

Always Here

2023

ANNUAL REPORT



Centre 1 Bancorp, Inc.



We are committed to integrating our rich history with innovation where ***Always Here*** signifies not only trust and stability but evolving our offering, empowering dreams, and sustaining economic prosperity.

TO OUR SHAREHOLDERS

Dear Shareholder,

2023 was a year marked by challenges, changes, and bright spots. The impact of the historic Federal Reserve Bank interest rate increases over the past two years continued to pose challenges to our net interest margin. Additionally, our bottom line was affected by a one-time tax expense of \$3.4 million. The state of Wisconsin approved a tax provision that allows banks to exclude income earned on commercial loans of \$5.0 million or less from state income tax. Although this state tax provision had a negative impact on net income in 2023, it is important to note that it will have a positive impact on earnings in subsequent years. Total net income for 2023 was \$2.3 million or \$1.58 per share.

In October, the company appointed Don O'Day to President & CEO and reassembled its executive management team. This leadership team is focused on responsible margin improvement and delivering an exceptional experience for our customers. Their collective expertise and strategic vision will drive our efforts and improve our performance.

In 2023, two outside directors of the Board, Greg Britton and Roger Kemman, retired after many years of service. We express our gratitude to them for their commitment and dedication. Meanwhile, we were pleased to welcome Hagen Harker to the Board of Directors for Centre 1 Bancorp, Inc. and First National Bank and Trust. Hagen's track record of success and his vision are valuable assets to our board, and we believe that his contributions will greatly benefit us as we navigate the road ahead..

Despite the challenging interest rate environment, we remain focused on our core business as evidenced by our total loan portfolio growth of \$50.3 million, the \$5.7 million in non-interest income contributed by our high-performing Wealth Management team, and our consistently high net promoter score of 81.5 which measures overall customer satisfaction and loyalty. We are proud of being "Always Here" for our customers. In fact, that is the theme of this year's annual report. We use it to remind you that for over 140 years, and through various economic cycles, we have always been here supporting our customers and communities. We acknowledge the challenging work ahead of us and remain committed to being "Always Here" for our employees, our customers, our shareholders, and our communities.

Thank you for your continued trust and support.



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



Donald A. O'Day
President & CEO
First National Bank and Trust

YEAR IN REVIEW



Always Here:

For Customers and Communities

At First National Bank and Trust, our commitment to our customers and communities remains unwavering. We are committed to integrating our rich history with innovation where Always Here signifies not only trust and stability but evolving our offering, empowering dreams, and sustaining economic prosperity. We stand firm in our dedication to providing sound advice, exceptional service, and support.



Always Here:

To Do What We Say We're Going to Do

At First National Bank and Trust, our actions speak louder than words. We are proud to fulfill our promises, delivering on our commitments to our customers and communities. As we reflect on the achievements of 2023, we look forward to another year of growth, innovation, and continued service excellence.



Always Here:

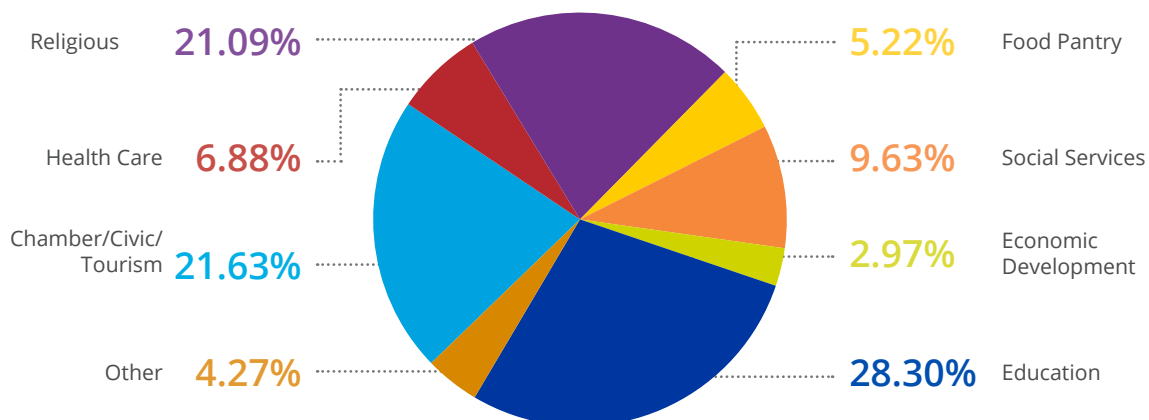
Keeping It Local and Committed

Community Involvement:

