

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_ to \_\_\_\_.

Commission file number 001-38676

**BANK FIRST CORPORATION**

(Exact name of registrant as specified in its charter)

**Wisconsin**

(State or other jurisdiction of incorporation or organization)

402 North 8<sup>th</sup> Street  
Manitowoc, Wisconsin  
(Address of principal executive offices)

54220  
(Zip Code)

**39-1435359**

(I.R.S. Employer Identification No.)

(920) 652-3100  
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value	BFC	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2023, the last business day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of the Registrant's common stock held by non-affiliates of the registrant was \$815 million, based on the closing sales price of \$83.20 per share as reported on the Nasdaq Capital Market.

As of February 29, 2024, 10,141,926 shares of common stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the information required by Part III of this Annual Report are incorporated by reference from the Registrant's definitive Proxy Statement for the 2024 annual meeting of shareholders to be filed with Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report.



BANK FIRST CORPORATION

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In this Annual Report on Form 10-K (this "Annual Report"), references to "we," "our," "us," "Bank First" or "the Company" refer to Bank First Corporation, a Wisconsin corporation, and our wholly-owned banking subsidiary, Bank First, N.A., a national banking association, unless otherwise indicated or the context otherwise requires. References to "Bank" refer to Bank First, N.A., our wholly-owned banking subsidiary.

**Cautionary Note Regarding Forward-Looking Statements**

Certain statements contained in this Annual Report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements include statements relating to our projected growth, anticipated future financial performance, financial condition, credit quality and management's long-term performance goals, as well as statements relating to the anticipated effects on our business, financial condition and results of operations from expected developments or events, our business, growth and strategies. These statements, which are based on certain assumptions and estimates and describe our future plans, results, strategies and expectations, can generally be identified by the use of the words and phrases "may," "will," "should," "could," "would," "goal," "plan," "potential," "estimate," "project," "believe," "intend," "anticipate," "expect," "target," "aim," "predict," "continue," "seek," "projection" and other variations of such words and phrases and similar expressions.

These forward-looking statements are not historical facts, and are based upon current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. The inclusion of these forward-looking statements should not be regarded as a representation by us or any other person that such expectations, estimates and projections will be achieved. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict and that are beyond our control. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date of this Annual Report, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following:

- the impact of current and future economic and market conditions generally (including seasonality) and in the financial services industry, nationally and within our primary market areas (particularly Wisconsin), including the effects of inflationary pressures, changes in interest rates, slowdowns in economic growth, and the potential for high unemployment rates, as well as the financial stress on borrowers and changes to customer and client behavior (including the velocity and levels of deposit withdrawals and loan repayment) and credit risk as a result of the foregoing;
- the risks of changes in interest rates on the level and composition of deposits (as well as the cost of, and competition for, deposits), loan demand, liquidity and the values of loan collateral, securities and market fluctuations, and interest rate sensitive assets and liabilities;
- the risk that our cost of funding could increase in the event we are unable to continue to attract stable and cost-efficient deposits;
- prolonged periods of high inflation and their effects on our business, profitability, and our stock price;
- concentration of our loan portfolio in real estate loans and changes in the prices, values and sales volumes of commercial and residential real estate;
- weakness in the real estate market, including the secondary residential mortgage market, which can affect, among other things, the value of collateral securing mortgage loans, mortgage loan originations and delinquencies, profits on sales of mortgage loans, and the value of mortgage servicing rights;
- the concentration of our business within our geographic areas of operation in Wisconsin;
- governmental monetary and fiscal policies, including interest rate policies of the Board of Governors of the Federal Reserve, as well as legislative, tax and regulatory changes, including those that impact the money supply and inflation and the possibility that the U.S. could default on its debt obligations;

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- the risk that a future economic downturn and contraction could have a material adverse effect on our capital, financial condition, credit quality, results of operations and future growth;
- the credit risks of lending activities, including our ability to estimate credit losses and the allowance for credit losses, as well as the effects of changes in the level of, and trends in, loan delinquencies and write-offs;
- the risk that our asset quality may deteriorate or that our allowance for credit losses may prove to be inadequate or may be negatively affected by credit risk exposures;
- disruptions to the credit and financial markets, either nationally or globally;
- increased competition in the banking and mortgage banking industry, nationally, regionally or locally, including competition from nontraditional banking institutions such as Fintechs;
- our ability to realize the expected benefits from our strategic initiatives or other operational and execution goals in the time period expected, which could negatively affect our future profitability;
- our ability to maintain our operating efficiency;
- failure to keep pace with technological change or difficulties when implementing new technologies;
- our ability to attract and maintain business banking relationships with well-qualified businesses, real estate developers and investors with proven track records in our market areas;
- our ability to attract sufficient loans that meet prudent credit standards, including in our commercial and industrial and owner-occupied commercial real estate loan categories;
- our ability to comply with applicable capital and liquidity requirements, including our ability to generate liquidity internally or raise capital on favorable terms, including continued access to the debt and equity capital markets;
- our inability to receive dividends from our bank subsidiary and to service debt, pay dividends to our common shareholders, repurchase our shares of common stock and satisfy obligations as they become due;
- restrictions or limitations on access to funds from historical and alternative sources of liquidity could adversely affect our overall liquidity, which could restrict our ability to make payments on our obligations and our ability to support asset growth and sustain our operations and the operations of the Bank;
- inability of our risk management framework to effectively mitigate credit risk, interest rate risk, liquidity risk, price risk, compliance risk, cybersecurity risk, operational risk, strategic risk and reputational risk, including by virtue of our relationships with third-party business partners and other service providers;
- our business relationships with, and reliance upon, third parties that have strategic partnerships with us or that provide key components of our business infrastructure, including the costs of services and products provided to us by third parties, and disruptions in service or financial difficulties with a third-party vendor or business relationship;
- our ability to oversee the performance of third-party service providers that provide material services to our business;
- our ability to maintain expenses in line with current projections;
- our dependence on our management team and our ability to motivate and retain our management team;
- our ability to attract and retain qualified employees;
- we may not be able to identify suitable bank and non-bank acquisition opportunities as part of our growth strategy and even if we are able to identify attractive acquisition opportunities, we may not be able to complete such transactions on favorable terms or realize the anticipated benefits from such acquisitions;
- the risk that the regulatory environment may not be conducive to, or may prohibit the consummation of, future mergers and/or business combinations, may increase the length of time and amount of resources required to consummate such transactions, and the potential to reduce anticipated benefits from such mergers or combinations;
- system failures, data security breaches, including as a result of cyberattacks, or failures to prevent breaches of our network security;

- data processing system failures and errors;
- fraudulent and negligent acts by our clients, employees or vendors;
- our financial reporting controls and procedures' ability to prevent or detect all errors or fraud;
- our ability to identify and address potential cybersecurity risks, including data security breaches, credential stuffing, malware, "denial-of-service" attacks, "hacking" and identify theft, a failure of which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information, disruption or damage to our systems, increased costs, losses, or adverse effects to our reputation;
- our current and future information technology system enhancements and operational initiatives may not be successfully implemented, which could negatively impact our operations;
- we may be required to make substantial expenditures to keep pace with regulatory initiatives and the rapid technological changes in the financial services industry;
- fluctuations in the market value and its impact on our stock price and the securities held in our securities portfolio;
- the adequacy of our reserves and the appropriateness of our methodology for calculating such reserves;
- increased credit losses or impairment of goodwill and other intangibles;
- the makeup of our asset mix and investments;
- our focus on small and mid-sized businesses;
- the institution and outcome of litigation and other legal proceeding against us or to which we become subject;
- changes in our accounting standards;
- the impact of recent and future legislative and regulatory changes;
- examinations by our regulatory authorities;
- changes in the scope and cost of Federal Deposit Insurance Corporation ("FDIC") insurance and other coverage;
- political instability, acts of God, or of war or terrorism, natural disasters, including in the Company's footprint, health emergencies, epidemics or pandemics, or other catastrophic events that may affect general economic conditions;
- risks related to environmental, social and governance ("ESG") strategies and initiatives, the scope and pace of which could alter Bank First's reputation and shareholder, associate, customer and third-party affiliations;
- the impact of recent adverse developments in the banking industry, highlighted by high-profile bank failures, on customer confidence, liquidity and regulatory responses to these developments (including increases in the cost of our deposit insurance assessments and increased regulatory scrutiny), the Company's ability to effectively manage its liquidity risk and any growth plans, and the availability of capital and funding; and
- other factors and risks described under the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections herein.

The foregoing factors should not be construed as exhaustive and should be read in conjunction with the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Annual Report. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date of this Annual Report, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. New risks and uncertainties may emerge from time to time, and it is not possible for us to predict their occurrence or how they will affect us.

## PART I

### ITEM 1. BUSINESS

#### General Overview

Bank First Corporation is a Wisconsin corporation that was organized in April 1982 to serve as the holding company for Bank First, N.A., a national banking association founded in 1894. The Bank is a wholly-owned subsidiary of the Company. The Company and the Bank are headquartered in Manitowoc, Wisconsin, and the Bank is a member of the Board of Governors of the Federal Reserve System (the "Federal Reserve") and regulated by the Office of the Comptroller of the Currency (the "OCC"). The Bank has twenty-six (26) offices, including its headquarters, in Brown, Columbia, Dane, Fond du Lac, Jefferson, Manitowoc, Monroe, Outagamie, Ozaukee, Shawano, Sheboygan, Waupaca, Waushara, and Winnebago counties in the State of Wisconsin. We serve businesses, professionals and consumers with a wide variety of financial services, including retail and commercial banking. Some of the products that we offer include checking accounts, savings accounts, money market accounts, cash management accounts, certificates of deposit, commercial and industrial loans, commercial real estate loans, construction and development loans, residential mortgages, consumer loans, credit cards, online banking, telephone banking and mobile banking.

The Bank has three subsidiaries: Bank First Investments, Inc., TVG Holdings, Inc. ("TVG") and BFC Title, LLC. Bank First Investments, Inc. is a Wisconsin corporation organized in 2011, and is wholly-owned by the Bank. Bank First Investments, Inc.'s purpose is to provide investment and safekeeping services to the Bank. TVG is a Wisconsin corporation organized in 2009. It is a wholly-owned subsidiary of the Bank, and its purpose is to hold the Bank's 40% ownership interest in Ansay & Associates, LLC ("Ansay"). Ansay is one of the nation's largest independent insurance providers, and the Bank's minority ownership of Ansay allows the Bank to provide diversified services to our customers without the risk and expense of an in-house insurance department. BFC Title, LLC is a Wisconsin limited liability company organized in 2020. It is a wholly-owned subsidiary of the Bank, and its purpose is to hold the Bank's 5.88% ownership interest in Generations Title, LLC, a Wisconsin title company.

As of December 31, 2023, we had total consolidated assets of \$4.22 billion, total loans of \$3.34 billion, total deposits of \$3.43 billion and total stockholders' equity of \$619.8 million. The Bank employed approximately 379 full-time equivalent employees ("FTE"), and had an average assets-to-FTE ratio of approximately \$10.7 million for the year ended December 31, 2023. For more information, see the Bank's website at [www.bankfirst.com](http://www.bankfirst.com).

#### Recent acquisition

##### *Hometown Bancorp, Ltd.*

On February 10, 2023, the Company completed a merger with Hometown Bancorp, Ltd. ("Hometown"), a bank holding company headquartered in Fond du Lac, Wisconsin, pursuant to the Agreement and Plan of Bank Merger, dated as of July 25, 2022, by and between the Company and Hometown, whereby Hometown merged with and into the Company, and Hometown Bank, Hometown's wholly-owned banking subsidiary, merged with and into the Bank. Hometown's principal activity was the ownership and operation of Hometown Bank, a state-chartered banking institution that operated ten (10) branches in Wisconsin at the time of closing. The merger consideration totaled approximately \$130.5 million.

Pursuant to the terms of the merger agreement, Hometown shareholders could elect to receive either 0.3962 of a share of the Company's common stock or \$29.16 in cash for each outstanding share of Hometown common stock, subject to a maximum of 30% cash consideration in total, and cash in lieu of any remaining fractional share. Company stock issued totaled 1,450,272 shares valued at approximately \$115.1 million, with cash of \$15.4 million comprising the remainder of merger consideration.

The Company accounts for these transactions under the acquisition method of accounting, and thus, the financial position and results of operations of acquired institutions prior to the consummation date are not included in the accompanying consolidated financial statements. The acquisition method of accounting requires assets purchased and liabilities assumed to be recorded at their respective fair values at the date of acquisition. The Company determines the fair value of core

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deposit intangibles, securities, premises and equipment, loans, other assets and liabilities, deposits and borrowings with the assistance of third-party valuations, appraisals, and third-party advisors. The estimated fair values are subject to refinement for up to one year after deal consummation as additional information becomes available relative to the closing date fair values.

