



PUBLIC DISCLOSURE

September 20, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank and Trust Company of Beloit
Charter Number 2725**

**345 East Grand Avenue
Beloit, Wisconsin 53511**

**Office of the Comptroller of the Currency
Chicago North Field Office
Arlington Place II, Suite 340
Arlington Heights, Illinois 60005**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **First National Bank and Trust Company of Beloit (FNBB)** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of September 20, 1999. The OCC rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **SATISFACTORY.**

FNBB's lending to borrowers of different incomes and to businesses of different sizes is good. FNBB's geographic distribution of home mortgage loans and small business loans within the assessment area is good. Also, the dispersion of lending within the assessment area is reasonable. FNBB's loan-to-deposit ratio is reasonable and a substantial majority of loans are made to borrowers within their assessment area.

PERFORMANCE CRITERIA

The following table indicates the performance level of the **FNBB** with respect to each of the five performance criteria:

Small Institution Assessment Criteria	FNBB Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior CRA examination		

DESCRIPTION OF INSTITUTION

The FNBB is headquartered in Beloit, Wisconsin and is wholly owned by Centre I Bancorp, Incorporated, a multi-bank holding company. In addition to the FNBB, Centre I Bancorp acquired the First National Bank of Winnebago, Winnebago, Illinois during 1998. FNBB operates a loan production office in Roscoe, Illinois and four branch locations in Wisconsin. Two branches are located in Beloit and the other two branches are located in Clinton, Wisconsin and Darien, Wisconsin. The Darien branch opened in March 1997, since the prior CRA examination. The FNBB provides six Automated Teller Machine (ATM) locations. Other alternative banking delivery systems include an automated telephone system, which customers can access loan and deposit information 24 hours a day in English or Spanish.

The FNBB provides a full range of retail and commercial bank products with a commercial focus. The retail portfolio has a significant concentration of indirect automobile lending. As of June 30, 1999, the FNBB had total assets of \$254 million, net income of \$1.4 million and a loan-to-deposit ratio of 81%. Loans represent 68% of total assets. Commercial and commercial real estate lending represents 47% of total loans. Residential real estate lending represents 28% of total loans and consumer lending represents 25% of total loans.

There are no financial or legal impediments that would impact the FNBB's ability to meet the credit needs of its community. This evaluation considered the FNBB's performance since the last CRA examination dated June 12, 1996, at which time a "Satisfactory" rating was received.

DESCRIPTION OF ASSESSMENT AREAS

The FNBB defines their assessment area in two areas, which consist of the following:

- (1) The Janesville and Beloit, Wisconsin MSA and Walworth County, Wisconsin, and**
- (2) The Winnebago and Boone Counties in Illinois.**

The Winnebago and Boone counties make up a portion of the Rockford MSA in north central Illinois. While the FNBB does not have a branch in Winnebago or Boone County, the two assessment areas are contiguous to each other. The combined assessment area represents 113 census tract geographies, 6% of which are low-income, 19% are moderate-income, 56% are middle-income and 19% are upper-income. The assessment areas include the branch locations. The following provides more detail for each area:

(1) Janesville-Beloit MSA and Walworth County (South Central Wisconsin)

This assessment area consists of the entire MSA of Rock County and six census tracts of Walworth County. Walworth County is a non-MSA designated area. The assessment area does not arbitrarily exclude low- and moderate-income areas. Major cities within the assessment area include Beloit, Janesville and Delevan. All of the FNBB's branches are located within this assessment area.

The assessment area represents 40 census tract geographies. The total population of the assessment area is 169,277. One of the census tracts (or 3%) is low-income, five (or 13%) are moderate-income, 27 (or 67%) are middle-income, and seven (or 17%) are upper-income. The low-income census tract is located in central Janesville. There are 45,828 families within the assessment area. Seventeen percent of the families are low-income, 18% are moderate-income, 26% are middle-income, and 39% are upper-income. The median family income for the assessment area is \$49,110. Local housing is 87% single-family units of which 61% is owner-occupied. The median home value is \$55,963.

The FNBB's main office and two branches are located in Beloit. The economy is stable with growth reflected in the greater Beloit area. As of July 1999, the unemployment rate was 4.7%. This rate is higher than the state of Wisconsin unemployment rate of 3.0%. The employment base is mainly manufacturing with representation in the retail and service industries. Significant employers in the community include Beloit Corporation, Warner Electric Company, Reynolds Corporation and the Beloit Memorial Hospital.

