community banks, like First National Bank and Trust, through the tough times unscathed."



Product Knowledge is Fun with BaZing Mobs!

FNBT's BaZing Mob visited each branch and department in 2019 to encourage all employee family members to explore the BaZing benefits that customers receive with a one or Privilege Plus account. Saving on purchases at local merchants and restaurants, and receive discounts for travel and prescriptions, are just a few of the benefits. Customers have also saved hundreds of dollars by taking advantage of the BaZing cell phone protection, health savings, and road side assistance.



Sound Advice for Our Customer and Community Families

In October, FNBT in partnership with our Wealth Management Team hosted nearly 200 customer and community family members at our second annual Economic Outlook Event. Keynote speaker, William A. Strauss, Senior Economist and Economic Advisor from the Federal Reserve Bank of Chicago, shared his insights on the economy and what we may see in 2020. Prior to the event, we sat down with Mr. Strauss to discuss his view of how current events may have an impact on the regional and national economy. Visit bankatfirstnational.com/economicoutlook to watch the interviews.



Employee family gearing up to toss water balloons at the executive team, their prize for raising donations for United Way.

Helping Homeowners Through Education and Expertise

In 2019, FNBT continued to host home buyer events in the spring and fall. Dozens of customers and community members have attended these events, designed to provide an educational experience on the home buying process in a no-pressure environment.

Customer feedback is also a cornerstone of our commitment to excellence, and last year our customers told us how important the expertise of our residential lending team was to them.

"Sharon made our mortgage refinance a great experience. She was informative, courteous, overall a great person to work with." – Kristopher B.

"Working with Dustin was fast and easy, which is exactly what we needed. We were updated throughout the process and would recommend!" – Trenton K.

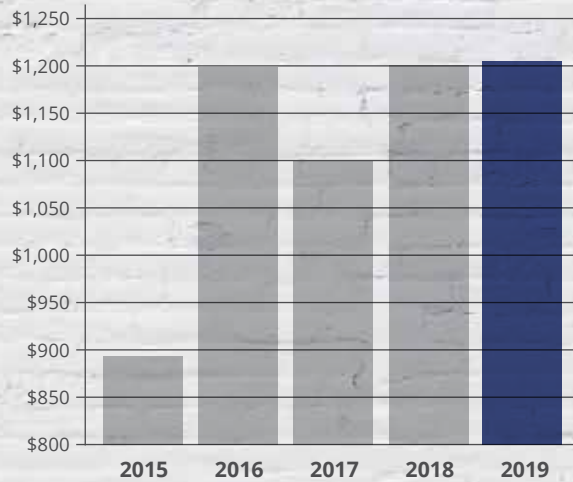
"Erica is probably one of the best lenders I have had the pleasure of dealing with, she is truly an asset to First National! Thank You!" – John G.

"Toni facilitated the loan process, solved any issues and calmed our nerves when needed. We intend to use her for any future loans through First National Bank." – Kaj A.

PERFORMANCE

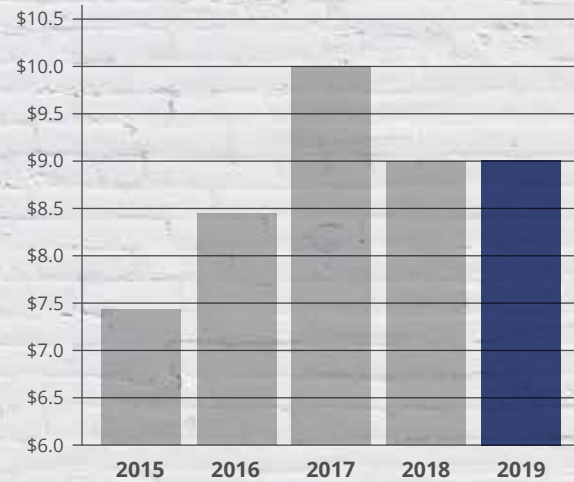
Assets

(in millions)