### **Strategic Plan**

The Bank is a relationship-based community bank focused on providing innovative solutions that are value driven to the communities we serve. The Bank's culture celebrates diversity, creativity, and responsiveness, with the highest ethical standards. Employees are supported and encouraged to develop their careers. They are empowered with the tools to be successful and are held accountable for the results they deliver to our customers and shareholders. We maintain a strong credit culture as a foundation of sound asset quality. The Bank's vision is to sustain its independence by remaining a top-performing provider of financial services in Wisconsin. The Bank focuses on creating value for its customers and shareholders by forging strong relationships and offering personalized and innovative solutions. Bank First is focused on building a culture which encourages, supports and celebrates diversity and inclusion for our employees, customers and communities. This collaboration fuels a stronger foundation for innovation and connects us to our communities.

Our strategic priorities are organized around the CAMELS ratings, including Capital, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk. We have also added a sixth category to prioritize our strategic goals surrounding Information Technology. Under the heading of Capital, our priorities include (i) growing capital through strong earnings, and (ii) assessing and monitoring short and long-term capital goals. Under the heading of Asset Quality, our top priority is maintaining a strong credit culture. Under the heading of Management, our priorities are (i) to review and reassess our organizational structure, and (ii) to sustain and build upon employee engagement. Under the Earnings heading, our priorities include (i) growing and strengthening relationships, (ii) exploring and evaluating current and alternative revenue sources, and (iii) evaluating and pursuing prudent acquisitions. Under the Liquidity heading, our priorities are to (i) ensure that liquidity levels are adequate for anticipated needs, and (ii) maintain a relationship-centric customer portfolio. Under the heading of Sensitivity to Market Risk, our priorities include (i) minimizing optionality, and (ii) maintaining rate neutrality. Finally, under the heading of Information Technology, our strategic priorities include (i) advancing our digital strategy to match internal and external customer expectations, (ii) enhancing the flexibility in our core environment, (iii) monitoring the current cybersecurity environment, and (iii) training employees on cybersecurity risk and prudent responses.

### **Market Area**

Bank First is a full-service community bank, offering business and retail products and services in communities throughout Wisconsin. Our branches are located in Brown, Jefferson, Manitowoc, Monroe, Outagamie, Ozaukee, Shawano, Sheboygan, Waupaca, and Winnebago counties. With the closing of the merger with Hometown on February 10, 2023, we also entered Columbia, Dane, Fond du Lac, and Waushara counties. Our main office is located at 402 N. 8th Street, Manitowoc, Wisconsin. Based on the deposit market share reports published by the FDIC on June 30, 2023, Bank First ranked in the top three of market share in six of the fourteen counties in which its branches are located.

The fourteen counties in which the Bank has offices have an estimated aggregate population of 1,894,606, based on 2020 U.S. Census data, and total deposits of approximately \$60.4 billion as of June 30, 2023, according to the most recent data published by the FDIC.

### **Competition**

The banking business is highly competitive, and we face competition in our market areas from many other local, regional, and national financial institutions. Competition among financial institutions is based on interest rates offered on deposit accounts, interest rates charged on loans, other credit and service charges relating to loans, the quality and scope of the services rendered, the convenience of banking facilities, and, in the case of loans to commercial borrowers, relative lending limits. We compete with commercial banks, credit unions, savings institutions, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market funds and other mutual funds, fintech companies, as well as regional and national financial institutions that operate offices in our market areas and elsewhere. The competing major commercial banks have greater resources that may provide them a competitive advantage by enabling

them to maintain numerous branch offices, mount extensive advertising campaigns and invest in new technologies. The increasingly competitive environment is the result of changes in regulation, changes in technology and product delivery systems, additional financial service providers, and the accelerating pace of consolidation among financial services providers.

The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems.

Some of our non-banking competitors have fewer regulatory constraints and may have lower cost structures. In addition, some of our competitors have assets, capital and lending limits greater than that of the Bank, have greater access to capital markets and offer a broader range of products and services than the Bank. These institutions may have the ability to finance wide-ranging advertising campaigns and may also be able to offer lower rates on loans and higher rates on deposits than we can offer. Some of these institutions offer services, such as international banking, which we do not directly offer, except for a limited suite of services such as international wires and currency exchange.

We compete with these institutions by focusing on our position as an independent, community bank and rely upon local promotional activities, personal relationships established by our officers, directors, and employees with our customers, and specialized services tailored to meet the needs of the communities served. We provide innovative products to our customers that are value-driven. We actively cultivate relationships with our customers that extend beyond a single loan to a full suite of products that serve the needs of our retail and commercial customers. Our goal is to develop long-standing connections with our customers and the communities that we serve. While our position varies by market, our management believes that it can compete effectively as a result of local market knowledge, local decision making, and awareness of customer needs.

## **Our Business**

### ***General***

We emphasize a range of lending services, including commercial and residential real estate loans, construction and development loans, commercial and industrial loans, and consumer loans. Our customers are generally individuals, small to medium-sized businesses and professional firms that are located in or conduct a substantial portion of their business in our market areas. At December 31, 2023, we had total loans receivable of \$3.34 billion, representing approximately 79.3% of our total assets. As of December 31, 2023, we had 26 nonaccrual loans totaling approximately \$5.7 million, or 0.2% of total loans. For additional discussion related to nonperforming loans, see the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section as well as the notes to the consolidated financial statements.

### ***Loan Approval***

Certain credit risks are inherent in making loans. These include prepayment risks, risks resulting from uncertainties in the future value of collateral, risks resulting from changes in economic and industry conditions, and risks inherent in dealing with individual borrowers. We attempt to mitigate repayment risks by adhering to our comprehensive and robust internal credit policies and procedures. These policies and procedures include officer and customer lending limits, with approval process for larger loans, documentation examination, and follow-up procedures for any exceptions to credit policies. Our loan approval policies provide for various levels of officer lending authority. The Bank currently employs both a signature process through the line of business as well as credit administration and a committee process which involves the Bank's board of directors each month. Both approvals and reviews of the credit actions are underwritten by an independent set of credit analysts who report to credit administration. For our loan commitments, a serial sign-off process is utilized up to \$25,000,000, requiring multiple signatures for a loan approval. This process ensures that the necessary parties at all authority levels are aware of and approve the commitment. The Bank's board of directors is involved in credits above this level after they have been through the serial sign-off process. We do not make any loans to any director, executive officer

of the Bank, or the related interests of each, unless the loan is approved by the full board of directors of the Bank and is on terms not more favorable than would be available to a person not affiliated with the Bank.

#### **Credit Administration and Loan Review**

Our loan review consists of both commercial and retail review where loan files are reviewed and risk ratings are validated. Both are fully outsourced to a firm that specializes in file review and risk rating. Our policy for reviewing commercial credit files consisted of selecting a percentage of specific files on an annual basis as defined in our loan review plan, and reviewing them for risk rating and policy compliance. Our goal is to review every commercial relationship of \$500,000 or more at least once in a five-year period. Our retail review consists of selecting a percentage of specific files on an annual basis, and reviewing them for policy compliance. Results of completed loan reviews are disclosed in writing, along with management responses, to the Directors Loan Committee.

#### **Lending Limits**

Our lending activities are subject to a variety of lending limits imposed by federal law. In general, the Bank is subject to a base legal limit on loans to a single borrower equal to 15% of the Bank's capital and unimpaired surplus, plus an additional 10 percent of the Bank's capital and surplus, if the amount that exceeds the 15 percent general limit is fully secured by readily marketable collateral. This legal lending limit will increase or decrease as the Bank's level of capital increases or decreases. In addition to the legal lending, management and the board of directors have established a more conservative, internal lending limit. The Bank's legal and internal lending limits are a safety and soundness measure intended to prevent one person or a relatively small and economically related group of persons from borrowing an unduly large amount of the Bank's funds. It is also intended to safeguard the Bank's depositors by diversifying the risk of credit losses among a relatively large number of creditworthy borrowers engaged in various types of businesses. Based upon the capitalization of the Bank at December 31, 2023, the Bank's base legal lending limit was \$66.9 million and the Bank's internal lending limit was \$53.6 million. Our board of directors will adjust the internal lending limit as deemed necessary to continue to mitigate risk and serve the Bank's clients. We are also able to sell participations in our larger loans to other financial institutions, which allows us to manage the risk involved in these loans and to meet the lending needs of our clients requiring extensions of credit in excess of these limits.

#### **Real Estate Loans**

The principal component of our loan portfolio is loans secured by real estate. Real estate loans are subject to the same general risks as other loans and are particularly sensitive to fluctuations in the value of real estate. Fluctuations in the value of real estate and rising interest rates, as well as other factors arising after a loan has been made, could negatively affect a borrower's cash flow, creditworthiness, and ability to repay the loan. We obtain a security interest in real estate whenever possible, in addition to any other available collateral, in order to increase the likelihood of the ultimate repayment of the loan.

As of December 31, 2023, loans secured by real estate made up approximately \$2.59 billion, or 77.4%, of our loan portfolio. These loans generally will fall into one of two categories:

- *Commercial Real Estate.* Commercial real estate loans generally have terms of 10 years or less, although payments may be structured on a longer amortization basis. We evaluate each borrower on an individual basis and attempt to determine their business risks and credit profile. We attempt to reduce credit risk in the commercial real estate portfolio by emphasizing loans on owner-occupied industrial, office, and retail buildings where the loan-to-value ratio, established by independent appraisals, does not generally exceed 85% of cost or appraised value. We also generally require that a borrower's cash flow exceed 110% of monthly debt service obligations. In order to ensure secondary sources of payment and liquidity to support a loan request, we typically review all of the personal financial statements of the principal owners and require their personal guaranties. Commercial real estate loans are generally viewed as having more risk of default than residential real estate loans. They are also typically larger than residential real estate loans and consumer loans and depend on cash flows from the owner's business or the property to service the debt. Because our loan portfolio contains a number of commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in our levels of nonperforming assets.

As of December 31, 2023, commercial real estate loans made up approximately \$1.70 billion or 50.8% of our loan portfolio.

- *Residential Mortgage Loans and Home Equity Loans.* We originate and hold short-term and long-term first mortgages and traditional second mortgage residential real estate loans. Generally, we limit the loan-to-value ratio on our residential real estate loans to 90%. We offer fixed and adjustable rate residential real estate loans with terms of up to 30 years. We also offer a variety of lot loan options to consumers to purchase the lot on which they intend build their home. We also offer traditional home equity loans and lines of credit. Our underwriting criteria for, and the risks associated with, home equity loans and lines of credit are generally the same as those for first mortgage loans. Home equity loans typically have terms of 20 years or less. We generally limit the extension of credit to 90% of the available equity of each property. As of December 31, 2023, residential mortgage loans and home equity loans made up approximately \$888.6 million or 26.6% of our loan portfolio.

#### ***Commercial and Industrial Loans***

We have significant expertise in small to middle market commercial and industrial lending. Our success is the result of our product and market expertise, and our focus on delivering high-quality, customized and quick turnaround service for our clients due to our focus on maintaining an appropriate balance between prudent, disciplined underwriting, on the one hand, and flexibility in our decision making and responsiveness to our clients, on the other hand, which has allowed us to grow our commercial and industrial loan portfolio while maintaining strong asset quality. As of December 31, 2023, commercial and industrial loans made up approximately \$487.9 million or 14.6% of our loan portfolio.

We provide a mix of variable and fixed rate commercial and industrial loans. The loans are typically made to small- and medium-sized businesses involved in professional services, accommodation and food services, health care, wholesale trade, financial institutions, manufacturing, distribution, retailing and non-profits. We extend commercial business loans for working capital, accounts receivable and inventory financing and other business purposes. Generally, short-term loans have maturities ranging from 3 months to 1 year, and "term loans" have maturities ranging from 3 to 20 years. Lines of credit are generally intended to finance current transactions and typically provide for periodic principal payments, with interest payable monthly. Term loans generally provide for floating and fixed interest rates, with monthly payments of both principal and interest.

#### ***Construction and Development Loans***

We offer fixed and adjustable rate residential and commercial construction loan financing to builders and developers and to consumers who wish to build their own home. The term of construction and development loans generally is limited to 9 to 24 months, although payments may be structured on a longer amortization basis. Most loans will mature and require payment in full upon completion and either the sale of the property or refinance into a permanent loan. We believe that construction and development loans generally carry a higher degree of risk than long-term financing of stabilized, rented, and owner-occupied properties because repayment depends on the ultimate completion of the project and usually on the subsequent sale of the property. Specific risks include:

- cost overruns;
- mismanaged construction;
- inferior or improper construction techniques;
- economic changes or downturns during construction;
- a downturn in the real estate market;
- rising interest rates which may prevent sale of the property; and
- failure to sell or stabilize completed projects in a timely manner.

