

# 2022

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.**

Dear Shareholder,

First and foremost, we would like to thank you for being loyal shareholders in Centre 1 Bancorp. We remain committed to improving earnings and providing consistent dividends to you, our shareholders.

2022 was not the year that any of us anticipated or forecasted. It was a year marked with many changes, and these changes came at a pace faster than ever experienced. The most notable changes were the highest inflation in decades and the increase in interest rates by the Federal Reserve Bank (FRB), the most dramatic in more than 40 years. The rate increase is important to mention, as the FRB had maintained interest rates at or near zero since the financial crisis in 2008. These moves put pressure on us, immediately increasing deposit rates while the repricing of loans will occur over the next few years.

In the first half of 2022, we restructured our investment portfolio to prepare and position ourselves to weather the economic storm. This decision came with a significant impact to net income. The one-time loss from this restructuring was \$6.9 million, after tax. Some of this loss was offset by an increased yield from the new investments in 2022 and beyond.

Overall, with these two material impact items, along with some other one-time expenses, net income for 2022 was \$1.7 million or \$1.20 per share. Although management and the Board were disappointed that earnings were not better in 2022, we believe that the steps we took with the restructure and the efforts we are taking to combat the historic pace of interest rate hikes, are all focused to improve future long term earnings for the bank. The increased funding costs and fixed rate loans made during 2019-2021 will require diligent effort to improve earnings over the next couple of years.

The Bank has persevered through challenging economic times in the past and has come out in better shape than before the challenge. We remain committed to a risk-based approach to working through this economic cycle towards our objective of long-term sustainable income, capital, and dividend growth.

We pride ourselves in continuing to be a strong, well-capitalized bank, and remain focused on serving you, our shareholders, our customers, and our communities where we live and work. Your continued support and trust are appreciated. Our focus remains strongly committed to every shareholder.



A handwritten signature in black ink, appearing to read "Steven Eldred".

Steven M. Eldred  
Chairman & CEO  
Centre 1 Bancorp, Inc.



A handwritten signature in black ink, appearing to read "David McCoy".

David N. McCoy  
President & CEO  
First National Bank and Trust

# YEAR IN REVIEW

## Core Values

In 2022, our Core Values were redefined with input from the bank's senior leadership team and a focus group of our employee family members representing all areas and levels of the bank. These clearly defined Core Values support First National Bank and Trust's mission and vision and act as the foundation of our personal and business practices that will ensure that we all work toward the same goals, guide our actions, define our culture and shape our future. They lay the groundwork by which we do our jobs and conduct ourselves. They reflect how we want our fellow employee family members and customer family to describe their interactions with us.



### Our Core Values

- We are part of the family
- We do the right thing
- We take ownership
- We speak up and listen
- We find a better way
- We stay curious & inquisitive
- We have fun



## Community Involvement

We're proud of our employees and we believe in working for the greater good for everyone as we give our time, talent, and treasure to support projects and programs that positively affect change. "Doing the Right Thing" involves supporting our employee family so they can support the causes that make our communities a better place to live, work, and play.

In 2022, First National Bank and Trust's commitment to our Community Family reached nearly \$400,000 in financial support. Our Employee Family contributed more than 1,200 hours to support area non-profits in volunteer efforts and leadership positions for fundraisers, officers and board memberships.

The bank continues to be a pacesetter company for the United Way and received their Gold Award for our contributions and employee pledges to the 2022 campaign. We continue to support important initiatives such as the United Way Day of Caring, and the Stateline Family YMCA's Corporate Cup Challenge. Our partnership as the Exclusive Bank for the Beloit Sky Carp baseball team allowed First National Bank and Trust the opportunity to engage in two community outreach programs this year: the Women in Baseball and Banking luncheon and a Little League Field Renovation.





## Focus on Service

At First National Bank and Trust, we treat our customers and communities like family by providing exceptional service. In 2022, we received 263 Google Reviews averaging 4.8 out of 5 stars. But don't just take our word for it...see what our customers have to say about us!

## Financial Tools & Education

With a focus on customer experience, FNBT continues to provide a variety of financial education resources and tools to make banking safe, secure and easy. Digital banking tips, video tutorials and instructional online booklets help customers navigate online and mobile banking tools. Secure technology such as contactless debit cards, digital wallets, security resources, and fraud prevention tutorials help protect businesses and consumers.