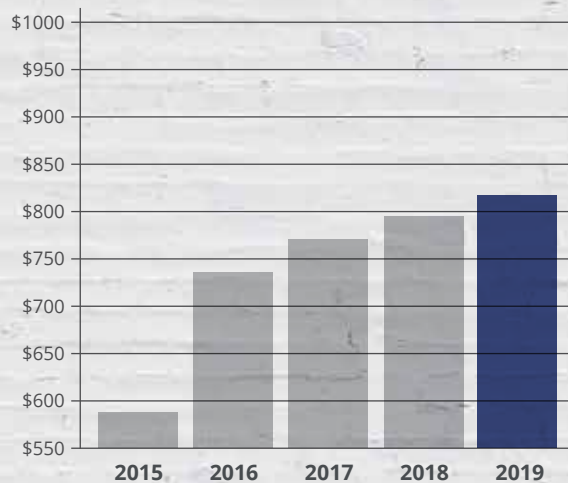
Net Income

(in millions)



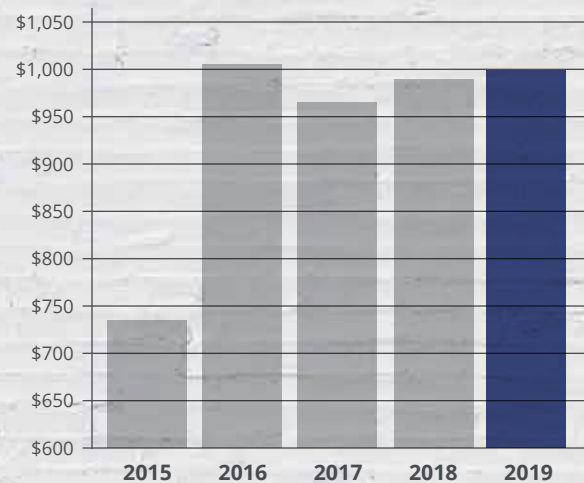
Loans

(in millions)

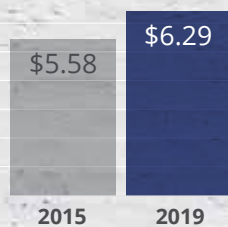


Deposits

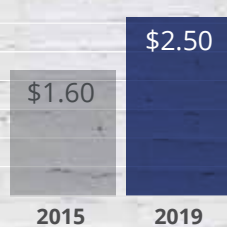
(in millions)



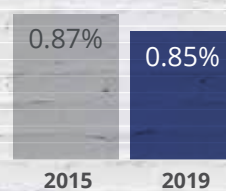
Earnings Per Share



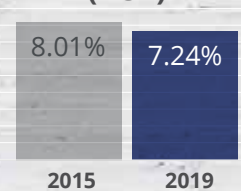
Dividends



Return on Assets (ROA)



Return on Common Equity (ROE)



2019

FINANCIALS AT-A-GLANCE

Asset Size
\$1.2 billion

Deposits
\$999 million

Loans
\$817 million

Total Risk-Based
Capital Ratio
(Well-capitalized is
10.0% or higher)
14.06%

Tier 1 Capital
(Well-capitalized is
5.0% or higher)
11.37%

Earnings per Share
\$6.29

Return on Assets
0.85%

Return on
Common Equity
7.24%

Net Interest
Income
\$36 million

Net Income
\$9 million



Customers and community members were greeted at our annual Music at Harry's concert.