Demonstrating our commitment to community enrichment, First National Bank and Trust is Always Here, actively engaged in extensive philanthropic endeavors throughout 2023. Over 300 organizations benefited from the bank's support through donations and sponsorships, fostering positive impacts across diverse sectors. In addition to financial contributions, our dedicated employees wholeheartedly invested their time, collectively volunteering nearly 2,500 hours. Their efforts spanned a wide range of community initiatives, ranging from hands-on participation in fundraisers to assuming leadership positions on non-profit boards and serving as officers. This comprehensive approach underscores First National Bank and Trust's approach to community involvement, reinforcing our belief in the power of collective action and shared responsibility.



2023 Volunteer Hours by Impact Focus



Always Here: Keeping It Local and Committed - Continued



Awards and Recognitions:

In 2023, First National Bank and Trust was honored to receive three awards in the Best of Stateline, including Best Bank, Best Investments, and Best Wealth Management. Additionally, we were awarded top honors in the Best of Walworth County for Best Bank, Best Financial Advisor, and Best Mortgage Company. These accolades are a testament to our ongoing commitment to excellence.

Customer Feedback:

We value the opinions of our customers and actively seek their input. In 2023, we received 3,725 surveys, reflecting our dedication to understanding and meeting customer needs. The bank's Net Promoter Score (NPS) improved to an impressive 81.5, up from 80.8 in 2022. Moreover, our online presence garnered positive recognition with 217 Google Reviews, showcasing an impressive 4.7 out of 5.0 stars.



“Keep up the amazing customer service, smiles and kindness, which is all being lost today it seems. I love my bank.”
– Deandra P.

“Always love your family of employees. They’re always so helpful.” – Terence H.

“Keep hiring high caliber individuals! Your staff is appreciated by the community.” – Doris F.

“Your service has always been first rate. Thanks for always being so responsive and helpful.” – Ann W.

“Excellence and professionalism on display every day. Great place to do business!” – Tom A.

“First National made it easy to borrow money to build our home over 20 years ago. We have been customers ever since. The people are friendly, yet professional.” – Sharon K.

“Being a local and hometown bank allows First National Bank’s customer service to be able to focus on you more. That’s very important to me and I love it. This bank makes me NOT feel like I’m a number. Recommend First National very highly.” – Eric H.

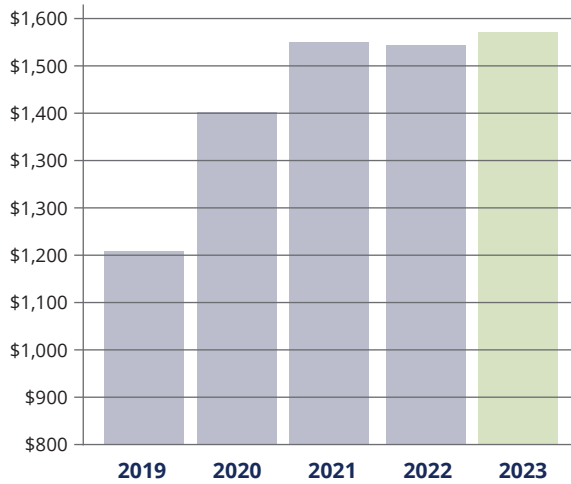
“I have banked at FNBT for decades without any issues or problems. This is a local bank with local interests.” – Stan B.

“I have a small account at the bank, but they take the time to deal with any issue I have and address it as soon as possible. If it can be done, they will do it for you. If they run into a roadblock, why something can’t be done, they give you an explanation of why. I have always had a positive experience with First National Bank and Trust.” – Frank F.

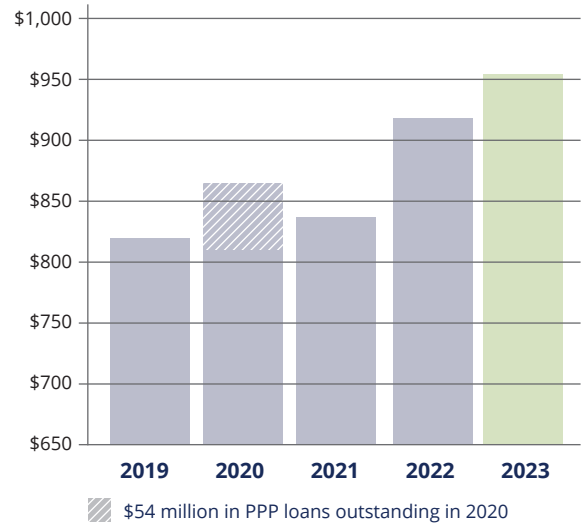
“Local bank with great resources, ease of access, and a personal friendly touch. They know you when you walk in, and they support local community events.” – Mark P.