FNBT was awarded the Web Marketing Association's 2022 Best Bank Website WebAward for "A Better Digital User Experience" highlighting the bank's Wallet Wise Blog, video tutorials, financial calculators, digital banking guides and new customer onboarding program.



*"Great bank, very nice and friendly staff. I'd say this is the BEST BANK I'VE EVER BANKED WITH in 60 years." – Polly P.*

*"At First National, the customer service is always exceptional no matter what the transaction or question." – Cyndi P*

*"The tellers helped me out with an emergency change order and went out above for my local business right before close. Awesome customer service and very personable. Highly recommend!" – Rebecca B.*

*"Went in to set up an account and was helped right away and the personal banker was very knowledgeable and helpful. She helped me set up my mobile app and everything. Would highly recommend!" – Amanda P.*

*"I love this bank. Any issues they are right there to help you, doesn't matter if in person or online or via phone. Even when we were out of state on vacation FNBT was there to help me!" – Lori B.*

*"Great bank for personal banking but even better for small businesses. FNBT has been so great to work with. There isn't anything we have found that they can't help us with." – Kathy F.*

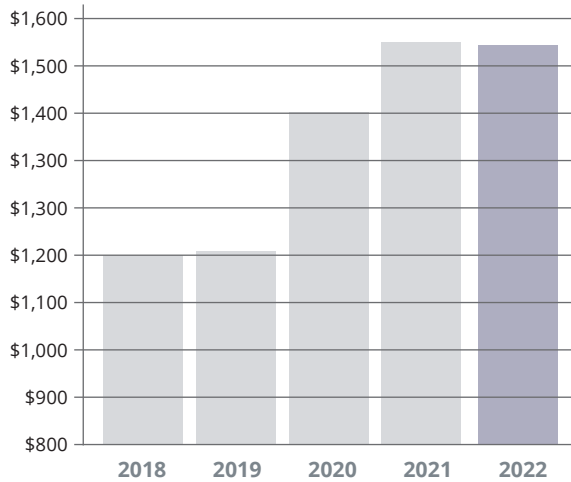
*"I feel like part of a family banking here." – Patty K.*

*"The People and the atmosphere are exceptional." – Gary J.*

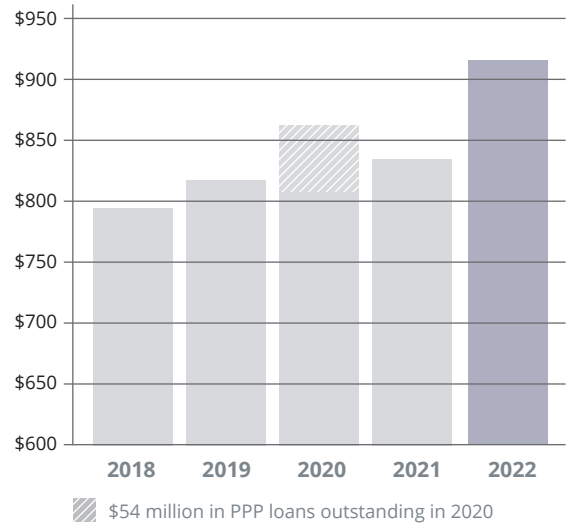


# PERFORMANCE

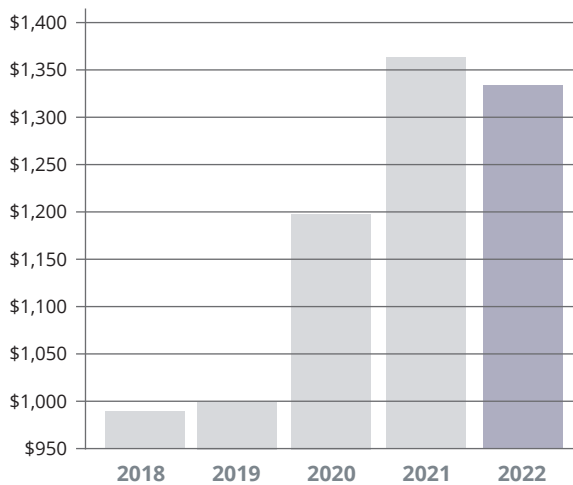
**Assets**  
(in millions)