We attempt to reduce risk associated with construction and development loans by obtaining personal guaranties and by keeping the maximum loan-to-value ratio at or below 85% of the lesser of cost or appraised value, depending on the project type. Generally, we do not have interest reserves built into loan commitments but require periodic cash payments for interest

from the borrower's cash flow. As of December 31, 2023, construction and development loans made up approximately \$200.8 million or 6.0% of our loan portfolio.

#### **Consumer Loans**

We make a variety of loans to individuals for personal and household purposes, including secured and unsecured installment loans and revolving lines of credit. Consumer loans are underwritten based on the borrower's income, current debt level, past credit history, and the availability and value of collateral. Consumer rates are both fixed and variable, with negotiable terms. Our installment loans typically amortize over periods up to seven years. Although we typically require monthly principal and interest payments on our loan products, we will offer consumer loans at interest only with a single maturity date when a specific source of repayment is available. Consumer loans are generally considered to have greater risk than first or second mortgages on real estate because they may be unsecured, or, if they are secured, the value of the collateral may be difficult to assess and more likely to decrease in value than real estate. As of December 31, 2023, consumer loans made up approximately \$51.0 million or 1.5% of our loan portfolio.

#### **Mortgage Banking Activities**

Our mortgage banking operations include correspondent or secondary market lending, and in-house mortgage lending (included in residential mortgage and home equity loan totals above). We conduct secondary market lending through Fannie Mae, Federal Home Loan Bank of Chicago, U.S. Dept. of Agriculture, the Federal Housing Administration, and the Wisconsin Housing and Economic Development Authority. We also offer a number of in-house mortgage products, including adjustable rate mortgages at one, three, five, seven, ten, and fifteen years, and fixed rate mortgages at up to thirty years. We also offer an eleven-month construction loan, a construction to permanent loan, and a twelve-month bridge loan.

#### **Deposit Products**

We offer a full range of traditional deposit services through our branch network in our market areas that are typically available in most banks and savings institutions, including checking accounts, commercial accounts, savings accounts and other time deposits of various types, ranging from money market accounts to long-term certificates of deposit. Transaction accounts and time deposits are tailored to and offered at rates competitive to those offered in our primary market areas. We also offer retirement accounts and health savings accounts. Our customers include individuals, businesses, associations, organizations and governmental authorities. We believe that our branch infrastructure will assist us in obtaining deposits from local customers in the future. Our deposits are insured by the FDIC up to statutory limits.

#### **Securities**

We manage our securities portfolio and cash to maintain adequate liquidity and to ensure the safety and preservation of invested principal, with a secondary focus on yield and returns. Specific goals of our investment portfolio are as follows:

- provide a ready source of balance sheet liquidity, ensuring adequate availability of funds to meet fluctuations in loan demand, deposit balances and other changes in balance sheet volumes and composition;
- serve as a means for diversification of our assets with respect to credit quality, maturity and other attributes;
- serve as a tool for modifying our interest rate risk profile pursuant to our established policies; and
- provide collateral to secure municipal and business deposits.

Our investment portfolio is comprised primarily of U.S. government securities, mortgage-backed securities backed by government-sponsored entities, and taxable and tax-exempt municipal securities.

Our investment policy is reviewed annually by our board of directors. Overall investment goals are established by our board, CEO, and members of our Asset Liability Management Committee ("ALCO"). Our board of directors has delegated the responsibility of monitoring our investment activities to our ALCO. Day-to-day activities pertaining to the securities portfolio

are conducted under the supervision of our CEO and CFO. We actively monitor our investments on an ongoing basis to identify any material changes in the securities. We also review our securities for potential credit deterioration at least quarterly.

#### **Human Capital Resources**

Our Company culture emphasizes our longstanding dedication to being respectful to others and having a workforce that is representative of the communities we serve. Diversity, equity and inclusion ("DEI") are fundamental to our culture. We believe in attracting, retaining and promoting quality talent and recognize that diversity makes us stronger as a Company. Our talent acquisition teams partner with hiring managers in sourcing and presenting a diverse slate of qualified candidates to strengthen our organization.

We believe employees to be our greatest asset and that our future success depends on our ability to attract, retain and develop employees. Professional development is a key priority, which is facilitated through our many corporate development initiatives including extensive training programs, corporate mentoring, leadership programs, and educational reimbursement.

As part of our effort to attract and retain employees, we offer a broad range of benefits, including health, dental and vision insurance, life and disability insurance, cell phone and health club reimbursement, an employee assistance program, educational tuition reimbursement, annual clothing allowance, an employee referral program, 401(k) retirement plan, profit sharing, a flex spending cafeteria plan, and generous paid time off. We believe our compensation package and benefits are competitive with others in our industry. For additional information regarding our employee benefit plans, see "Note 17 – Employee Benefit Plans" to our consolidated financial statements included in this report.

Bank First currently has approximately 379 FTEs. As of December 31, 2023, approximately 73% of our employees self-identified as female and approximately 5% self-identified as people of color. Twenty-seven percent (27%) of our Board members and 46% of our Senior Management team identify as female. One of our strategic goals is to increase the diversity of our Board in the coming year. None of our employees are represented by any collective bargaining unit or is a party to a collective bargaining agreement. We consider our relationship with our employees to be good and have not experienced interruptions of operations due to labor disagreements.

#### **General Corporate Information**

Our principal executive offices are located at 402 N. 8th Street, Manitowoc, Wisconsin 54220, and our telephone number at that address is (920) 652-3100. Additional information can be found on our website: [www.bankfirst.com](http://www.bankfirst.com). The information contained on our website is not incorporated in this document by reference.

#### **Public Information**

Persons interested in obtaining information on the Company may read and copy any materials that we file with the U.S. Securities and Exchange Commission ("SEC"). The Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). We make available, free of charge, on or through our website, [www.bankfirst.com](http://www.bankfirst.com), our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and amendments to such filings, as soon as reasonably practicable after each is electronically filed with, or furnished to, the SEC.

## **Supervision and Regulation**

We are extensively regulated under federal and state law. The following is a brief summary that does not purport to be a complete description of all regulations that affect us or all aspects of those regulations. This discussion is qualified in its entirety by reference to the particular statutory and regulatory provisions described below and is not intended to be an exhaustive description of the statutes or regulations applicable to the Company's and the Bank's business. In addition, proposals to change the laws and regulations governing the banking industry are frequently raised at both the state and federal levels. The likelihood and timing of any changes in these laws and regulations, and the impact such changes may have on us and the Bank, are difficult to predict. In addition, bank regulatory agencies may issue enforcement actions, policy statements, interpretive letters and similar written guidance applicable to us or the Bank. Changes in applicable laws, regulations or regulatory guidance, or their interpretation by regulatory agencies or courts may have a material adverse effect on our and the Bank's business, operations, and earnings. Supervision and regulation of banks, their holding companies and affiliates is intended primarily for the protection of depositors and customers, the Deposit Insurance Fund ("DIF") of the FDIC, and the U.S. banking and financial system rather than holders of our capital stock.

### *Regulation of the Company*

We are registered as a bank holding company with the Federal Reserve under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). As such, we are subject to comprehensive supervision and regulation by the Federal Reserve and are subject to its regulatory reporting requirements. Federal law subjects bank holding companies, such as the Company, to particular restrictions on the types of activities in which they may engage, and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations. Violations of laws and regulations, or other unsafe and unsound practices, may result in regulatory agencies imposing fines or penalties, cease-and-desist orders, or taking other enforcement actions. Under certain circumstances, these agencies may enforce these remedies directly against officers, directors, employees and other parties participating in the affairs of a bank or bank holding company.

*Activity Limitations.* Bank holding companies are generally restricted to engaging in the business of banking, managing or controlling banks and certain other activities determined by the Federal Reserve to be closely related to banking. In addition, the Federal Reserve has the power to order a bank holding company or its subsidiaries to terminate any nonbanking activity or terminate its ownership or control of any nonbank subsidiary, when it has reasonable cause to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that bank holding company.

*Source of Strength Obligations.* A bank holding company is required to act as a source of financial and managerial strength to its subsidiary bank and to maintain resources adequate to support its bank. The term "source of financial strength" means the ability of a company, such as us, that directly or indirectly owns or controls an insured depository institution, such as the Bank, to provide financial assistance to such insured depository institution in the event of financial distress. The appropriate federal banking agency for the depository institution (in the case of the Bank, this agency is the OCC) may require reports from us to assess our ability to serve as a source of strength and to enforce compliance with the source of strength requirements by requiring us to provide financial assistance to the Bank in the event of financial distress. If we were to enter bankruptcy or become subject to the orderly liquidation process established by the Dodd-Frank Act, any commitment by us to a federal bank regulatory agency to maintain the capital of the Bank would be assumed by the bankruptcy trustee or the FDIC, as appropriate, and entitled to a priority of payment.

**Acquisitions.** The BHC Act permits acquisitions of banks by bank holding companies, such that we and any other bank holding company, whether located in Wisconsin or elsewhere, may acquire a bank located in any other state, subject to certain deposit-percentage, age of bank charter requirements, and other restrictions. The BHC Act requires that a bank holding company obtain the prior approval of the Federal Reserve before (i) acquiring direct or indirect ownership or control of more than 5% of the voting shares of any additional bank or bank holding company, (ii) taking any action that causes an additional bank or bank holding company to become a subsidiary of the bank holding company, or (iii) merging or consolidating with any other bank holding company. The Federal Reserve may not approve any such transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the United States, or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider: (1) the financial and managerial resources of the companies involved, including pro forma capital ratios; (2) the risk to the stability of the United States banking or financial system; (3) the convenience and needs of the communities to be served, including performance under the Community Reinvestment Act ("CRA"); and (4) the effectiveness of the companies in combatting money laundering.

**Change in Control.** Federal law restricts the amount of voting stock of a bank holding company or a bank that a person may acquire without the prior approval of banking regulators. Under the Change in Bank Control Act and the regulations thereunder, a person or group must give advance notice to the Federal Reserve before acquiring control of any bank holding company, such as the Company, and the OCC before acquiring control of any national bank, such as the Bank. Upon receipt of such notice, the bank regulatory agencies may approve or disapprove the acquisition. The Change in Bank Control Act creates a rebuttable presumption of control if a person or group acquires the power to vote 10% or more of our outstanding common stock. The overall effect of such laws is to make it more difficult to acquire a bank holding company and a bank by tender offer or similar means than it might be to acquire control of another type of corporation. Consequently, shareholders of the Company may be less likely to benefit from the rapid increases in stock prices that may result from tender offers or similar efforts to acquire control of other companies. Investors should be aware of these requirements when acquiring shares of our stock.

**Governance and Financial Reporting Obligations.** We are required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, as well as rules and regulations adopted by the SEC, the Public Company Accounting Oversight Board ("PCAOB"), and Nasdaq. In particular, we are required to include management and independent registered public accounting firm reports on internal controls as part of our Annual Report on Form 10-K in order to comply with Section 404 of the Sarbanes-Oxley Act. We have evaluated our controls, including compliance with the SEC rules on internal controls, and have and expect to continue to spend significant amounts of time and money on compliance with these rules. Our failure to comply with these internal control rules may materially adversely affect our reputation, ability to obtain the necessary certifications to financial statements, and the values of our securities. The assessments of our financial reporting controls as of December 31, 2023 are included in this report under "Item 9A. Controls and Procedures."

**Corporate Governance.** The Dodd-Frank Act addresses many investor protections, corporate governance, and executive compensation matters that will affect most U.S. publicly traded companies. The Dodd-Frank Act (1) grants shareholders of U.S. publicly traded companies an advisory vote on executive compensation; (2) enhances independence requirements for Compensation Committee members; and (3) requires companies listed on national securities exchanges to adopt incentive-based compensation claw-back policies for executive officers.

*Incentive Compensation.* The Dodd-Frank Act required the banking agencies and the SEC to establish joint rules or guidelines for financial institutions with more than \$1 billion in assets, such as us and the Bank, which prohibit incentive compensation arrangements that the agencies determine to encourage inappropriate risks by the institution. The banking agencies issued proposed rules in 2011 and previously issued guidance on sound incentive compensation policies. In 2016, the Federal Reserve and the OCC also proposed rules that would, depending upon the assets of the institution, directly regulate incentive compensation arrangements and would require enhanced oversight and recordkeeping. As of December 31, 2023, these rules have not been implemented. We and the Bank have undertaken efforts to ensure that our incentive compensation plans do not encourage inappropriate risks, consistent with three key principles— that incentive compensation arrangements should appropriately balance risk and financial rewards, be compatible with effective controls and risk management, and be supported by strong corporate governance.