(2) Winnebago and Boone Counties (North Central Illinois)

Winnebago and Boone Counties are two of three counties in the Rockford MSA. The major city within this assessment area is Rockford. While the bank does not have a branch within this assessment area, the area is contiguous to their other assessment area. This assessment area does not arbitrarily exclude low-and moderate-income areas.

The assessment area represents 73 census tract geographies. The total population of the assessment area is 283,719. Six of the census tracts (or 8%) are low-income, 17 (or 23%) are moderate-income, 36 (or 50%) are middle-income and 14 (or 19%) are upper-income. There are 77,755 families within the assessment area. Eighteen percent of the families are low-income, 18% are moderate-income, 26% are middle-income and 38% are upper-income. The median family income for the assessment area is \$49,700. Local housing is 84% single-family units of which 65% is owner-occupied. The median home value is \$60,085.

There is one similarly situated financial institution and one competitor bank (total assets between \$200 million and \$300 million) within the FNBB's assessment areas. Many financial institutions serve the assessment area. According to 1997 Home Mortgage Disclosure Act (HMDA) information, 409 financial institutions originated home mortgages in the FNBB's assessment area. Many of the banks located in the assessment area are branches of larger regional and money center banks. In addition, numerous other financial institutions are in the area, including credit unions, brokerage companies, home mortgage and insurance companies.

Based on the size and location of the FNBB's assessment area, credit needs are varied. Significant credit needs include affordable housing, consumer and small business loans. These needs were identified through several community contacts with economic and government representatives contacted by banking regulatory agencies during the past 24 months.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

We evaluated loans by borrower characteristics to determine the extent that the FNBB provides loans to small businesses and low- and moderate-income borrowers. This analysis revealed that an adequate level of small loans is provided to businesses with revenues less than \$1 million. The FNBB also makes a reasonable number of loans to businesses of varying sizes within their assessment areas. Our analysis also revealed that the distribution of the FNBB's home mortgages to low- and moderate-income borrowers is very good when compared to the income distribution of the assessment areas' families.

Small Business Lending

Our review of the demographic data for the combined assessment areas revealed that the FNBB originates an adequate number of loans to small businesses. Seventy-three percent of the 16,715 small businesses in the assessment areas have revenues less than \$1 million. A sample of the FNBB's lending to small businesses revealed a significant level of lending to businesses having revenues less than \$1 million. Fifty-nine percent of the small business loans within the assessment areas were made to businesses having less than \$1 million in annual revenues.

Based on our sample of the FNBB's small business lending, the FNBB originates a large portion of small business loans to borrowers of varying sizes. As presented in **Table 1**, 63% of the small business loans were less than \$100,000.

Table 1 Distribution of Small Business Loan Originations Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
1998	#	%	\$ (000's)	%	#	%*	\$ (000's)	%*
less than \$100,000	17	63%	602	19%	14	82%	438	73%
\$100,000 to \$250,000	6	22%	688	22%	2	33%	239	35%
\$250,000 to \$1,000,000	4	15%	1813	59%	0	0%	0	0%
Totals	27	100%	3103	100%	16	59%	677	22%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:			< 1 Million	73%	*As a percentage of loans of the size category			
			> 1 Million	10%				
			Unknown	17%				

Source: Sample of the FNBB's 1997 and 1998 Small Business loans.

Janesville-Beloit MSA and Walworth County

Of the loans we sampled, 19 were originated within this assessment area. Fifty-eight percent had revenues less than \$1 million. Seventy-four percent of the businesses within the assessment area had revenues less than \$1 million.

Winnebago and Boone Counties

Of the loans we sampled, eight were originated within this assessment area. Sixty-three percent were originated to businesses with revenues less than \$1 million. Seventy-four percent of the businesses within the assessment area had revenues less than \$1 million. All of the loans to small businesses were less than \$100,000.

Home Mortgages

The distribution of home loans among borrowers of various income levels is good when compared to the income distribution of the assessment areas' families. Thirty-six percent of the combined assessment areas' families are low- and moderate-income. **Table 2** below reflects reasonable performance since the FNBB's HMDA originations were comparable at 35% in 1997 and 33% in 1998. The lending to moderate-income borrowers is very good. The number of loans in this category of 21% in 1997 and 22% in 1998 exceed the 18% assessment area characteristics.