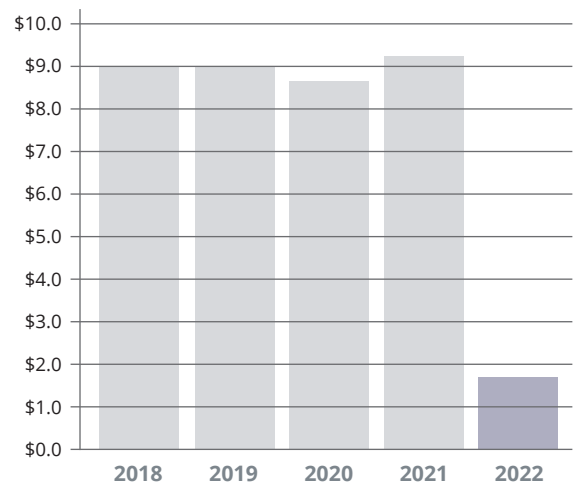
**Loans**  
(in millions)



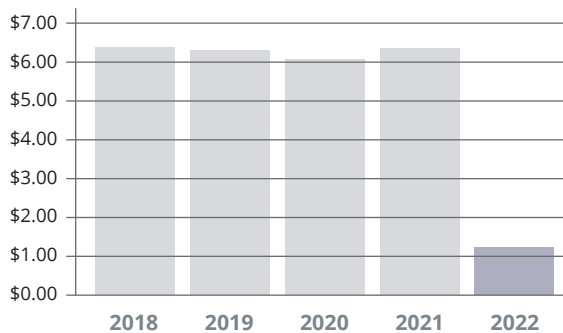
**Deposits**  
(in millions)



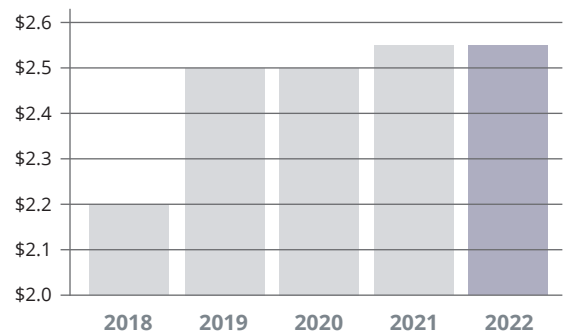
**Net Income**  
(in millions)