“All other banks need to take notes. This is how you’re supposed to bank.” – Michael K.

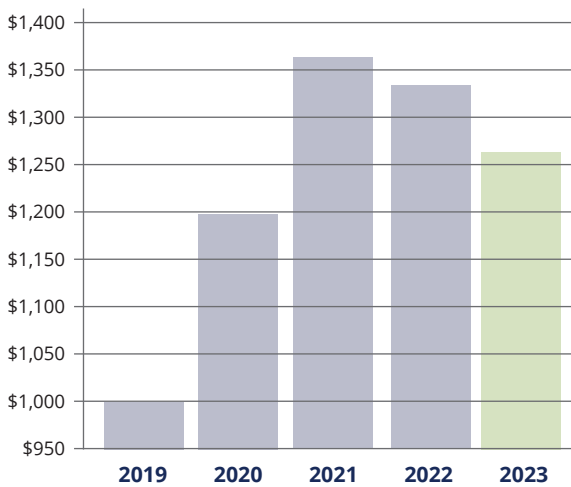
Assets
(in millions)



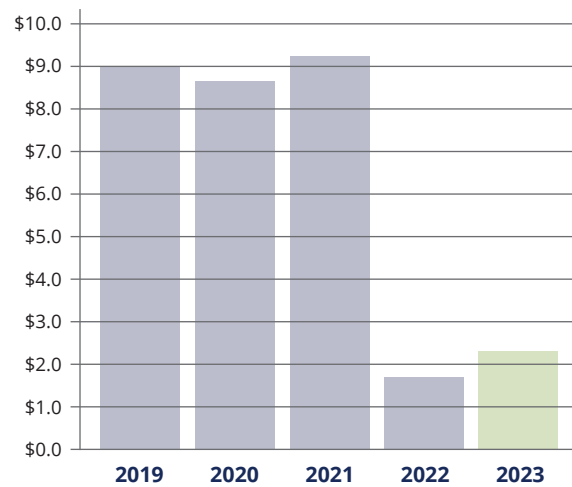
Loans
(in millions)



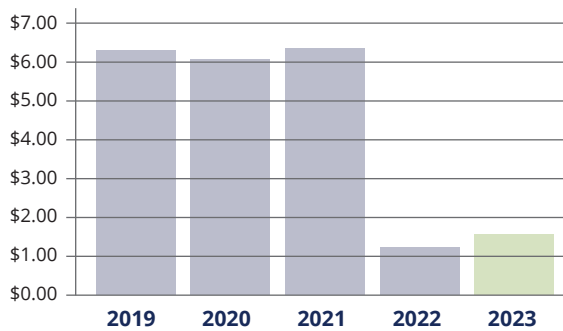
Deposits
(in millions)



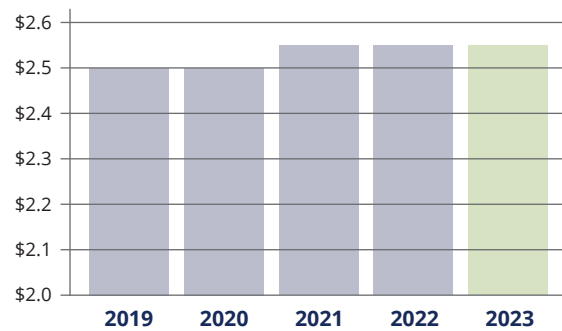
Net Income
(in millions)