CONSOLIDATED BALANCE SHEETS

As of December 31, 2019 and 2018
(dollars in thousands, except per-share data)

	2019	2018
ASSETS		
Cash and due from banks	\$ 43,025	\$ 32,586
Federal funds sold	40,239	44,836
Interest bearing deposits in banks	<u>29,524</u>	<u>523</u>
Cash and cash equivalents	112,788	77,945
Available for sale securities – stated at fair value	163,230	201,094
Held to maturity securities, fair value of \$6,499 and \$6,493 in 2019 and 2018, respectively	6,500	6,500
Loans, less allowance for loan losses of \$9,549 and \$9,041 in 2019 and 2018, respectively	817,012	792,854
Loans held for sale	1,173	940
Premises and equipment, net	24,279	24,659
Goodwill	24,699	24,699
Accrued interest receivable and other assets	<u>22,269</u>	<u>25,452</u>
Total assets	<u>\$ 1,171,950</u>	<u>\$ 1,154,143</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 278,231	\$ 248,006
Interest-bearing	<u>721,202</u>	<u>741,364</u>
Total deposits	999,433	989,370
Securities sold under repurchase agreements	5,549	4,858
Other borrowings	30,250	30,929
Accrued interest payable and other liabilities	<u>12,440</u>	<u>12,426</u>
Total liabilities	<u>1,047,672</u>	<u>1,037,583</u>
Stockholders' Equity		
Common stock, \$1 par value, 2,000,000 shares authorized, 1,454,820 and 1,447,187 shares issued in 2019 and 2018, 1,417,865 and 1,411,512 shares outstanding in 2019 and 2018, respectively	1,455	1,447
Surplus	18,007	17,352
Retained earnings	107,129	101,887
Treasury stock, 36,955 and 35,675 shares in 2019 and 2018 respectively, at cost	(2,900)	(2,780)
Accumulated other comprehensive income (loss)	<u>587</u>	<u>(1,346)</u>
Total stockholders' equity	<u>124,278</u>	<u>116,560</u>
Total liabilities and stockholders' equity	<u>\$ 1,171,950</u>	<u>\$ 1,154,143</u>

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2019 and 2018

(dollars in thousands, except per-share data)

	2019	2018
INTEREST INCOME		
Interest and fees on loans	\$ 38,511	\$ 38,351
Interest on investment securities:		
Taxable	2,825	1,959
Tax exempt	1,375	2,863
Interest on federal funds sold	1,015	117
Other	125	97
Total interest income	<u>43,851</u>	<u>43,387</u>
INTEREST EXPENSE		
Interest on deposits	6,243	4,489
Interest on securities sold under repurchase agreements	85	79
Interest on other borrowings	716	922
Total interest expense	<u>7,044</u>	<u>5,490</u>
Net interest income before provision for loan losses	36,807	37,897
Provision for loan losses	<u>603</u>	<u>75</u>
Net interest income after provision for loan losses	<u>36,204</u>	<u>37,822</u>
NONINTEREST INCOME		
Service fees on deposit accounts	5,177	4,655
Trust income	2,907	2,806
Investment sales commissions	540	477
Gain on sale of loans	1,061	554
Gain on sale of securities	1,705	323
Other income	3,543	2,853
Total Noninterest Income	<u>14,933</u>	<u>11,668</u>
NONINTEREST EXPENSE		
Salaries	18,753	18,387
Pension, profit sharing and other employee benefits	4,930	5,292
Occupancy	3,577	3,056
Computer services	1,424	1,517
Furniture and equipment expenses	1,471	1,278
FDIC assessment	159	332
Other expenses	9,844	9,822
Total Noninterest Expense	<u>40,158</u>	<u>39,684</u>
Income before income taxes	10,979	9,806
Less: Income tax expense	<u>2,064</u>	<u>801</u>
NET INCOME	\$ 8,915	\$ 9,005
Basic earnings per share	\$ 6.29	\$ 6.38
Diluted earnings per share	\$ 6.20	\$ 6.27
Weighted average shares outstanding	<u>1,417,865</u>	<u>1,411,512</u>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the years ended December 31, 2019 and 2018

(dollars in thousands, except per-share data)