*Shareholder Say-On-Pay Votes.* The Dodd-Frank Act requires public companies to take shareholders' votes on proposals addressing compensation (known as say-on-pay), the frequency of a say-on-pay vote, and the golden parachutes available to executives in connection with change-in-control transactions. Public companies must give shareholders the opportunity to vote on the compensation at least every three years and the opportunity to vote on frequency at least every six years, indicating whether the say-on-pay vote should be held annually, biennially, or triennially. The say-on-pay, the say-on-parachute and the say-on-frequency votes are explicitly nonbinding and cannot override a decision of our board of directors.

*Other Regulatory Matters.* We and our subsidiaries are subject to oversight by the SEC, the Financial Industry Regulatory Authority, ("FINRA"), the PCAOB, Nasdaq and various state securities regulators. We and our subsidiaries have from time to time received requests for information from regulatory authorities in various states, including state attorneys general, securities regulators and other regulatory authorities, concerning our business practices. Such requests are considered incidental to the normal conduct of business.

#### *Capital Requirements*

The Company and Bank are required under federal law to maintain certain minimum capital levels based on ratios of capital to total assets and capital to risk-weighted assets. The required capital ratios are minimums, and the federal banking agencies may determine that a banking organization, based on its size, complexity or risk profile, must maintain a higher level of capital in order to operate in a safe and sound manner. Risks such as concentration of credit risks and the risks arising from non-traditional activities, as well as the institution's exposure to a decline in the economic value of its capital due to changes in interest rates, and an institution's ability to manage those risks are important factors that are to be taken into account by the federal banking agencies in assessing an institution's overall capital adequacy. The following is a brief description of the relevant provisions of these capital rules and their potential impact on our capital levels.

The Company and Bank are subject to the following risk-based capital ratios: a common equity Tier 1 ("CET1") risk-based capital ratio, a Tier 1 risk-based capital ratio, which includes CET1 and additional Tier 1 capital, and a total capital ratio, which includes Tier 1 and Tier 2 capital. CET1 is primarily comprised of the sum of common stock instruments and related surplus net of treasury stock, retained earnings, and certain qualifying minority interests, less certain adjustments and deductions, including with respect to goodwill, intangible assets, mortgage servicing assets and deferred tax assets subject to temporary timing differences. Additional Tier 1 capital is primarily comprised of noncumulative perpetual preferred stock, tier 1 minority interests and grandfathered trust preferred securities. Tier 2 capital consists of instruments disqualified from Tier 1 capital, including qualifying subordinated debt, other preferred stock and certain hybrid capital instruments, and a limited amount of loan loss reserves up to a maximum of 1.25% of risk-weighted assets, subject to certain eligibility criteria. The capital rules also define the risk-weights assigned to assets and off-balance sheet items to determine the risk-weighted asset components of the risk-based capital rules, including, for example, certain "high volatility" commercial real estate, past due assets, structured securities and equity holdings.

The leverage capital ratio, which serves as a minimum capital standard, is the ratio of Tier 1 capital to quarterly average assets net of goodwill, certain other intangible assets, and certain required deduction items. The required minimum leverage ratio for all banks is 4.0%.

In addition, the capital rules require a capital conservation buffer of CET1 of 2.5% above each of the minimum capital ratio requirements (CET1, Tier 1, and total risk-based capital), which is designed to absorb losses during periods of economic stress. These buffer requirements must be met for a bank to be able to pay dividends, engage in share buybacks or make discretionary bonus payments to executive management without restriction.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), among other things, requires the federal bank regulatory agencies to take "prompt corrective action" regarding depository institutions that do not meet minimum capital requirements. FDICIA establishes five regulatory capital tiers: "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized", and "critically undercapitalized". A depository institution's capital tier will depend upon how its capital levels compare to various relevant capital measures and certain other factors, as established by regulation. FDICIA generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized.

To be well-capitalized, the Company and Bank must maintain at least the following capital ratios:

- 6.5% CET1 to risk-weighted assets;
- 8.0% Tier 1 capital to risk-weighted assets;
- 10.0% Total capital to risk-weighted assets; and
- 5.0% leverage ratio.

Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our operations or financial condition. For example, only a well-capitalized depository institution may accept brokered deposits without prior regulatory approval. Failure to be well-capitalized or to meet minimum capital requirements could also result in restrictions on the Bank's ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications or other restrictions on its growth. The Bank was well capitalized at December 31, 2023, and brokered deposits are not restricted.

In 2023, the Company and Bank's regulatory capital ratios were above the applicable well-capitalized standards and met the then-applicable capital conservation buffer. Based on current estimates, we believe that the Company and Bank will continue to exceed all applicable well-capitalized regulatory capital requirements and the capital conservation buffer in 2024.

The Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Economic Growth Act") signed into law in May 2018 scaled back certain requirements of the Dodd-Frank Act and provided other regulatory relief. Among the provisions of the Economic Growth Act was a requirement that the Federal Reserve raise the asset threshold for those bank holding companies subject to the Federal Reserve's Small Bank Holding Company Policy Statement ("Policy Statement") to \$3 billion. As a result, as of the effective date of that change in 2018, the Company was no longer required to comply with the risk-based capital rules applicable to the Bank. The Company crossed above the \$3 billion threshold during the third quarter of 2022 and is now required to adhere to these capital rules.

As a result of the Economic Growth Act, the federal banking agencies were also required to develop a "Community Bank Leverage Ratio" (the ratio of a bank's Tier 1 capital to average total consolidated assets) for financial institutions with assets of less than \$10 billion. A "qualifying community bank" that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered "well capitalized" under prompt corrective action statutes. The federal banking agencies may consider a financial institutions risk profile when evaluation whether it qualifies as a community bank for purposes of the capital ratio requirement. The federal banking agencies set the minimum capital for the new Community Bank Leverage Ratio at 9%. The Bank does not intend to opt into the Community Bank Leverage Ratio Framework.

On December 21, 2018, federal banking agencies issued a joint final rule to revise their regulatory capital rules to (i) address the upcoming implementation of the "current expected credit losses" ("CECL") accounting standard under GAAP; (ii) provide

an optional three-year phase-in period for the day-one adverse regulatory capital effects that banking organizations are expected to experience upon adopting CECL; and (iii) require the use of CECL in stress tests beginning with the 2020 capital planning and stress testing cycle for certain banking organizations. For more information regarding Accounting Standards Update No. 2016-13, which introduced CECL as the methodology to replace the current "incurred loss" methodology for financial assets measured at amortized cost, and changed the approaches for recognizing and recording credit losses on available-for-sale debt securities and purchased credit impaired financial assets, including the required implementation date for the Company, see the notes to the Company's consolidated financial statements for the year ended December 31, 2023.

*Payment of Dividends*

We are a legal entity separate and distinct from the Bank and our other subsidiaries. Our primary source of cash, other than securities offerings, is dividends from the Bank. The prior approval of the OCC is required if the total of all dividends declared by a national bank (such as the Bank) in any calendar year will exceed the sum of such bank's net profits for that year and its retained net profits for the preceding two calendar years, less any required transfers to surplus. Federal law also prohibits any national bank from paying dividends that would be greater than such bank's undivided profits after deducting statutory bad debts in excess of such bank's allowance for possible credit losses.

In addition, we and the Bank are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal bank regulatory authority may prohibit the payment of dividends where it has determined that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. The OCC and the Federal Reserve have indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsound and unsafe banking practice. The OCC and the Federal Reserve have each indicated that depository institutions and their holding companies should generally pay dividends only out of current operating earnings.

Under a Federal Reserve policy adopted in 2009, the board of directors of a bank holding company must consider different factors to ensure that its dividend level is prudent relative to maintaining a strong financial position, and is not based on overly optimistic earnings scenarios, such as potential events that could affect its ability to pay, while still maintaining a strong financial position. As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should consult with the Federal Reserve and eliminate, defer or significantly reduce the bank holding company's dividends if:

- its net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends;
- its prospective rate of earnings retention is not consistent with its capital needs and overall current and prospective financial condition; or
- it will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

Prior approval by the OCC is required if the total of all dividends declared by a national bank in any calendar year exceeds the bank's profits for that year combined with its retained net profits for the preceding two calendar years.

*Regulation of the Bank*

As a national bank, our primary bank subsidiary, Bank First, N.A., is subject to comprehensive supervision and regulation by the OCC and is subject to its regulatory reporting requirements. The deposits of the Bank are insured by the FDIC up to applicable limits and, accordingly, the Bank is also subject to certain FDIC regulations and the FDIC has backup examination authority and some enforcement powers over the Bank. The Bank also is subject to certain Federal Reserve regulations.

In addition, as discussed in more detail below, the Bank and any other of our subsidiaries that offer consumer financial products and services are subject to regulation and potential supervision by the Consumer Financial Protection Bureau ("CFPB"). Authority to supervise and examine the Company and the Bank for compliance with federal consumer laws

remains largely with the Federal Reserve and the OCC, respectively. However, the CFPB may participate in examinations on a "sampling basis" and may refer potential enforcement actions against such institutions to their primary regulators. The CFPB also may participate in examinations of our other direct or indirect subsidiaries that offer consumer financial products or services. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB, and state attorneys general are permitted to enforce certain federal consumer financial protection rules adopted by the CFPB. As the Company and the Bank each had less than \$10 billion in consolidated assets in 2023, they are not subject to the routine supervision of the CFPB, but this may change in the future as the Company and the Bank grow.

Broadly, regulations applicable to the Bank include limitations on loans to a single borrower and to its directors, officers and employees; restrictions on the opening and closing of branch offices; the maintenance of required capital and liquidity ratios; the granting of credit under equal and fair conditions; the disclosure of the costs and terms of such credit; requirements to maintain reserves against deposits and loans; limitations on the types of investment that may be made by the Bank; and requirements governing risk management practices. The Bank is permitted under federal law to branch on a de novo basis across state lines where the laws of that state would permit a bank chartered by that state to open a de novo branch.

*Transactions with Affiliates and Insiders.* The Bank is subject to restrictions on extensions of credit and certain other transactions between the Bank and the Company or any nonbank affiliate. Generally, these covered transactions with either the Company or any affiliate are limited to 10% of the Bank's capital and surplus, and all such transactions between the Bank and the Company and all of its nonbank affiliates combined are limited to 20% of the Bank's capital and surplus. Loans and other extensions of credit from the Bank to the Company or any affiliate generally are required to be secured by eligible collateral in specified amounts. In addition, any transaction between the Bank and the Company or any affiliate are required to be on an arm's length basis. Federal banking laws also place similar restrictions on certain extensions of credit by insured banks, such as the Bank, to their directors, executive officers and principal shareholders.

*Reserves.* Historically, Federal Reserve rules required depository institutions, such as the Bank, to maintain reserves against their transaction accounts, primarily interest bearing and noninterest-bearing checking accounts. The Federal Reserve announced that reserve requirement ratios were reduced to zero percent effective March 26, 2020. This action eliminated reserve requirements for all depository institutions.

*FDIC Insurance Assessments and Depositor Preference.* The Bank's deposits are insured by the FDIC's DIF up to the limits under applicable law, which currently are set at \$250,000 per depositor, per insured bank, for each account ownership category. The Bank is subject to FDIC assessments for its deposit insurance. The FDIC calculates quarterly deposit insurance assessments based on an institution's average total consolidated assets less its average tangible equity, and applies one of four risk categories determined by reference to its capital levels, supervisory ratings, and certain other factors. The assessment rate schedule can change from time to time, at the discretion of the FDIC, subject to certain limits.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by a bank's federal regulatory agency. In addition, the Federal Deposit Insurance Act provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution, including those of the parent bank holding company.

In October of 2022, the FDIC adopted a final rule to increase the initial base deposit insurance assessment rate by 2 basis points, applicable to all insured depository institutions, which began with the first quarterly assessment period in 2023 and will remain in effect until the level of the DIF reserve ratios to insured deposits meets the FDIC's long-term goals.

*Standards for Safety and Soundness.* The Federal Deposit Insurance Act requires the federal bank regulatory agencies to prescribe, by regulation or guideline, operational and managerial standards for all insured depository institutions relating to: (1) internal controls; (2) information systems and audit systems; (3) loan documentation; (4) credit underwriting; (5) interest rate risk exposure; and (6) asset quality. The federal banking agencies have adopted regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement these required standards. These guidelines set

forth the safety and soundness standards used to identify and address problems at insured depository institutions before capital becomes impaired. Under the regulations, if a regulator determines that a bank fails to meet any standards prescribed by the guidelines, the regulator may require the bank to submit an acceptable plan to achieve compliance, consistent with deadlines for the submission and review of such safety and soundness compliance plans.