Earnings Per Share



Dividends Per Share



CONSOLIDATED BALANCE SHEETS

As of December 31, 2023 and 2022

(dollars in thousands, except share data)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 58,331	\$ 51,322
Available for sale securities – at fair value	436,151	459,431
Held to maturity securities, fair value of \$9,614 and \$10,039 in 2023 and 2022, respectively	9,615	10,040
Loans, less allowance for credit losses of \$11,881 and \$10,865 in 2023 and 2022, respectively	953,424	904,162
Premises and equipment, net	19,988	21,435
Goodwill	24,699	24,699
Bank owned life insurance	33,121	32,259
Accrued interest receivable and other assets	<u>39,143</u>	<u>40,707</u>
Total assets	<u>\$ 1,574,472</u>	<u>\$ 1,544,055</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 364,662	\$ 406,354
Interest-bearing	<u>899,282</u>	<u>922,392</u>
Total deposits	1,263,944	1,328,746
Securities sold under repurchase agreements	39,195	89,701
Other borrowings	159,136	24,458
Accrued interest payable and other liabilities	<u>17,630</u>	<u>15,143</u>
Total liabilities	1,479,905	1,458,048
Stockholders' Equity		
Common stock, \$1 par value, 2,000,000 shares authorized, 1,496,861 and 1,487,176 shares issued in 2023 and 2022, respectively, and 1,450,966 and 1,443,116 shares outstanding in 2023 and 2022, respectively	1,497	1,487
Surplus	21,284	20,567
Retained earnings	112,461	115,428
Treasury stock, 45,895 and 44,060 shares in 2023 and 2022 respectively, at cost	(3,716)	(3,546)
Accumulated other comprehensive (loss)	<u>(36,959)</u>	<u>(47,929)</u>
Total stockholders' equity	94,567	86,007
Total liabilities and stockholders' equity	<u>\$ 1,574,472</u>	<u>\$ 1,544,055</u>

The company's financial statements for 2023 were audited by Forvis, LLP, Chicago, Illinois. 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.

CONSOLIDATED STATEMENTS OF INCOME

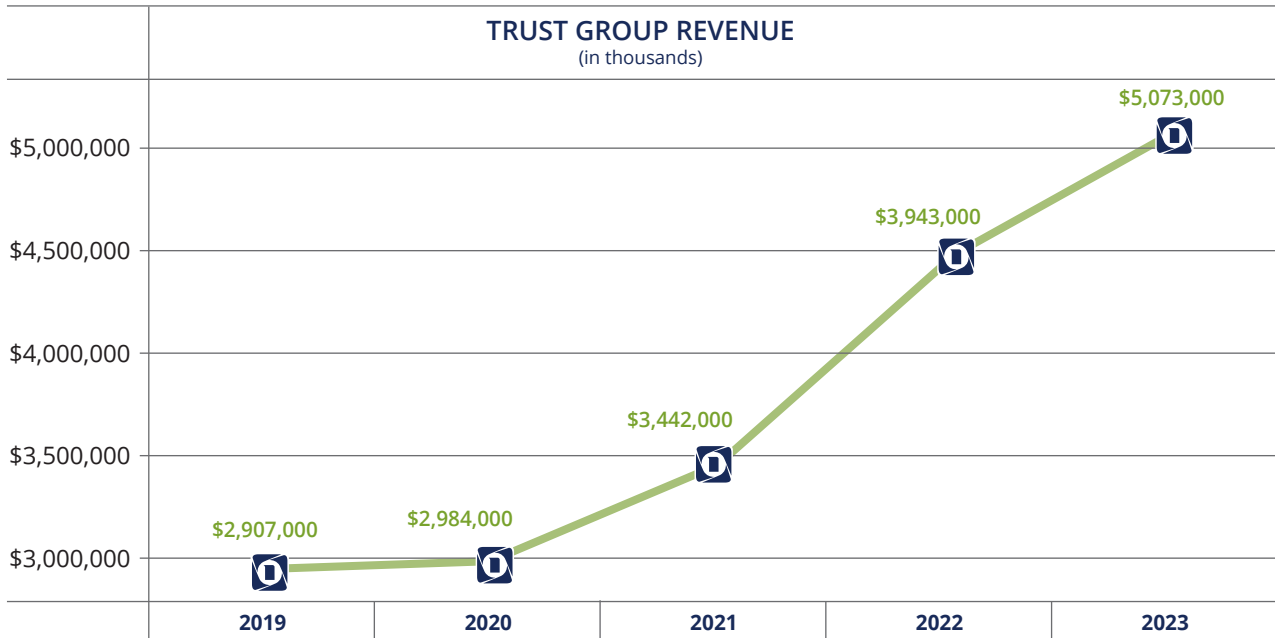
For the years ended December 31, 2023 and 2022

(dollars in thousands, except per-share data)