Table 2 Home Mortgage Loans By Borrower Income									
Borrower Income Distribution	1997				1998				Assessment Area Characteristics
	#	%	\$(000's)	%	#	%	\$(000's)	%	% of Families
Low	31	14%	909	9%	31	11%	900	6%	18%
Moderate	47	21%	1,683	17%	63	22%	2,125	14%	18%
Middle	56	25%	2,339	23%	87	30%	3,944	26%	26%
Upper	85	39%	5,099	50%	102	35%	7,298	48%	38%
Not Applicable	2	1%	85	1%	9	2%	807	6%	NA
Total	221	100%	10,115	100%	292	100%	15,074	100%	100%

Source: 1997 and 1998 HMDA - LAR.

Janesville-Beloit MSA and Walworth County

Table 2a reflects that the FNBB’s distribution of home loans among low- and moderate-income borrowers is very good when compared to the demographics of the assessment area’s families.

Table 2a Home Mortgage Loans By Borrower Income									
Borrower Income Distribution	1997				1998				Assessment Area Characteristics
	#	%	\$(000's)	%	#	%	\$(000's)	%	% of Families
Low	27	16%	825	11%	26	11%	856	7%	17%
Moderate	39	23%	1,417	19%	56	23%	2,007	17%	18%
Middle	43	25%	1,661	22%	72	30%	3,276	28%	26%
Upper	60	35%	3,484	47%	81	34%	5,338	45%	39%
Not Applicable	1	1%	75	1%	5	2%	429	3%	N/A
Total	170	100%	7,462	100%	240	100%	11,906	100%	100%

Source: 1997 and 1998 HMDA - LAR .

Winnebago and Boone Counties

Table 2b reflects that the FNBB’s distribution of home loans among low- and moderate-income borrowers is reasonable. While originations are slightly lower than the assessment area characteristics, the lack of a physical presence, as well as, competition from other financial institutions makes it difficult for the bank to penetrate this area.

Table 2b Home Mortgage Loans By Borrower Income									
Borrower Income Distribution	1997				1998				Assessment Area Characteristic s
	#	%	\$(000's)	%	#	%	\$(000's)	%	% of Families
Low	4	8%	84	3%	5	10%	44	1%	18%
Moderate	8	16%	266	10%	7	13%	118	4%	18%
Middle	13	25%	678	26%	15	29%	668	21%	26%
Upper	25	49%	1,615	61%	21	40%	1,960	62%	38%
Not Applicable	1	2%	10	<1%	4	8%	378	12%	N/A
Total	51	100%	2,653	100%	52	100%	3,168	100%	100%

Source: 1997 and 1998 HMDA - LAR

Geographic Distribution of Loans

Overall, the FNBB's geographic distribution of home mortgage loans and small loans to businesses, within the assessment area, is good. Also, the dispersion of lending within the assessment area is reasonable considering the FNBB's size and resources.

Small Business Loans

The FNBB originates a significant number of small loans to businesses in the moderate-income census tracts of the combined assessment areas, considering its size, resources and the level of competition within the assessment area. **Table 3** reflects that the percentage of loans originated in the moderate-income census tracts is very good when compared to the small business assessment area characteristics for these census tracts. Our sample revealed that the FNBB originated 22% of their loans in this category to businesses located in moderate-income census tracts. Within the FNBB's assessment area, 14% of the small businesses are located in moderate-income census tracts. The FNBB did not lend in any low-income census tracts. Most of the low-income census tracts are within Rockford, Illinois where there is steep competition from larger financial institutions. Further, the FNBB does not have a physical site in this area.

Income Level of Geography	1997 and 1998				Small Business Assessment Area Characteristics
	#	%	\$ (000's)	%	% of Geographies
Low	0	0%	0	0%	8%
Moderate	6	22%	293	9%	14%
Middle	17	63%	2,231	72%	56%
Upper	4	15%	579	19%	22%
Total	27	100%	3,103	100%	100%

Source: Sample of bank's 1997 and 1998 Small Business loans.