*Anti-Money Laundering.* A continued focus of governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing. The USA PATRIOT Act broadened the application of anti-money laundering regulations to apply to additional types of financial institutions such as broker-dealers, investment advisors and insurance companies, and strengthened the ability of the U.S. government to help prevent, detect and prosecute international money laundering and the financing of terrorism. The principal provisions of Title III of the USA PATRIOT Act require that regulated financial institutions: (i) establish an anti-money laundering program that includes training and audit components; (ii) comply with regulations regarding the verification of the identity of any person seeking to open an account; (iii) take additional required precautions with non-U.S. owned accounts; and (iv) perform certain verification and certification of money laundering risk for their foreign correspondent banking relationships. Failure of a financial institution to comply with the USA PATRIOT Act's requirements could have serious legal and reputational consequences for the institution. The Bank has augmented its systems and procedures to meet the requirements of these regulations and will continue to revise and update its policies, procedures and controls to reflect changes required by law.

FinCEN has adopted rules that require financial institutions to obtain beneficial ownership information with respect to legal entities with which such institutions conduct business, subject to certain exclusions and exemptions. Bank regulators are focusing their examinations on anti-money laundering compliance, and we continue to monitor and augment, where necessary, our anti-money laundering compliance programs.

Banking regulators will consider compliance with the Act's money laundering provisions in acting upon merger and acquisition proposals.

Bank regulators routinely examine institutions for compliance with these anti-money laundering obligations and recently have been active in imposing "cease-and-desist" and other regulatory orders and money penalty sanctions against institutions found to be in violation of these requirements. Sanctions for violations of the Act can be imposed in an amount equal to twice the sum involved in the violating transaction, up to \$1 million. On January 1, 2021, Congress passed federal legislation that made sweeping changes to federal anti-money laundering laws, subject to pending implementation by regulatory rulemaking. Most recently, on June 30, 2021, FinCEN published the first set of "national AML priorities," as required by the Bank Secrecy Act, which include, but are not limited to, cybercrime, terrorist financing, fraud, and drug/human trafficking. FinCEN is required to implement regulations to specify how covered financial institutions, such as the Company, should incorporate these national priorities into their AML programs. As of December 31, 2023, no such regulations have been proposed.

*Economic Sanctions.* The Office of Foreign Assets Control ("OFAC") is responsible for helping to ensure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and acts of Congress. OFAC publishes, and routinely updates, lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts, including the Specially Designated Nationals and Blocked Persons List. If we find a name on any transaction, account or wire transfer that is on an OFAC list, we must undertake certain specified activities, which could include blocking or freezing the account or transaction requested, and we must notify the appropriate authorities.

*Concentrations in Lending.* During 2006, the federal bank regulatory agencies released guidance on "Concentrations in Commercial Real Estate Lending" (the "Guidance") and advised financial institutions of the risks posed by commercial real estate ("CRE") lending concentrations. The Guidance requires that appropriate processes be in place to identify, monitor and control risks associated with real estate lending concentrations. Higher allowances for credit losses and capital levels may also be required. The Guidance is triggered when CRE loan concentrations exceed either:

- Total reported loans for construction, land development, and other land of 100% or more of a bank's total risk-based capital; or
- Total reported loans secured by multifamily and nonfarm nonresidential properties and loans for construction, land development, and other land of 300% or more of a bank's total risk-based capital.

The Guidance also applies when a bank has a sharp increase in CRE loans or has significant concentrations of CRE secured by a particular property type. See Item 1A. Risk Factors -- *We are subject to lending concentration risk, which could cause our regulators to restrict our ability to grow* – for a discussion of our risks regarding CRE exposure.

**Community Reinvestment Act.** The Bank is subject to the provisions of the CRA, which imposes a continuing and affirmative obligation, consistent with their safe and sound operation, to help meet the credit needs of entire communities where the Bank accepts deposits, including low- and moderate-income neighborhoods. The OCC's assessment of the Bank's CRA record is made available to the public. Further, a less than satisfactory CRA rating will slow, if not preclude, expansion of banking activities. Following the enactment of the Gramm-Leach-Bliley Act ("GLB"), CRA agreements with private parties must be disclosed and annual CRA reports must be made to a bank's primary federal regulator. Federal CRA regulations require, among other things, that evidence of discrimination against applicants on a prohibited basis, and illegal or abusive lending practices be considered in the CRA evaluation. In May 2020, the OCC issued new final regulations meant to strengthen and modernize the CRA regulations, with an effective date of October 1, 2020. However, on December 14, 2021, the OCC issued a final rule rescinding its 2020 CRA Rule and replacing it with a rule based largely on the prior rules adopted jointly by the federal banking agencies in 1995. The Bank had a rating of "Outstanding" in its most recent CRA evaluation.

On May 5, 2022, the OCC, FRB, and FDIC issued a notice of proposed rulemaking to provide for a coordinated approach to modernize their respective CRA regulations, such that all banks will be subject to the same set of CRA rules. Key elements are expected to include (i) expanding access to credit, investment, and basic banking services in low- and moderate-income communities; (ii) updating CRA assessment areas by including activities associated with online and mobile banking, branchless banking, and hybrid models; and (iii) better tailoring CRA evaluations and data collection requirements by bank size and type. The final rule was released on October 24, 2023, and will take effect on April 1, 2024, with staggered compliance dates of January 1, 2026 and January 1, 2027.

**Privacy and Data Security.** The GLB generally prohibits disclosure of consumer information to non-affiliated third parties unless the consumer has been given the opportunity to object and has not objected to such disclosure. Financial institutions are further required to disclose their privacy policies to customers annually. Financial institutions, however, will be required to comply with state law if it is more protective of consumer privacy than the GLB. The GLB also directed federal regulators, including the FDIC and the OCC, to prescribe standards for the security of consumer information. The Bank is subject to such standards, as well as standards for notifying customers in the event of a security breach. Under federal law, the Bank must disclose its privacy policy to consumers, permit customers to opt out of having nonpublic customer information disclosed to third parties in certain circumstances, and allow customers to opt out of receiving marketing solicitations based on information about the customer received from another subsidiary. States may adopt more extensive privacy protections. We are similarly required to have an information security program to safeguard the confidentiality and security of customer information and to ensure proper disposal. Customers must be notified when unauthorized disclosure involves sensitive customer information that may be misused. On November 18, 2021, the federal banking agencies issued a new rule effective in 2022 that requires banks to notify their regulators within 36 hours of a "computer-security incident" that rises to the level of a "notification incident." On July 26, 2023 the SEC adopted rules requiring registrants such as the Bank to disclose material cybersecurity incidents they experience and to disclose on an annual basis material information regarding their cybersecurity risk management, strategy and governance. See Item 1C for further discussion of the Bank's processes for assessing, identifying and managing materials risks from cybersecurity threats.

Furthermore, the federal banking regulators regularly issue guidance regarding cybersecurity intended to enhance cyber risk management. A financial institution is expected to implement multiple lines of defense against cyberattacks and ensure that their risk management procedures address the risk posed by potential cyber threats. A financial institution is further expected to maintain procedures to effectively respond to a cyberattack and resume operations following any such attack. The Company has adopted and implemented an Information Security Program to comply with the regulatory cybersecurity guidance.

**Consumer Regulation.** Activities of the Bank are subject to a variety of statutes and regulations designed to protect consumers. These laws and regulations include, among numerous other things, provisions that:

- limit the interest and other charges collected or contracted for by the Bank, including new rules respecting the terms of credit cards and of debit card overdrafts;

- govern the Bank's disclosures of credit terms to consumer borrowers;
- require the Bank to provide information to enable the public and public officials to determine whether it is fulfilling its obligation to help meet the housing needs of the community it serves;
- prohibit the Bank from discriminating on the basis of race, creed or other prohibited factors when it makes decisions to extend credit;
- govern the manner in which the Bank may collect consumer debts; and
- prohibit unfair, deceptive or abusive acts or practices in the provision of consumer financial products and services.

*Mortgage Regulation.* The CFPB adopted a rule that implements the ability-to-repay and qualified mortgage provisions of the Dodd-Frank Act (the "ATR/QM rule"), which requires lenders to consider, among other things, income, employment status, assets, payment amounts, and credit history before approving a mortgage, and provides a compliance "safe harbor" for lenders that issue certain "qualified mortgages." The ATR/QM rule defines a "qualified mortgage" to have certain specified characteristics, and generally prohibit loans with negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years from being qualified mortgages. The rule also establishes general underwriting criteria for qualified mortgages, including that monthly payments be calculated based on the highest payment that will apply in the first five years of the loan and that the borrower has a total debt-to-income ratio that is less than or equal to 43%. While "qualified mortgages" will generally be afforded safe harbor status, a rebuttable presumption of compliance with the ability-to-repay requirements will attach to "qualified mortgages" that are "higher priced mortgages" (which are generally subprime loans). In addition, the securitizer of asset-backed securities must retain not less than 5 percent of the credit risk of the assets collateralizing the asset-backed securities, unless subject to an exemption for asset-backed securities that are collateralized exclusively by residential mortgages that qualify as "qualified residential mortgages."

The CFPB has also issued rules to implement requirements of the Dodd-Frank Act pertaining to mortgage loan origination (including with respect to loan originator compensation and loan originator qualifications) as well as integrated mortgage disclosure rules. In addition, the CFPB has issued rules that require servicers to comply with new standards and practices with regard to: error correction; information disclosure; force-placement of insurance; information management policies and procedures; requiring information about mortgage loss mitigation options be provided to delinquent borrowers; providing delinquent borrowers access to servicer personnel with continuity of contact about the borrower's mortgage loan account; and evaluating borrowers' applications for available loss mitigation options. These rules also address initial rate adjustment notices for adjustable-rate mortgages (ARMs), periodic statements for residential mortgage loans, and prompt crediting of mortgage payments and response to requests for payoff amounts.

In 2020, the CARES Act granted certain forbearance rights and protection against foreclosure to borrowers with a "federally backed mortgage loan," including certain first or subordinate lien loans designed principally for the occupancy of one to four families. These consumer protections under the CARES Act continued during the COVID 19 pandemic emergency, and while most of these protections expired in 2022, on January 18, 2023, in its revised Mortgage Servicing Examination Procedures, the CFPB stated it expected servicers to continue to utilize these safeguards, regardless of their expiration.

*Non-Discrimination Policies.* The Bank is also subject to, among other things, the provisions of the Equal Credit Opportunity Act ("ECOA") and the Fair Housing Act ("FHA"), both of which prohibit discrimination based on race or color, religion, national origin, sex, and familial status in any aspect of a consumer or commercial credit or residential real estate transaction. The Department of Justice ("DOJ"), and the federal bank regulatory agencies have issued an Interagency Policy Statement on Discrimination in Lending that provides guidance to financial institutions in determining whether discrimination exists, how the agencies will respond to lending discrimination, and what steps lenders might take to prevent discriminatory lending practices. The DOJ has increased its efforts to prosecute what it regards as violations of the ECOA and FHA.

*LIBOR:* On March 15, 2022, Congress enacted the Adjustable Interest Rate (LIBOR) Act (the "LIBOR Act") to address references to LIBOR in contracts that (i) are governed by U.S. law; (ii) will not mature before June 30, 2023; and (iii) lack fallback provisions providing for a clearly defined and practicable replacement for LIBOR. On December 16, 2022, the FRB adopted a final rule to implement the LIBOR Act by identifying benchmark rates based on SOFR (Secured Overnight Financing

Rate) that replaced LIBOR in certain financial contracts after June 30, 2023. The final rule identifies replacement benchmark rates based on SOFR to replace overnight, one-month, three-month, six-month, and 12-month LIBOR in contracts subject to the LIBOR Act.

#### **ITEM 1A. RISK FACTORS**

*In addition to the other information contained in this Form 10-K, you should carefully consider the risks described below, as well as the risk factors and uncertainties discussed in our other public filings with the SEC under the caption "Risk Factors" in evaluating us and our business and making or continuing an investment in our stock. Our operations and financial results are subject to various risks and uncertainties, including, but not limited, to the material risks described below. Many of these risks are beyond our control although efforts are made to manage those risks while simultaneously optimizing operational and financial results. The occurrence of any of the following risks, as well as risks of which we are currently unaware or currently deem immaterial, could materially and adversely affect our assets, business, cash flows, condition (financial or otherwise), liquidity, prospects, results of operations and the trading price of our common stock. It is impossible to predict or identify all such factors and, as a result, you should not consider the following factors to be a complete discussion of the risks, uncertainties and assumptions that could materially and adversely affect our assets, business, cash flows, condition (financial or otherwise), liquidity, prospects, results of operations and the trading price of our common stock.*

*In addition, certain statements in the following risk factors constitute forward-looking statements. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" beginning on page 1 of this Annual Report on Form 10-K.*

##### **Risks related to our business**

###### ***Difficult or volatile conditions in the national financial markets, and the U.S. economy generally, may adversely affect our lending activity or other businesses, as well as our financial condition.***

We are operating in an uncertain economic environment. Our business and financial performance are vulnerable to weak economic conditions in the financial markets generally and specifically in the state of Wisconsin, the principal market in which we conduct business. A deterioration in economic conditions in the global and financial markets as well as our primary market areas caused by inflation, recession, pandemics, outbreaks of hostilities or other international or domestic occurrences, unemployment, plant or business closings or downsizing, changes in securities markets or other factors could result in the following consequences, any of which could materially and adversely affect our business: increased loan delinquencies; problem assets and foreclosures; significant write-downs of asset values; lower demand for our products and services; reduced low cost or noninterest-bearing deposits; intangible asset impairment; and collateral for loans made by us, especially real estate, may decline in value, in turn reducing our customers' ability to repay outstanding loans, and reducing the value of assets and collateral associated with our existing loans. In addition, regulatory scrutiny of the industry has increased and could continue to increase, leading to increased regulation of the industry that could lead to a higher cost of compliance, limit our ability to pursue business opportunities and increase our exposure to litigation or fines.

