

Together



Centre 1 Bancorp, Inc.

2020 ANNUAL
REPORT

Together

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.



*L-R: Steven M. Eldred,
David N. McCoy*

TO OUR SHAREHOLDERS

Dear Shareholder Family,

2020 is now hindsight....and it will likely be remembered as one of the most challenging years in recent history. The global pandemic certainly added complexity, but First National Bank and Trust (FNBT) was there to provide support and resources for our community, our customers, and our employees.

In the early days of the “safer at home” orders, we helped 665 businesses secure nearly \$78 million in funding which impacted more than 9,600 local jobs through the first round of the Paycheck Protection Program (PPP). When the Economic Impact Payments or stimulus checks were announced, our bankers were there to help, and we stepped up initiatives to help lessen the burden on our customers. This was no small feat. Our employee family worked around the clock to help our customers, their neighbors.

An important project in 2020 was our Core and Digital System upgrade.

The new system provided an opportunity to make strides toward improving efficiency and core profitability while enhancing shareholder returns for Centre1 Bancorp, Inc. As with any major computer system change, we encountered a few challenges but our team continues to work as quickly as possible to address the issues to support our customer family. This evolution is a function of continual investments in our people, systems and products. To that end, we started 2020 in a position of strength.

- Net income grew slightly to \$9.4 million and improved our dividends per share to \$2.50.
- We grew our loan portfolio 9% and deposits by 22%.
- Historic low interest rates drove the bank’s mortgage loan originations a record breaking \$244 million.
- Wealth management revenue grew nearly 3% over last year.

Looking back, we learned a lot in 2020. Together we overcame challenges. We banded together for the health and safety of our customer and employee families. We weathered the storm and made it through unprecedented times. Our operations never stopped; we simply adjusted the way we delivered service. Most importantly, we learned that together, we can accomplish amazing things and we’re proud of our team’s work.

Turning toward the future, FNBT will continue to operate more efficiently and continue to enhance earnings while creating a better experience for customers and employees. FNBT is positioned well for future growth. With your support and investment in Centre 1 Bancorp, we will continue to do it together.



Steven M. Eldred
Executive Chairman



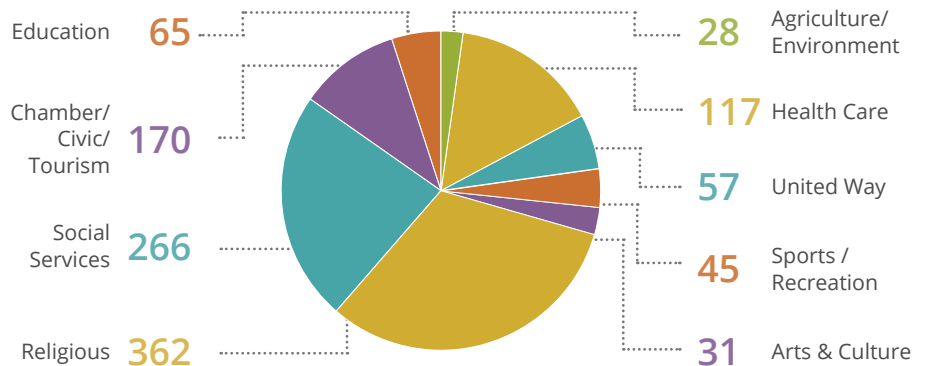
David N. McCoy
President & CEO

YEAR IN REVIEW

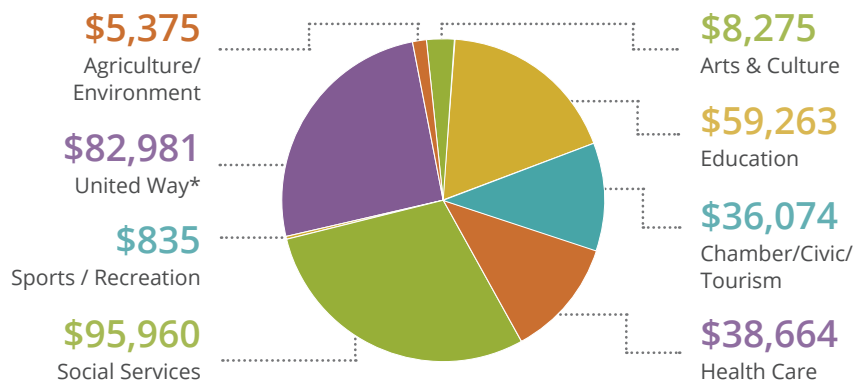
Together - Community

The pandemic changed the volunteerism landscape, but the bank donated nearly \$70,000 in COVID-19 specific programs in 2020, including an Employee Directed Donation Campaign allowing employees to select area organizations to support. A total of \$2,500 was donated to over 50 non-profit agencies through this initiative. These programs provided critical support to our communities during a very difficult time, and we're all proud of our work. The commitment to our community family through giving and continued volunteerism shows that we live up to our mission of treating others like family. It has been a difficult time for everyone, but FNBT continues to do the right thing to help everyone succeed.