**Earnings Per Share**



**Dividends**

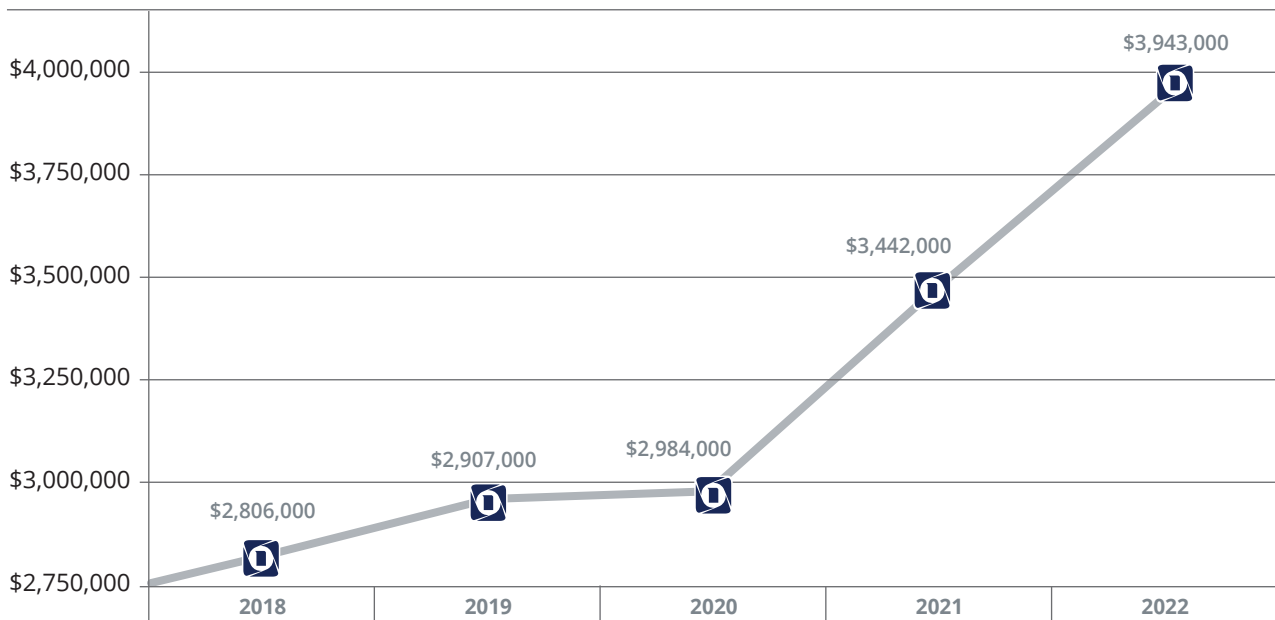




## Wealth Management Group

Our dedicated team of experienced trust and investment professionals, estate planning and tax experts are located right here in your community at your community bank. Access to our local advisors that can meet with you in person and discuss your individual goals, are just a few of the many reasons our high net worth customers trust us to manage their assets.

**TRUST GROUP REVENUE**  
(in thousands)



# CONSOLIDATED BALANCE SHEETS

As of December 31, 2022 and 2021

(dollars in thousands, except share data)

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 51,322	\$ 33,961
Available for sale securities – at fair value	459,431	568,950
Held to maturity securities, fair value of \$10,039 and \$10,334 in 2022 and 2021, respectively	10,040	10,335
Loans, less allowance for loan losses of \$10,836 and \$11,006 in 2022 and 2021, respectively	904,017	832,125
Loans held for sale	174	2,247
Premises and equipment, net	21,435	22,947
Goodwill	24,699	24,699
Bank owned life insurance	32,259	32,077
Accrued interest receivable and other assets	40,707	21,147
Total assets	<u>\$ 1,544,084</u>	<u>\$ 1,548,488</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 406,354	\$ 438,784
Interest-bearing	922,392	922,930
Total deposits	1,328,746	1,361,714
Securities sold under repurchase agreements	89,701	18,196
Other borrowings	24,458	26,000
Accrued interest payable and other liabilities	15,172	13,116
Total liabilities	1,458,077	1,419,026
<b>Stockholders' Equity</b>		
Common stock, \$1 par value, 2,000,000 shares authorized, 1,487,176 and 1,475,015 shares issued in 2022 and 2021, respectively 1,443,116 and 1,438,060 shares outstanding in 2022 and 2021, respectively	1,487	1,475
Surplus	20,567	19,622
Retained earnings	115,428	117,569
Treasury stock, 44,060 and 36,955 shares in 2022 and 2021 respectively, at cost	(3,546)	(2,900)
Accumulated other comprehensive (loss)	(47,929)	(6,304)
Total stockholders' equity	86,007	129,462
Total liabilities and stockholders' equity	<u>\$ 1,544,084</u>	<u>\$ 1,548,488</u>



# CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2022 and 2021

(dollars in thousands, except per-share data)

	<u>2022</u>	<u>2021</u>
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 36,715	\$ 35,422
Interest on investment securities	8,793	4,435
Total interest income	<u>45,508</u>	<u>39,857</u>
<b>INTEREST EXPENSE</b>		
Interest on deposits	3,286	1,941
Interest on securities sold under repurchase agreements	1,246	13
Interest on other borrowings	653	425
Total interest expense	<u>5,185</u>	<u>2,379</u>
Net interest income before provision for loan losses	40,323	37,478
Provision for loan losses	<u>-</u>	<u>300</u>
Net interest income after provision for loan losses	40,323	37,178
<b>NONINTEREST INCOME</b>		
Service fees on deposit accounts	4,670	3,930
Trust income	3,943	3,442
Investment sales commissions	635	529
Mortgage banking income	2,727	4,881
Card-based income	3,809	3,646
Gain/(loss) on sale of securities	(9,177)	1,181
Other income	<u>372</u>	<u>1,606</u>
Total Noninterest Income	6,979	19,215
<b>NONINTEREST EXPENSE</b>		
Compensation and employee benefits	27,288	27,761
Occupancy expense	3,437	3,576
Furniture and equipment expenses	1,355	1,515
Data processing and technology expense	3,718	3,273
Federal deposit insurance premiums	679	468
Professional services	2,628	2,385
Amortization of intangible assets	199	199
Other expenses	<u>6,463</u>	<u>5,083</u>
Total Noninterest Expense	<u>45,767</u>	<u>44,260</u>
Income before income taxes	1,535	12,133
Less: Income tax expense / (benefit)	<u>(201)</u>	<u>2,971</u>
<b>NET INCOME</b>	<u>\$ 1,736</u>	<u>\$ 9,162</u>
Basic earnings per share	<u>\$ 1.20</u>	<u>\$ 6.37</u>
Diluted earnings per share	<u>\$ 1.19</u>	<u>\$ 6.30</u>
Weighted average shares outstanding	<u>1,443,116</u>	<u>1,438,060</u>

# CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the years ended December 31, 2022 and 2021  
(dollars in thousands, except per-share data)

	Common Stock	Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balances</b> – December 31, 2020	\$1,464	18,741	112,109	(2,900)	1,547	\$130,961
Comprehensive income:						
Net income	-	-	9,162	-	-	9,162
Other comprehensive income	-	-	-	-	(7,851)	(7,851)
Comprehensive income	-	-	-	-	-	1,311
Cash dividends - \$2.55 per share	-	-	(3,727)	-	-	(3,727)
Stock issuance - 10,953 shares	11	875	-	-	-	886
Stock compensation expense	-	6	-	-	-	6
Tax impact of dividends on restricted stock	-	-	25	-	-	25
<b>Balances</b> – December 31, 2021	1,475	19,622	117,569	(2,900)	(6,304)	129,462
Comprehensive income:						
Net income	-	-	1,736	-	-	1,736
Other comprehensive loss	-	-	-	-	(41,625)	(41,625)
Comprehensive income	-	-	-	-	-	(39,889)
Cash dividends - \$2.55 per share	-	-	(3,750)	-	-	(3,750)
Stock issuance - 12,030 shares	12	939	-	-	-	951
Stock repurchase - 7,105 shares	-	-	-	(646)	-	(646)
Stock compensation expense	-	6	-	-	-	6
Reclassification due to adoption of ASU No. 2016-02	-	-	(139)	-	-	(139)
Tax impact of dividends on restricted stock	-	-	12	-	-	12
<b>Balances</b> – December 31, 2022	\$ 1,487	20,567	115,428	(3,546)	(47,929)	\$ 86,007

The company's financial statements for 2022 and 2021 were audited by Baker Tilly US, 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: Jerry Ritzert, 345 E Grand Avenue, Beloit, WI 53511 or by calling 608-363-8000.

## CENTRE 1 BANCORP, INC. OFFICERS AND BOARD OF DIRECTORS

### Officers

**Steven M. Eldred**  
Chief Executive Officer

**Donald A. O'Day**  
Chief Operating Officer

**Jerry J. Ritzert**  
Chief Financial Officer  
and Treasurer

**David N. McCoy**  
President

**Mark E. Leach**  
Vice President  
and Secretary

### Board of Directors

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

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

**Steven M. Eldred**  
Chairman of the Board

**Roger T. Kemman**  
President, Ryeco, Inc.

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

**Dwight L. Kruse**  
Retired President,  
Century 21 Affiliated

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

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

**Donald A. O'Day**  
Executive Vice President  
Chief Operating Officer,  
First National Bank and  
Trust Company

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

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

**Jonathon J. Schlemmer**  
General Manager, Heating  
Modine Manufacturing  
Company

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**First National Bank  
and Trust Director**

**Hagen Harker**  
President  
Mid-States Concrete



At First National Bank and Trust, we treat you like family. From every interaction to every transaction. From familiar faces at the drive up, to helping businesses grow, we're focused on what truly matters from your bank. Valued relationships built on trust – with people you can count on. First National Bank and Trust. Helping you succeed today and tomorrow. Just like family.



## Centre 1 Bancorp, Inc.

345 E Grand Ave, Beloit, WI 53511

800-667-4401

[www.bankatfirstnational.com](http://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