Additionally, we conduct our banking operations primarily in Wisconsin. As of December 31, 2023, approximately 95.74% of our loans and approximately 97.81% of our deposits were made to borrowers or received from depositors who live and/or primarily conduct business in Wisconsin. Therefore, our success will depend in large part upon the general economic conditions in this area, which we cannot predict with certainty. This geographic concentration imposes risks from lack of geographic diversification, as adverse economic developments in Wisconsin, among other things, could affect the volume of loan originations, increase the level of nonperforming assets, increase the rate of foreclosure losses on loans and reduce the value of our loans and loan servicing portfolio. Any regional or local economic downturn that affects Wisconsin or existing or prospective borrowers or property values in such areas may affect us and our profitability more significantly and adversely than our competitors whose operations are less geographically concentrated.

Moreover, the financial markets and the global economy may also be adversely affected by the current or anticipated impact of military conflict, including the current conflicts between Russia and Ukraine and between Israel and Hamas, which are

increasing volatility in commodity and energy prices, creating supply chain issues and causing instability in financial markets. Sanctions imposed by the United States and other countries in response to such conflict could further adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability.

***Changes in interest rates may have an adverse effect on our net interest income.***

Net interest income, which is the difference between the interest income that we earn on interest-earning assets and the interest expense that we pay on interest-bearing liabilities, is a major component of our income and our primary source of revenue from our operations. Narrowing of interest rate spreads could adversely affect our earnings and financial condition. We cannot control or predict with certainty changes in interest rates. Regional and local economic conditions, competitive pressures, and the policies of regulatory authorities, including monetary policies of the Federal Reserve Board ("FRB"), affect interest income and interest expense.

Beginning in early 2022, in response to growing signs of inflation, the FRB increased interest rates rapidly and made a number of adjustments to monetary policy and liquidity, including quantitative tightening and other balance sheet actions. Further, the FRB has increased the benchmark rapidly and has announced an intention to take further actions to mitigate rising inflationary pressures. Rising interest rates can have a negative impact on our business by reducing the amount of money our clients borrow or by adversely affecting their ability to repay outstanding loan balances that may increase due to adjustments in their variable rates. In addition, as interest rates rise, we may have to offer more attractive interest rates to depositors to compete for deposits, or pursue other sources of liquidity, such as wholesale funds.

On the other hand, decreasing interest rates reduce our yield on our variable rate loans and on our new loans, which reduces our net interest income. In addition, lower interest rates may reduce our realized yields on investment securities which would reduce our net interest income and cause downward pressure on net interest margin in future periods. A significant reduction in our net interest income could have a material adverse impact on our capital, financial condition and results of operations.

Although the FRB increased the target federal funds rate in 2023 to combat inflationary trends, the FRB held the federal funds rate steady in December 2023 for the third consecutive quarter and indicated that the rate is likely to be decreased in 2024 and beyond. We are unable to predict changes in interest rates, which are affected by factors beyond our control, including inflation, deflation, recession, unemployment, money supply, and other changes in financial markets. We have ongoing policies and procedures designed to manage the risks associated with changes in market interest rates and actively manage these risks through hedging and other risk mitigation strategies. However, if our assumptions are wrong or overall economic conditions are significantly different than anticipated, our risk mitigation techniques may be ineffective or costly.

***Changes in interest rates may change the value of our mortgage servicing rights portfolio, which may increase the volatility of our earnings.***

A mortgage servicing right is the right to service a mortgage loan - collect principal, interest and escrow amounts - for a fee. We measure and carry our residential mortgage servicing rights using the fair value measurement method. Fair value is determined as the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers. The primary risk associated with mortgage servicing rights is that in a declining interest rate environment, they will likely lose a substantial portion of their value as a result of higher than anticipated prepayments. Moreover, if prepayments are greater than expected, the cash we receive over the life of the mortgage loans would be reduced. Conversely, these assets generally increase in value in a rising interest rate environment to the extent that prepayments are slower than previously estimated. An increase in the size of our mortgage servicing rights portfolio may increase our interest rate risk. Depending on the interest rate environment, it is possible that the fair value of our mortgage servicing rights may be reduced in the future. If such changes in fair value significantly reduce the carrying value of our mortgage servicing rights, our business, financial condition and results of operations could be adversely affected.

***Inflation could negatively impact our business, our profitability and our stock price .***

Inflation continued rising in 2023, and inflationary pressures may remain elevated into 2024. Prolonged periods of inflation may impact our profitability by negatively impacting our fixed costs and expenses, including increasing funding costs and expense related to talent acquisition and retention, and negatively impacting the demand for our products and services. Additionally, inflation may lead to a decrease in consumer and clients' purchasing power and negatively affect the need or demand for our products and services. If significant inflation continues, our business could be negatively affected by, among other things, increased default rates leading to credit losses which could decrease our appetite for new credit extensions. These inflationary pressures could result in missed earnings and budgetary projections causing our stock price to suffer.

***Changes in the cost and availability of funding due to changes in the deposit market and credit market may adversely affect our capital resources, liquidity, and financial results.***

In managing our consolidated balance sheets, we depend on access to a variety of sources of funding to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, and to accommodate the transaction and cash management needs of our clients. In addition to core deposits, sources of funding available to us and upon which we rely as regular components of our liquidity and funding management strategy, include borrowings from the Federal Home Loan Bank ("FHLB") and brokered deposits. In general, the amount, type, and cost of our funding, including from other financial institutions, the capital markets, and deposits, directly impacts our costs of operating our business and growing our assets and can therefore positively or negatively affect our financial results. A number of factors could make funding more difficult, more expensive, or unavailable on any terms, including, but not limited to, a downgrade in our credit ratings, financial results, changes within our organization, specific events that adversely impact our reputation, disruptions in the capital markets, specific events that adversely impact the financial services industry, counterparty availability, recently proposed changes to the FHLB system, changes affecting our assets, the corporate and regulatory structure, interest rate fluctuations, general economic conditions, and the legal, regulatory, accounting and tax environments governing our funding transactions. Also, we compete for funding with other banks and similar companies, many of which are substantially larger, and have more capital and other resources.

In addition to bank level liquidity management, we must manage liquidity at holding company for various needs including potential capital infusions into subsidiaries, the servicing of debt, the payment of dividends on our common stock, and share repurchases. The primary source of liquidity for us consists of dividends from the Bank which are governed by certain rules and regulations of our supervising agencies. Bank First's ability to receive dividends from the Bank in future periods will depend on a number of factors, including, without limitation, the Bank's future profits, asset quality, liquidity, and overall condition. If Bank First does not receive dividends from the Bank as needed, its liquidity could be adversely affected, and it may not be able to continue to execute its current capital plan to return capital to its shareholders. In addition to dividends from the Bank, we have historically had access to a number of alternative sources of liquidity, including the capital markets, but there is no assurance that we will be able to obtain such liquidity on terms that are favorable to us, or at all. If our access to these traditional and alternative sources of liquidity is diminished or only available on unfavorable terms, then our overall liquidity and financial condition will be adversely affected.

***If the Bank loses or is unable to grow and retain its deposits, it may be subject to liquidity risk and higher funding costs.***

The total amount that we pay for funding costs is dependent, in part, on the Bank's ability to grow and retain its deposits. If the Bank is unable to sufficiently grow and retain its deposits at competitive rates to meet liquidity needs, it may be subject to paying higher funding costs to meet these liquidity needs.

The Bank competes with banks and other financial services companies for deposits. As a result of monetary policy and the broader market for interest rates and funding, we were required to raise rates on our deposits to keep pace with our competition. Furthermore, if the Bank were to lose deposits, it must rely on more expensive sources of funding. This could result in a failure to maintain adequate liquidity and higher funding costs, reducing our net interest margin and net interest income. In addition, our access to deposits may be affected by the liquidity needs of our depositors. In particular, a substantial majority of our liabilities in 2023 were checking accounts and other liquid deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial majority of our assets were loans, which cannot be called.

or sold in the same time frame. Moreover, our clients could withdraw their deposits in favor of alternative investments. While we have historically been able to replace maturing deposits and advances as necessary, we may not be able to replace such funds in the future, especially if a large number of our depositors seek to withdraw their accounts, regardless of the reason.

***Our provision and allowance for credit losses may not be adequate to cover actual credit losses.***

We make various assumptions and judgments about the collectability of our loan and lease portfolio and utilize these assumptions and judgments when determining the provision and allowance for credit losses. The determination of the appropriate level of the provision for credit losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes, as we have experienced. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the amount reserved in the allowance for credit losses. Due to the declining economic conditions, our customers may not be able to repay their loans according to the original terms, and the collateral securing the payment of those loans may be insufficient to pay any remaining loan balance. While we maintain our allowance to provide for loan defaults and non-performance, losses may exceed the value of the collateral securing the loans and the allowance may not fully cover any excess loss. In addition, bank regulatory agencies periodically review our provision and the total allowance for credit losses and may require an increase in the allowance for credit losses or future provisions for credit losses, based on judgments different than those of management. Any increases in the provision or allowance for credit losses will result in a decrease in our net income and, potentially, capital, and may have a material adverse effect on our financial condition or results of operations. In addition, we expect that the allowance for credit losses under the CECL standard to be more volatile and as such could have an impact on our results of operations. For a discussion of changes in accounting standards and regulatory capital implications, see "Business—Supervision and Regulation—Capital Requirements."

***If we do not effectively manage our asset quality and credit risk, we could experience credit losses.***

Making any loan involves various risks, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and cash flows available to service debt, and risks resulting from changes in economic and market conditions. Our credit risk approval and monitoring procedures may fail to identify or reduce these credit risks, as some of these risks are outside of our control, and they cannot completely eliminate all credit risks related to our loan portfolio. If the overall economic climate, including employment rates, real estate markets, interest rates and general economic growth, in the United States, generally, or Wisconsin, specifically, experiences material disruption, our borrowers may experience difficulties in repaying their loans, the collateral we hold may decrease in value or become illiquid, and the levels of nonperforming loans, charge-offs and delinquencies could rise and require additional provisions for credit losses, which would cause our net income and return on equity to decrease. The future effects of the continued elevated inflationary and interest rate environment on economic activity could negatively affect the collateral values associated with our existing loans, the ability to liquidate the real estate collateral securing our residential and commercial real estate loans, our ability to maintain loan origination volume and to obtain additional financing, the future demand for or profitability of our lending and services, and the financial condition and credit risk of our customers. Further, in the event of delinquencies, regulatory changes and policies designed to protect borrowers may slow or prevent us from making our business decisions or may result in a delay in our taking certain remediation actions, such as foreclosure. If borrowers fail to repay their loans, our financial condition and results of operations would be adversely affected.

***We face strong competition from financial services companies and other companies that offer banking services.***

We conduct our banking operations primarily in Wisconsin. Many of our competitors offer the same, or a wider variety of, banking services within our market areas, and we compete with them for the same customers. These competitors include banks with nationwide operations, regional banks and community banks. In many instances these national and regional banks have greater resources than we do, and the smaller community banks may have stronger ties in local markets than we do, which may put us at a competitive disadvantage. We also face competition from many other types of financial institutions, including fintech companies, thrift institutions, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. In addition, a number of out-of-state financial institutions have opened offices and solicit deposits in our market areas. Increased competition in our markets may result in reduced loans.

and deposits, as well as reduced net interest margin and profitability. We compete with many forms of payments offered by both bank and non-bank providers, including a variety of new and evolving alternative payment mechanisms, systems and products, such as aggregators and web-based and wireless payment platforms or technologies, digital or "crypto" currencies, prepaid systems and payment services targeting users of social networks, communications platforms and online gaming. Our future success may depend, in part, on our ability to use technology competitively to offer products and services that provide convenience to customers and create additional efficiencies in our operations. If we are unable to attract and retain banking clients, we may be unable to continue to grow our loan and deposit portfolios, and our business, financial condition and results of operations may be adversely affected. Furthermore, the financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation.