	<u>2023</u>	<u>2022</u>
INTEREST INCOME		
Interest and fees on loans	\$ 45,573	\$ 36,715
Interest on investment securities	10,854	8,793
Total interest income	<u>56,427</u>	<u>45,508</u>
INTEREST EXPENSE		
Interest on deposits	13,753	3,286
Interest on securities sold under repurchase agreements	2,292	1,246
Interest on other borrowings	4,827	653
Total interest expense	<u>20,872</u>	<u>5,185</u>
Net interest income before provision for credit losses	35,555	40,323
Provision for credit losses	<u>(83)</u>	<u>-</u>
Net interest income after provision for credit losses	35,638	40,323
NONINTEREST INCOME		
Service fees on deposit accounts	4,734	4,793
Trust income	5,073	3,943
Investment sales commissions	607	635
Mortgage banking income	828	2,727
Card-based income	3,780	3,686
Loss on sale of securities	-	(9,177)
Other income	<u>2,240</u>	<u>372</u>
Total Noninterest Income	17,262	6,979
NONINTEREST EXPENSE		
Compensation and employee benefits	27,287	27,288
Occupancy expense	3,456	3,437
Furniture and equipment expenses	1,101	1,132
Data processing and technology expense	4,383	3,718
Federal deposit insurance premiums	660	679
Professional services	2,718	2,628
Amortization of intangible assets	199	199
Other expenses	<u>6,260</u>	<u>6,686</u>
Total Noninterest Expense	<u>46,064</u>	<u>45,767</u>
Income before income taxes	6,836	1,535
Less: Income tax expense / (benefit)	<u>4,522</u>	<u>(201)</u>
NET INCOME	<u>\$ 2,314</u>	<u>\$ 1,736</u>
Basic earnings per share	<u>\$ 1.59</u>	<u>\$ 1.20</u>
Diluted earnings per share	<u>\$ 1.58</u>	<u>\$ 1.19</u>
Weighted average shares outstanding	<u>1,450,966</u>	<u>1,443,116</u>

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.



Always Here:

Addressing the Growing Concern of Fraud

In the evolving landscape of financial services, fraud has emerged as a significant threat to our customers. Recognizing this, First National Bank and Trust made a conscious decision to allocate resources to protect our customers. The Fraud Team, established in 2022 under the leadership of Wanda Moucha, Vice President Fraud Prevention Manager, diligently conducts account investigations, addressing issues related to debit card and ACH disputes, check fraud, identity theft, and other suspicious account or digital banking activities.

In 2023, First National Bank and Trust took a significant step further by launching the Fraud Prevention Center on our website. This resource serves as a comprehensive guide to educate and empower our customers to safeguard their financial interests. We are committed to being **Always Here**, staying ahead of emerging threats, to ensure the security and peace of mind of our valued customers.



CENTRE 1 BANCORP, INC. OFFICERS AND BOARD OF DIRECTORS

Officers

Steven M. Eldred
Chief Executive Officer

Donald A. O'Day
President

Jerry J. Ritzert
Chief Financial Officer
and Treasurer

Mark E. Leach
Vice President
and Secretary

Board of Directors

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

Steven M. Eldred
Chairman of the Board

C. Hagen Harker
President
Mid-States Concrete
Industries

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

Dwight L. Kruse
Retired President,
Century 21 Affiliated

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

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

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

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

Jonathan J. Schlemmer
Vice President and General
Manager – Heating,
Modine Manufacturing
Company

Board Member Retirements

As we look back on 2023, we extend our deepest gratitude to Greg Britton and Roger Kemman, esteemed members of our Board of Directors, who retired after many years of dedicated service. Their steadfast leadership, wisdom, and unwavering commitment have been instrumental in shaping the trajectory of Centre 1 Bancorp, Inc. and First National Bank and Trust.

Throughout their tenure, Greg and Roger have exemplified the values we hold dear, fostering a culture of excellence and camaraderie that has permeated every aspect of our organization. Their down-to-earth approach, genuine friendship, and willingness to roll up their sleeves have set a standard for us all to aspire to.

We thank Greg and Roger for their invaluable contributions and lasting impact on our board of directors.



Gregory K. Britton
Retired CEO,
Beloit Health System
Centre 1 Bancorp, Inc.
Board Member
1998-2023



Roger T. Kemman
President, Reyco, Inc.
Centre 1 Bancorp, Inc.
Board Member
2000-2023



Centre 1 Bancorp, Inc.

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Darien | Delavan | Elkhorn | Janesville | Monroe | Rockton | Roscoe | Walworth | Williams Bay | Winnebago