Janesville-Beloit MSA and Walworth County

The FNBB's geographic distribution of small loans to businesses is good. The FNBB extended 19 small loans to businesses within this assessment area. Although the FNBB did not extend any loans within low-income census tracts, 26% of the FNBB's loans to small businesses were granted within moderate-income census tracts. Five percent of the businesses are located in low-income census tracts and 8% of the businesses are located in moderate-income census tracts.

Winnebago and Boone Counties

The bank's performance is reasonable within this assessment area. Of the 8 small loans to businesses within this assessment, 13% were extended within moderate-income census tracts. Sixteen percent of the census tracts are moderate-income.

Home Mortgage Loans

The distribution of credit to moderate-income tracts is reasonable for the combined assessment areas when compared to the assessment area characteristics. **Table 4** shows that the FNBB originated 16% in 1997 and 14% in 1998, to moderate-income tracts. Nineteen percent of the census tracts are located in moderate-income census tracts. The FNBB did not lend in any low-income census tracts. However, only 1% of the owner-occupied units is within the low-income census tracts and the FNBB does not have branches within these census tracts.

Income Level of Geography	1997				1998				Assessment Area Characteristics	
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	% of Owner-Occupied Units	% of Geography
Low	0	0%	0	0%	0	0%	0	0%	1%	6%
Moderate	36	16%	1,117	11%	40	14%	1,158	8%	14%	19%
Middle	149	68%	6,446	64%	195	67%	8,556	57%	59%	56%
Upper	36	16%	2,552	25%	57	19%	5,360	35%	26%	19%
Total	221	100%	10,115	100%	292	100%	15,074	100%	100%	100%

Source: 1997 and 1998 HMDA-LAR.

Janesville-Beloit MSA and Walworth County

Table 4a below reflects a very good distribution of loans within moderate-income census tracts as compared to the assessment area characteristics. The zero loan volume in the low-income census tracts is reasonable since the FNBB does not have a bank location close to the low-income census tracts and less than 1% of all owner-occupied units are located within the low-income census tracts.

Income Level of Geography	1997				1998				Assessment Area Characteristics	
	#	%	(000's)	%	#	%	(000's)	%	% of Owner-Occupied Units	% of Geography
Low	0	0%	0	0%	0	0%	0	0%	<1%	3%
Moderate	35	21%	981	13%	38	16%	993	8%	9%	12%
Middle	114	67%	5,035	68%	162	68%	7,588	64%	67%	68%
Upper	21	12%	1,446	19%	40	16%	3,325	28%	24%	17%
Total	170	100%	7,462	100%	240	100%	11,906	100%	100%	100%

Source: 1997 and 1998 HMDA-LAR.

Winnebago and Boone Counties

Table 4b below reflects a disproportionate distribution of loans among low- and moderate-income census tracts. Contributing to the low volume of lending is the lack of a branch office within Winnebago and Boone counties.

Table 4b Home Mortgage Loans By Income Level of Geography										
Income Level of Geography	1997				1998				Assessment Area Characteristics	
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	% of Owner-Occupied Units	% of Geography
Low	0	0%	0	0	0	0%	0	0%	2%	8%
Moderate	1	2%	136	5%	2	4%	165	5%	17%	23%
Middle	35	69%	1,411	53%	33	63%	968	31%	55%	50%
Upper	15	29%	1,106	42%	17	33%	2,035	64%	26%	19%
Total	51	100%	2,653	100%	52	100%	3,168	100%	100%	100%

Source: 1997 and 1998 HMDA-LAR.

Loan to Deposit Ratio

The FNBB's loan-to-deposit ratio is reasonable when compared to the competition. The FNBB's loan-to-deposit ratio averaged 76% since the prior CRA examination. During the same period, the average competitor loan-to-deposit ratio was 77% with the average loan-to-deposit ratio ranging from a low of 70% to a high of 84%.

Lending in Assessment Area

The substantial majority of the FNBB's lending is within their assessment area. For 1997 and 1998, 96% of the number and 83% of the dollar amount of home mortgage loans were originated within the FNBB's assessment area. A random sample of 31 small loans to businesses, originating in 1997 and 1998, revealed that 87% of the number and 85% of the dollar amount were within the FNBB's assessment area.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

We did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations. Fair lending policies and procedures have proven effective to help ensure compliance with these laws and regulations.

RESPONSE TO COMPLAINTS

The FNBB has not received any complaints since the prior examination.