***Because a significant portion of our loan portfolio is comprised of real estate loans, negative changes in the economy affecting real estate values and liquidity could impair the value of collateral securing our real estate loans and result in loan and other losses.***

As of December 31, 2023, approximately 77.4% of our loan portfolio was comprised of loans with real estate as a primary or secondary component of collateral. This includes collateral consisting of income producing and residential construction properties, which properties tend to be more sensitive to general economic conditions and downturns in real estate markets. As a result, adverse developments affecting real estate values in our market areas could increase the credit risk associated with our real estate loan portfolio. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the area in which the real estate is located. Adverse changes affecting real estate values and the liquidity of real estate in one or more of our markets could increase the credit risk associated with our loan portfolio, and could result in losses that would adversely affect credit quality, financial condition, and results of operation. Negative changes in the economy affecting real estate values and liquidity in our market areas could significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan, which could result in losses on such loans. Such declines and losses could have a material adverse impact on our business, results of operations and growth prospects. If real estate values decline, it is also more likely that we would be required to increase our ACL-Loans, which could adversely affect our financial condition, results of operations and cash flows.

***Our future success is largely dependent upon our ability to successfully execute our business strategy.***

Our future success, including our ability to achieve our growth and profitability goals, is dependent on the ability of our management team to execute on our long-term business strategy, which requires them to, among other things:

maintain and enhance our reputation; attract and retain experienced and talented bankers in each of our markets; maintain adequate funding sources, including by continuing to attract stable, low-cost deposits; enhance our market penetration in our metropolitan markets and maintain our leadership position in our community markets; improve our operating efficiency; implement new technologies to enhance the client experience and keep pace with our competitors; identify attractive acquisition targets, close on such acquisitions on favorable terms and successfully integrate acquired businesses; attract and maintain commercial banking relationships with well-qualified businesses, real estate developers and investors with proven track records in our market areas; attract sufficient loans that meet prudent credit standards; originate conforming residential mortgage loans for resale into secondary market to provide mortgage banking income; maintain adequate liquidity and regulatory capital and comply with applicable federal and state banking regulations; manage our credit, interest rate and liquidity risks; develop new, and grow our existing, streams of noninterest income; oversee the performance of third-party service providers that provide material services to our business; and control expenses in line with current projections.

Failure to achieve these strategic goals could adversely affect our ability to successfully implement our business strategies and could negatively impact our business, growth prospects, financial condition and results of operations. Further, if we do not manage our growth effectively, our business, financial condition, results of operations and future prospects could be negatively affected, and we may not be able to continue to implement our business strategy and successfully conduct our operations. Furthermore, our strategic initiatives may result in an increase in expense, divert management attention, take away from other opportunities that may have proved more successful, negatively impact operational effectiveness or impact

employee morale. Additionally, there can be no assurance that we will ultimately realize the anticipated benefits of these strategic initiatives, or that these strategic initiatives will positively impact our organization.

***We depend on our executive officers and other key individuals to continue the implementation of our long-term business strategy and could be harmed by the loss of their services and our inability to make up for such loss with qualified replacements.***

We believe that our continued growth and future success will depend in large part on the skills of our management team and our ability to motivate and retain these individuals and other key individuals. The loss of any of their service could reduce our ability to successfully implement our long-term business strategy, our business could suffer and the value of our common stock could be materially adversely affected.

***The success of our operating model depends on our ability to attract and retain talented bankers and associates in each of our markets.***

We strive to attract and retain these bankers in each of our markets by fostering an entrepreneurial environment, empowering them with local decision-making authority and providing them with sufficient infrastructure and resources to support their growth while also providing management with appropriate oversight. However, the competition for bankers in each of our markets is intense. We compete for talent with both smaller banks that may be able to offer bankers with more responsibility and autonomy and larger banks that may be able to offer bankers with higher compensation, resources and support. As a result, we may not be able to effectively compete for talent across our markets. Further, our bankers may leave us to work for our competitors and, in some instances, may take important banking and lending relationships with them to our competitors. If we are unable to attract and retain talented bankers in our markets, our business, growth prospects and financial results could be materially and adversely affected.

***Acquisitions may disrupt our business and dilute stockholder value, and integrating acquired companies may be more difficult, costly, or time-consuming than we expect.***

While we continue to focus on organic growth opportunities, we may pursue attractive bank or non-bank acquisition and consolidation opportunities that arise in our core markets and beyond. The number of financial institutions headquartered in Wisconsin, the Midwest United States, and across the country continues to decline through merger and other consolidation activity. In the event that attractive acquisition opportunities arise, we would likely face competition for such acquisitions from other banking and financial companies, many of which have significantly greater resources and may have more attractive valuations. This competition could either prevent us from being able to complete attractive acquisition opportunities or increase prices for potential acquisitions which could reduce our potential returns and reduce the attractiveness of these opportunities. Furthermore, our pursuit of acquisitions may disrupt our business, and any equity that we issue as merger consideration may have the effect of diluting the value of your investment. In addition, we may fail to realize some or all of the anticipated benefits of completed acquisitions. We anticipate that the integration of businesses that we may acquire in the future will be a time-consuming and expensive process, even if the integration process is effectively planned and implemented.

In addition, our acquisition activities could be material to our business and involve a number of significant risks, including the following:

incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, resulting in our attention being diverted from the operating of our existing business; using inaccurate estimates and judgments to evaluate credit, operations, management, and market risks with respect to the target company or the assets and liabilities that we seek to acquire; exposure to potential asset quality issues of the target company; intense competition from other banking organizations and other potential acquirers, many of which have substantially greater resources than we do; potential exposure to unknown or contingent liabilities of banks and businesses we acquire, including, without limitation, liabilities for regulatory and compliance issues; inability to realize the expected revenue increases, cost savings, increases in geographic or product presence, and other projected benefits of the acquisition; incurring time and expense required to integrate the operations and personnel of the combined businesses; inconsistencies in standards, procedures, and policies that would adversely affect our ability to maintain relationships with customers and employees;

experiencing higher operating expenses relative to operating income from the new operations; creating an adverse short-term effect on our results of operations; losing key employees and customers; significant problems related to the conversion of the financial and customer data of the entity; integration of acquired customers into our financial and customer product systems; potential changes in banking or tax laws or regulations that may affect the target company; or risks of impairment to goodwill or litigation risk.

If difficulties arise with respect to the integration process, the economic benefits expected to result from acquisitions might not occur. As with any merger of financial institutions, there also may be business disruptions that cause us to lose customers or cause customers to move their business to other financial institutions. Failure to successfully integrate businesses that we acquire could have an adverse effect on our profitability, return on equity, return on assets, or our ability to implement our strategy, any of which in turn could have a material adverse effect on our business, financial condition, and results of operations.

***The fair value of our investment securities may decline.***

As of December 31, 2023, the fair value of our available for sale securities portfolio was approximately \$142.2 million. Factors beyond our control can significantly influence the fair value of our securities and can cause adverse changes to the fair value of these securities. These factors include rating agency actions, defaults by or other adverse events affecting the issuer, lack of liquidity, changes in market interest rates, and continued instability in the capital markets. A prolonged decline in the fair value of our securities could result in an established allowance for credit losses, which would affect our results of operations.

***The financial services industry is undergoing rapid technological changes and we may not have the resources to implement new technology to stay current with these changes.***

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services (including those related to or involving artificial intelligence, machine learning, blockchain and other distributed ledger technologies) and a growing demand for mobile and other phone and computer banking applications. In addition to better serving clients, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend in part upon our ability to address the needs of our clients by using technology to provide products and services that will satisfy client demands for convenience as well as to provide secure electronic environments and create additional efficiencies in our operations as we continue to grow and expand our market area. Many of our larger competitors have substantially greater resources to invest in technological improvements and have invested significantly more than us in technological improvements. As a result, they may be able to offer additional or more convenient products compared to those that we will be able to provide, which would put us at a competitive disadvantage. Some of these competitors consist of financial technology providers who are beginning to offer more traditional banking products and may either acquire a bank charter or obtain a bank-like charter, such as the Fintech charter provided by the OCC. Accordingly, we may not be able to effectively implement new technology-driven products and services or be successful in marketing such products and services to our clients, which could impair our growth and profitability. In addition, some of our competitors are subject to less regulation and/or more favorable tax treatment, which may put us at a competitive disadvantage.

***We may not be able to successfully implement current or future information technology system enhancements and operational initiatives, which could adversely affect our business operations and profitability.***

We continue to invest significant resources in our core information technology systems in order to provide functionality and security at an appropriate level, and to improve our operating efficiency and to streamline our client experience. These initiatives significantly increase the complexity of our relationships with third-party service providers and such relationships may be difficult to unwind. We may not be able to successfully implement and integrate such system enhancements and initiatives, which could adversely impact our ability to comply with a number of legal and regulatory requirements, which could result in sanctions from regulatory authorities. In addition, these projects could have higher than expected costs and/or result in operating inefficiencies, which could increase the costs associated with the implementation as well as ongoing operations. Failure to properly utilize system enhancements that are implemented in the future could result in impairment charges that adversely impact our financial condition and results of operations, could

result in significant costs to remediate or replace the defective components, and could impact our ability to compete. In addition, we may incur significant training, licensing, maintenance, consulting, and amortization expense during and after implementation, and any such costs may continue for an extended period of time. As such, we cannot guarantee that the anticipated long-term benefits of these system enhancements and operational initiatives will be realized.

***We rely extensively on information technology systems to operate our business and an interruption or security breach may disrupt our business operations, result in reputational harm, and have an adverse effect on our operations.***

As a complex financial institution, we rely extensively on our information technology systems to operate our business, including to process, record, and monitor a large number of client transactions on a continuous basis. As client, public, and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, and breakdowns. Our business, financial, accounting, data processing systems, or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. For example, there could be sudden increases in client transaction volume; electrical or telecommunications outages; natural disasters such as earthquakes, tornadoes, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber-attacks. While we have policies, procedures, and systems designed to prevent or limit the effect of possible failures, interruptions, or breaches in security of information systems and business continuity programs designed to provide services in the case of such events, there is no guarantee that these safeguards or programs will address all of the threats that continue to evolve.

***System failure or breaches of our network security, or the security of our third-party data processing partner, including as a result of cyberattacks or data security breaches, could subject us to increased operating costs as well as litigation and other liabilities.***

The computer systems and network infrastructure we use may be vulnerable to physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes breakdowns or disruptions in our client relationship management, general ledger, deposit, loan and other systems could damage our reputation, result in a loss of client business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on us.

Computer break-ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure. Information security risks have generally increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties. Our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. Although we believe we have robust information security procedures and controls, our technologies, systems, networks, and our clients' devices may become the target of cyberattacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our clients' confidential, proprietary and other information, or otherwise disrupt our or our clients' business operations. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

We are under continuous threat of loss due to hacking and cyberattacks especially as we continue to expand client capabilities to utilize internet and other remote channels to transact business. While we are not aware of any successful hacking or cyberattacks into our computer or other information technology systems, there can be no assurance that we will not be the victim of successful hacking or cyberattacks in the future that could cause us to suffer material losses. The occurrence of any cyberattack or information security breach could result in potential liability to clients, reputational damage,

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disclosure obligations, the disruption of our operations, and regulatory concerns, all of which could adversely affect our business, financial condition or results of operations.

***We are subject to certain operational risks, including, but not limited to, client or employee fraud and data processing system failures and errors.***

Employee errors and employee and client misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our clients or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence. We maintain a system of internal controls and insurance coverage to mitigate against operational risks. If our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations.

In addition, we rely heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information, equipment pricing and valuation and employment and income documentation, in deciding which loans we will originate, as well as the terms of those loans. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to asset funding, the value of the asset may be significantly lower than expected, or we may fund a loan that we would not have funded or on terms we would not have extended.