2020 Volunteer Hours by Impact Focus



2020 Donations by Impact Focus



*Includes Corporate + Employee Pledges

Together - Customers

Our small business families are important to our communities which is why FNBT was proud to contribute to positive community impact through the first round of the Paycheck Protection Program, part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2020. This effort provided small business customers the resources they needed to maintain payroll, hire back employees who may have been laid off, and cover applicable overhead.

Supporting our Business and Community Families

Paycheck Protection Program (PPP) Impact

Member FDIC

Our family is working hard every day to help small businesses during these uncertain times.

Business Loans Approved
\$77,905,508

Customers Impacted
665

Jobs Impacted
9,618

*As of 5/31/2020

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Together – Employees

FNBT provided support for employees throughout the adjustment of remote working and limited lobby access which allowed our focus to remain on our customers. We constantly invest in our employee family because we care.

When the “safer at home” orders were first enacted, the bank initially gave employees days off with pay to avoid anyone losing pay. Many companies were forced to reduce staff or cut payroll to save on expenses during the pandemic; we’re happy to report that FNBT has had ZERO lay offs and we have issued NO pay cuts. In fact, we continued to follow our yearly performance review with raises schedule.

FNBT did not cut any hours for employees during the quarantine.

Employee benefits were not impacted in 2020. FNBT continued annual raises and maintained 401(k) profit sharing matches. We also continue to provide paid life and disability insurance. Other area employers cut from their employee’s benefits in many of these areas.

Additionally, we’re happy to report that FNBT has not cut any of our wellness perks. We continue to support employee wellness by subsidizing memberships to the YMCA and Weight Watchers. We’ve even implemented a new wellness app, MoveSpring, where employees can compete for prizes and get activity at the same time.



Together – Our Partners

With our financial literacy partner, Everfi, we were able to provide parents with an additional educational resource bringing our financial education program direct through a Family Portal to facilitate digital learning in a home environment. Parents simply registered with their child’s school name to start the program.



310 | **871**

Students have enrolled since March 15

Hours of Learning since March 15

What Learners Say about FNBT’s Financial Literacy Program

“The language was really easy to understand. I tend to have a hard time understanding things when their explained with super difficult language, so this made things super easy.”

–Student at Hononegah

“I think its very educational for someone who isn’t sure about how to go about things when they’re older. It’ll help them be more prepared for the real world when it’s time.”

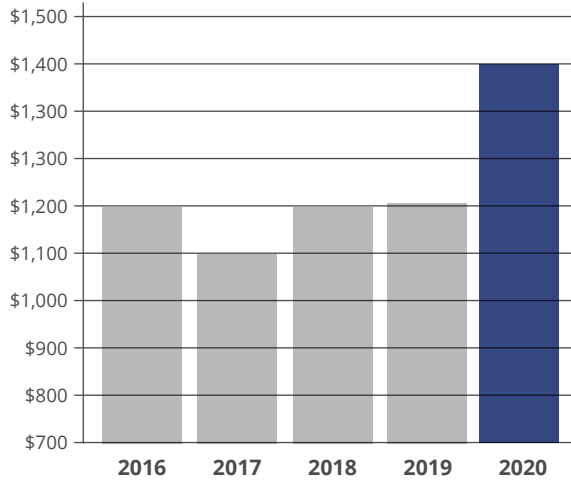
–Student at Harlem

“I enjoyed learning how to open up and track my savings/credit/debit accounts.”