	Common Stock	Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balances – January 1, 2018	1,432	15,613	96,012	(1,315)	(152)	111,590
Comprehensive income:						
Net income	-	-	9,005	-	-	9,005
Other comprehensive income	-	-	-	-	(1,194)	(1,194)
Comprehensive income	-	-	-	-	-	7,811
Cash dividends - \$2.20 per share	-	-	(3,154)	-	-	(3,154)
Stock issuance - 29,470 shares	29	2,419	-	-	-	2,448
Exercise of stock options - 30,700 shares	(14)	(749)	-	-	-	(763)
Stock compensation expense	-	69	-	-	-	69
Purchase of treasury stock - 17,802 shares	-	-	-	(1,465)	-	(1,465)
Tax impact of dividends on restricted stock	-	-	24	-	-	24
Balances – December 31, 2018	1,447	17,352	101,887	(2,780)	(1,346)	116,560
Comprehensive income:						
Net income	-	-	8,915	-	-	8,915
Other comprehensive income	-	-	-	-	1,933	1,933
Comprehensive income	-	-	-	-	-	10,848
Cash dividends - \$2.50 per share	-	-	(3,616)	-	-	(3,616)
Stock issuance - 7,633 shares	8	460	-	-	-	468
Surrender of restricted shares	-	172	-	-	-	172
Stock compensation expense	-	23	-	-	-	23
Purchase of treasury stock - 1,280 shares	-	-	-	(120)	-	(120)
FAS 115 tax rate change adjustment	-	-	(85)	-	-	(85)
Tax impact of dividends on restricted stock	-	-	28	-	-	28
Balances – December 31, 2019	<u>\$ 1,455</u>	<u>\$ 18,007</u>	<u>\$ 107,129</u>	<u>\$ (2,900)</u>	<u>\$ 587</u>	<u>\$ 124,278</u>

The company's financial statements for 2019 and 2018 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 1 Bancorp, Inc., Attn: Dan Kittleson, 345 East Grand Avenue, Beloit, WI 53511 or by calling 608-363-8080.

2019

CENTRE 1 BANCORP, INC. OFFICERS AND BOARD OF DIRECTORS

Officers

Steven M. Eldred
Chairman of the Board
and Chief Executive Officer

David N. McCoy
President

Dan Kittleson
Chief Financial Officer
and Treasurer

Mark E. Leach
Vice President
and Secretary

Board of Directors

Gregory K. Britton
Retired Chief Executive
Officer, Beloit Health
System

Dwight L. Kruse
President,
Century 21 Affiliated

William C. DeLong
Vice President of
Grain, The DeLong
Company, Inc.

David N. McCoy
President, First National
Bank and Trust Company

Steven M. Eldred
Chairman of the Board,
and Chief Executive Officer,
First National Bank and
Trust Company

Timothy M. McKeve
President and
Chief Executive Officer,
Beloit Health System

Roger T. Kemman
President, Ryeco, Inc.

James L. Packard
Retired Executive
Chairman, Regal-Beloit
Corporation

Henry W. Kneuppel
Retired Chairman and
Chief Executive Officer,
Regal-Beloit Corporation

William J. Ring
President and
Chief Executive Officer
Dalco Metals, Inc.



Supporting United Way Day of Caring, FNBT helps create birthday kits for Box of Balloons.



Always exceptional service from our sales teams at 16 Stateline locations.





The Corporate Cup dodgeball team was just one of more than 20 sport and leisure FNBT teams to participate in this community fundraiser for the Stateline YMCA.



Centre 1 Bancorp, Inc.

345 E Grand Ave, Beloit, WI 53511

800-667-4401

www.bankatfirstnational.com

Argyle | Beloit – Cranston Rd | Beloit – Grand Ave | Beloit – Inman Pkwy | Beloit – Madison Rd | Clinton
Darien | Delavan | Elkhorn | Janesville | Monroe | Rockton | Roscoe | Walworth | Williams Bay | Winnebago