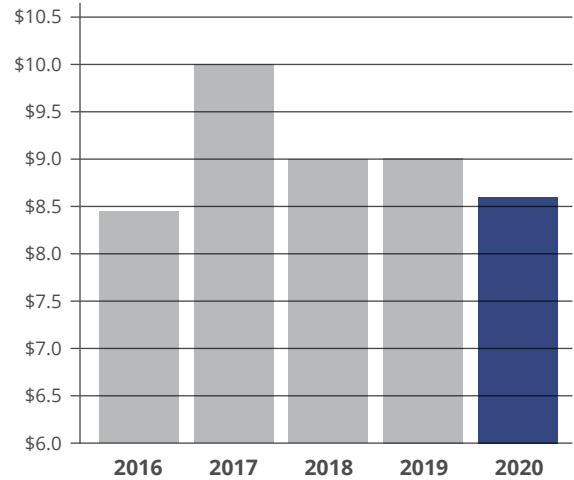
–Student at Hononegah

PERFORMANCE

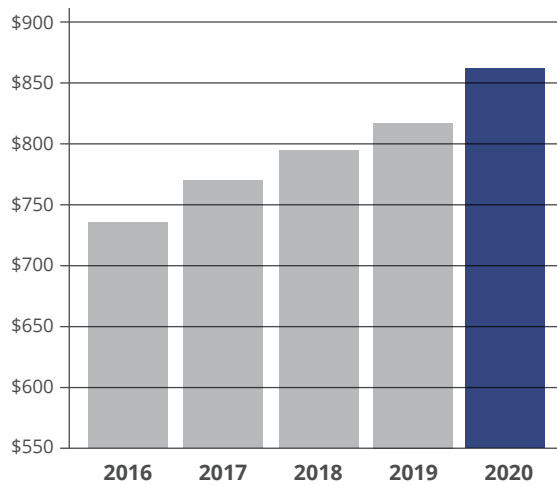
Assets
(in millions)



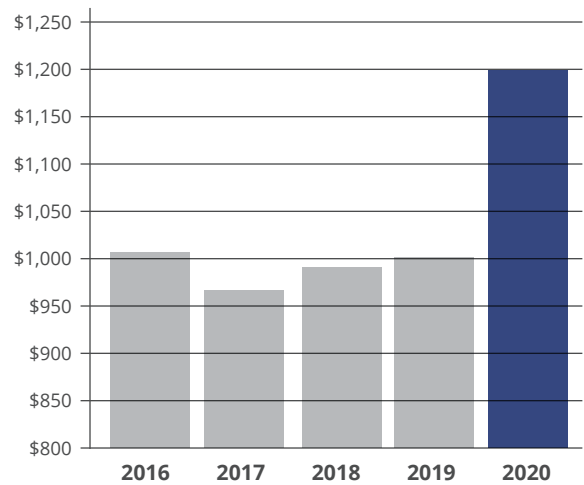
Net Income
(in millions)



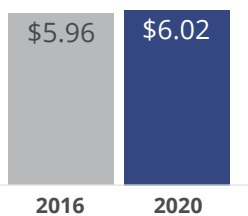
Loans
(in millions)



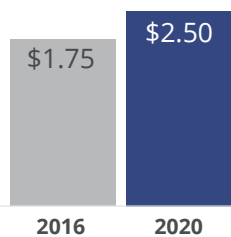
Deposits
(in millions)



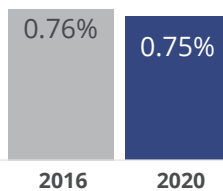
Earnings Per Share



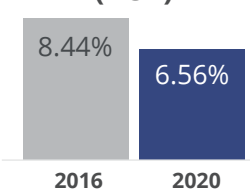
Dividends



Return on Assets (ROA)



Return on Common Equity (ROE)





FINANCIALS AT-A-GLANCE

Asset Size
\$1.4 billion

Deposits
\$1.2 billion

Loans
\$862 million

Tier 1 Capital*
(Well-capitalized is
8.0% or higher)
8.09%

Earnings per Share
\$6.02

Return on Assets
0.75%

Return on
Common Equity
6.56%

Net Interest
Income
\$37 million

Net Income
\$8.6 million

**The calculation for this
category changed in 2020.*

CONSOLIDATED BALANCE SHEETS

As of December 31, 2020 and 2019

(dollars in thousands, except per-share data)

	2020	2019
ASSETS		
Cash and due from banks	\$ 110,232	\$ 43,025
Federal funds sold	21,932	40,239
Interest bearing deposits in banks	<u>518</u>	<u>29,524</u>
Cash and cash equivalents	132,682	112,788
Available for sale securities – stated at fair value	311,090	163,230
Held to maturity securities, fair value of \$10,684 and \$6,499 in 2020 and 2019, respectively	10,685	6,500
Loans, less allowance for loan losses of \$10,737 and \$9,549 in 2020 and 2019, respectively	862,571	817,012
Loans held for sale	4,811	1,173
Premises and equipment, net	23,147	24,279
Goodwill	24,699	24,699
Bank owned life insurance	26,845	1,813
Accrued interest receivable and other assets	<u>19,338</u>	<u>20,456</u>
Total assets	<u>\$ 1,415,868</u>	<u>\$ 1,171,950</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 374,350	\$ 278,231
Interest-bearing	<u>864,998</u>	<u>721,202</u>
Total deposits	1,239,348	999,433
Securities sold under repurchase agreements	8,077	5,549
Other borrowings	26,582	30,250
Accrued interest payable and other liabilities	<u>10,900</u>	<u>12,440</u>
Total liabilities	<u>1,284,907</u>	<u>1,047,672</u>
Stockholders' Equity		
Common stock, \$1 par value, 2,000,000 shares authorized, 1,464,062 and 1,454,820 shares issued in 2020 and 2019, 1,427,107 and 1,417,865 shares outstanding in 2020 and 2019, respectively	1,464	1,455
Surplus	18,741	18,007
Retained earnings	112,109	107,129
Treasury stock, 36,955 shares in 2020 and 2019 respectively, at cost	(2,900)	(2,900)
Accumulated other comprehensive income	<u>1,547</u>	<u>587</u>
Total stockholders' equity	<u>130,961</u>	<u>124,278</u>
Total liabilities and stockholders' equity	<u>\$ 1,415,868</u>	<u>\$ 1,171,950</u>

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2020 and 2019

(dollars in thousands, except per-share data)

	<u>2020</u>	<u>2019</u>
INTEREST INCOME		
Interest and fees on loans	\$ 38,901	\$ 38,511
Interest on investment securities:		
Taxable	2,823	2,825
Tax exempt	255	1,375
Interest on federal funds sold	191	1,015
Other	133	125
Total interest income	<u>42,303</u>	<u>43,851</u>
INTEREST EXPENSE		
Interest on deposits	4,166	6,243
Interest on securities sold under repurchase agreements	22	85
Interest on other borrowings	604	716
Total interest expense	<u>4,792</u>	<u>7,044</u>
Net interest income before provision for loan losses	37,511	36,807
Provision for loan losses	<u>1,350</u>	<u>603</u>
Net interest income after provision for loan losses	<u>36,161</u>	<u>36,204</u>
NONINTEREST INCOME		
Service fees on deposit accounts	4,007	5,177
Trust income	2,984	2,907
Investment sales commissions	470	540
Gain on sale of loans	4,878	1,061
Gain on sale of securities	-	1,705
Other income	<u>3,302</u>	<u>3,543</u>
Total Noninterest Income	<u>15,641</u>	<u>14,933</u>
NONINTEREST EXPENSE		
Salaries	19,185	18,753
Pension, profit sharing and other employee benefits	5,550	4,930
Occupancy	3,740	3,577
Computer services	1,491	1,424
Furniture and equipment expenses	1,527	1,471
FDIC assessment	235	159
Other expenses	<u>9,206</u>	<u>9,844</u>
Total Noninterest Expense	<u>40,934</u>	<u>40,158</u>
Income before income taxes	10,868	10,979
Less: Income tax expense	<u>2,280</u>	<u>2,064</u>
NET INCOME		
	<u>\$ 8,588</u>	<u>\$ 8,915</u>
Basic earnings per share	<u>\$ 6.02</u>	<u>\$ 6.29</u>
Diluted earnings per share	<u>\$ 5.96</u>	<u>\$ 6.20</u>
Weighted average shares outstanding	<u>1,427,107</u>	<u>1,417,865</u>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the years ended December 31, 2020 and 2019
(dollars in thousands, except per-share data)

	Common Stock	Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balances – January 1, 2018	1,447	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	1,455	18,007	107,129	(2,900)	587	124,278
Comprehensive income:						
Net income	-	-	8,588	-	-	8,588
Other comprehensive income	-	-	-	-	960	960
Comprehensive income	-	-	-	-	-	9,548
Cash dividends - \$2.50 per share	-	-	(3,634)	-	-	(3,634)
Stock issuance - 9,242 shares	9	722	-	-	-	731
Stock compensation expense	-	12	-	-	-	12
Tax impact of dividends on restricted stock	-	-	26	-	-	26
Balances – December 31, 2020	<u>\$ 1,464</u>	<u>\$ 18,741</u>	<u>\$ 112,109</u>	<u>\$ (2,900)</u>	<u>\$ 1,547</u>	<u>\$ 130,961</u>

The company's financial statements for 2020 and 2019 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: David McCoy, 345 East Grand Avenue, Beloit, WI 53511 or by calling 608-313-8322.



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

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

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

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

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First National Bank and
Trust Company

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Chief Banking Officer,
First National Bank and
Trust Company

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Corporation

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

Dwight L. Kruse
President,
Century 21 Affiliated

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



Centre 1 Bancorp, Inc.

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