***Fraud is an increasing risk for us and for all banks, and as such, we may experience increased losses due to fraud.***

In recent years, fraud risk increased significantly for us and for all banks. Deposit fraud (check kiting, wire fraud, etc.) and card fraud continue to be significant sources of fraud attempts and losses in our consumer banking business. Moreover, our commercial clients have experienced increased levels of financial fraud risk as well, often requiring our involvement and assistance because of our banking relationship with these clients. The methods used to perpetrate and combat fraud continue to evolve as technology changes and more tools for access to financial services emerge, such as real-time payments. In addition to cybersecurity risks, new techniques have made it easier for bad actors to obtain and use client personal information, mimic signatures, and otherwise create false documents that look genuine. Fraud schemes are broad and can include debit card/credit card fraud, check fraud, NSF fraud, mechanical devices attached to ATM machines, social engineering and phishing attacks to obtain personal information, impersonation of our clients through the use of falsified or stolen credentials, employee fraud, information fraud, and other malfeasance. Criminals are turning to new sources to steal personally identifiable information in order to impersonate our clients to commit fraud. Our anti-fraud actions are both preventative (anticipating lines of attack, educating employees and clients, making operational changes) and responsive (remediating actual attacks). We have established policies, processes, and procedures to identify, measure, monitor, mitigate, report, and analyze these risks. We continue to invest in systems, resources, and controls to detect and prevent fraud. There are inherent limitations, however, to our risk management strategies, systems, and controls as they may exist, or develop in the future. We may not appropriately anticipate, monitor, or identify these risks. If our risk management framework proves ineffective, we could suffer unexpected losses, we may have to expend resources detecting and correcting the failure in our systems, and we may be subject to potential claims from third parties and government agencies. We may also suffer reputational damage. Any of these consequences could adversely affect our business, financial condition, or results of operations.

Our regulators require us to report fraud promptly, and regulators often advise banks of new schemes to enable the entire industry to adapt as quickly as possible. However, some level of fraud loss is unavoidable, and the risk of loss cannot be eliminated.

***If our enterprise risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses and our results of operations could be materially adversely affected.***

Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing shareholder value. We have established processes and procedures intended to identify, measure,

monitor, report, and analyze the types of risk to which we are subject, including strategic, market, credit, liquidity, capital, cybersecurity, operational, regulatory compliance, litigation, and reputational. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. For example, the financial and credit crisis and resulting regulatory reform highlighted both the importance and some of the limitations of managing unanticipated risks. If our risk management framework proves ineffective, we could suffer unexpected losses and our business and results of operations could be materially adversely affected.

***Our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially adversely affect our performance.***

Our reputation is one of the most valuable components of our business. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring, and retaining and providing growth opportunities for employees who share our core values of being an integral part of the communities we serve, delivering superior service to our clients, caring about our clients and employees, and investing in our information technology and other systems. If our reputation is negatively affected by the actions of our employees or otherwise, including as a result of operational errors, clerical or record-keeping errors, or those resulting from faulty or disabled computer or telecommunications systems or a successful cyberattack against us or other unauthorized release or loss of client information, our reputation, business, and our operating results may be materially adversely affected. Damage to our reputation could also negatively impact our credit ratings and impede our access to the capital markets.

***We rely on other companies to provide key components of our business infrastructure.***

Third parties provide key components of our business operations such as our core technology infrastructure, cloud-based operations, data processing, recording and monitoring transactions, online banking interfaces and services, internet connections, and network access. We have selected these third-party vendors carefully and have conducted the due diligence consistent with regulatory guidance and best practices. While we have ongoing programs to review third party vendors and assess risk, we do not control their actions. Any problems caused by these third parties, including those resulting from disruptions in communication services provided by a vendor, issues at a third-party vendor of a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks and security breaches at a vendor, failure of a vendor to provide services for any reason, or poor performance of services, could adversely affect our ability to deliver products and services to our clients and otherwise conduct our business. Financial or operational difficulties of a third-party vendor could also hurt our operations if those difficulties interfere with the vendor's ability to serve us. Furthermore, our vendors could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third-party vendors could also create significant delay and expense. Accordingly, use of such third parties creates an unavoidable inherent risk to our business operations. Our digital services growth initiatives, core technology upgrades, and digital asset initiatives constitute specific increases in third-party risk as such initiatives are distinctly dependent on the performance of our third-party partners.

***We may need to raise additional capital in the future.***

We are required to meet certain regulatory capital requirements and maintain sufficient liquidity. We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, which could include the possibility of financing acquisitions. Our ability to raise additional capital depends on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities, and on our financial condition and performance. Accordingly, we may be unable to raise additional capital if needed or on terms acceptable to us. Further, such additional capital could result in dilution to our existing shareholders. If we or the Bank fail to maintain capital to meet regulatory requirements, our financial condition, liquidity and results of operations, as well as our ability to maintain compliance with regulatory capital requirements, would be materially and adversely affected.

***The costs and effects of litigation, investigations or similar matters involving us or other financial institutions or counterparties, or related adverse facts and developments, could materially affect our business, operating results and financial condition.***

We may be involved from time to time in a variety of litigation, investigations, inquiries, or similar matters arising out of our business. Furthermore, litigation against banks tend to increase during economic downturns and periods of credit deterioration, which may occur or worsen as a result of current economic uncertainty. Most recently there has been an increase in class action lawsuits filed claiming deceptive practices or violations of account terms in connection with non-sufficient fees or overdraft charges. We manage these risks through internal controls, personnel training, insurance, litigation management, our compliance and ethics processes, and other means. However, the commencement, outcome, and magnitude of litigation cannot be predicted or controlled with any certainty.

We establish reserves for legal claims when payments associated with the claims become probable and the losses can be reasonably estimated. However, our insurance may not cover all claims that may be asserted against us and indemnification rights to which we are entitled may not be honored, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Should the ultimate judgments or settlements in any litigation or investigation significantly exceed our insurance coverage, they could have a material adverse effect on our business, financial condition, and results of operations. In addition, premiums for insurance covering the financial and banking sectors are rising. We may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms or at historic rates, if at all.

***Changes in accounting standards could materially impact our financial statements.***

From time to time, FASB or the SEC may change the financial accounting and reporting standards that govern the preparation of our financial statements. Such changes may result in us being subject to new or changing accounting and reporting standards. In addition, the bodies that interpret the accounting standards (such as banking regulators or outside auditors) may change their interpretations or positions on how these standards should be applied. These changes may be beyond our control, can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, or apply an existing standard differently, also retrospectively, in each case resulting in our needing to revise or restate prior period financial statements.

**Risks related to the business environment and our industry**

***The Company is subject to extensive government regulation and supervision, which may interfere with our ability to conduct our business and may negatively impact our financial results.***

The Company, primarily through the Bank and certain non-bank subsidiaries, are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds and the safety and soundness of the banking system as a whole, and not shareholders. These regulations affect the Bank's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect the Company and/or the Bank in substantial and unpredictable ways. Such changes could subject the Company and/or the Bank to additional costs, limit the types of financial services and products the Company and/or the Bank may offer, and/or limit the pricing the Company and/or the Bank may charge on certain banking services, among other things. Compliance personnel and resources may increase our costs of operations and adversely impact our earnings.

Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on our business, financial condition and results of operations. While the Company has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur. See "Business - Supervision and Regulation".

**Federal regulatory agencies, including the Federal Reserve and the OCC, periodically conduct examinations of our business, including for compliance with laws and regulations, and our failure to comply with any supervisory actions to which we are or become subject as a result of such examinations may adversely affect our business.**

Federal regulatory agencies, including the Federal Reserve and the OCC, periodically conduct examinations of our business, including our compliance with laws and regulations. If, as a result of an examination, an agency was to determine that the financial, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of any of our operations had become unsatisfactory, or violates any law or regulation, such agency may take certain remedial or enforcement actions it deems appropriate to correct any deficiency. Remedial or enforcement actions include the power to enjoin "unsafe or unsound" practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced against a bank, to direct an increase in the bank's capital, to restrict the bank's growth, to assess civil monetary penalties against a bank's officers or directors, and to remove officers and directors. The CFPB also has authority to take enforcement actions, including cease-and-desist orders or civil monetary penalties, if it finds that we offer consumer financial products and services in violation of federal consumer financial protection laws.

If we were unable to comply with future regulatory directives, or if we were unable to comply with the terms of any future supervisory requirements to which we may become subject, then we could become subject to a variety of supervisory actions and orders, including cease-and-desist orders, prompt corrective actions, memoranda of understanding and other regulatory enforcement actions. Such supervisory actions could, among other things, impose greater restrictions on our business, as well as our ability to develop any new business. We could also be required to raise additional capital, dispose of certain assets and liabilities within a prescribed time period, or both. Failure to implement remedial measures as required by financial regulatory agencies could result in additional orders or penalties from federal and state regulators, which could trigger one or more of the remedial actions described above. The terms of any supervisory action and associated consequences with any failure to comply with any supervisory action could have a material negative effect on our business, operating flexibility and overall financial condition.

Further, bank failures, such as the ones occurring in 2023, have and may in the future diminish public confidence in small and regional banks' abilities to safeguard deposits in excess of federally insured limits, which could prompt customers to maintain their deposits with larger financial institutions. Concerns over rapid, large-scale deposit movement have and could in the future heighten regulatory scrutiny surrounding liquidity and increase competition for deposits and the resulting cost of funding, which could create pressure on net interest margin and results of operations. In addition, bank failures have and could in the future prompt the FDIC to increase deposit insurance costs. Increases in funding, deposit insurance or other costs as a result of these types of events have and could in the future materially adversely affect our financial condition and results of operations. Further, the disruption following these types of events have and could in the future generate significant market trading volatility among publicly traded bank holding companies and, in particular, regional banks like the Company.

***We are subject to lending concentration risk, which could cause our regulators to restrict our ability to grow .***

A substantial portion of our loan portfolio is secured by real estate. In weak economies, or in areas where real estate market conditions are distressed, we may experience a higher than normal level of nonperforming real estate loans. The collateral value of the portfolio and the revenue stream from those loans could come under stress, and additional provisions for the allowance for credit losses could be necessitated. Our ability to dispose of foreclosed real estate at prices at or above the respective carrying values could also be impaired, causing additional losses.

Commercial real estate ("CRE") is cyclical and poses risks of loss to us due to our concentration levels and risk of the asset, especially during a difficult economy, including the current stressed economy. As of December 31, 2023, 50.8% of our loan portfolio was comprised of loans secured by commercial real estate. The banking regulators continue to give CRE lending greater scrutiny, and banks with higher levels of CRE loans are expected to implement improved underwriting, internal controls, risk management policies and portfolio stress testing, as well as higher levels of allowances for possible losses and capital levels as a result of CRE lending growth and exposures.

Although we are actively working to manage our CRE concentration and believe that our underwriting policies, management information systems, independent credit administration process, and monitoring of real estate loan concentrations are currently sufficient to address the CRE Concentration Guidance, the OCC or other federal regulators could become

concerned about our CRE loan concentrations, and they could limit our ability to grow by, among other things, restricting their approvals for the establishment or acquisition of branches, or approvals of mergers or other acquisition opportunities. Our loan portfolio contains several industry and collateral concentrations including, but not limited to, commercial and residential real estate. Due to the exposure in these concentrations, disruptions in markets, economic conditions, changes in laws or regulations or other events could cause a significant impact on the ability of borrowers to repay and may have a material adverse effect on our business, financial condition and results of operations.

***The Federal Reserve may require us to commit capital resources to support the Bank.***

The Federal Reserve, which examines us and the Bank, requires a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the "source of strength" doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. In addition, the Dodd-Frank Act directs the federal bank regulators to require that all companies that directly or indirectly control an insured depository institution serve as a source of strength for the institution. Under these requirements, in the future, we could be required to provide financial assistance to the Bank if it experiences financial distress.

A capital injection may be required at times when we do not have the resources to provide it, and therefore we may be required to borrow the funds. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the holding company in order to make the required capital injection becomes more difficult and expensive and will adversely impact the holding company's cash flows, financial condition, results of operations and prospects.

***The Company may be subject to more stringent capital requirements.***

The Bank is subject to capital adequacy guidelines and other regulatory requirements specifying minimum amounts and types of capital which the Bank must maintain. From time to time, the regulators implement changes to these regulatory capital adequacy guidelines. If the Bank fails to meet these minimum capital guidelines and other regulatory requirements, our financial condition would be materially and adversely affected. We may also be required to satisfy additional capital adequacy standards as determined by the Federal Reserve. These requirements, and any other new regulations, could adversely affect our ability to pay dividends, or could require us to reduce business levels or to raise capital, including in ways that may adversely affect our financial condition or results of operations.

***Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations.***

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market operations in U.S. government securities, adjustments of the discount rate and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits. The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted.

***ESG risks could adversely affect our reputation and shareholder, employee, client and third-party relationships and may negatively affect our stock price.***

Our business faces increasing public scrutiny related to environmental, social and governance ("ESG") activities. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as diversity, equity, inclusion, environmental stewardship, human capital management, support for our local communities, corporate governance and transparency, or fail to consider ESG factors in our business operations.

Furthermore, as a result of our diverse base of clients and business partners, we may face potential negative publicity based on the identity of our clients or business partners and the public's (or certain segments of the public's) view of those entities. Such publicity may arise from traditional media sources or from social media and may increase rapidly in size and scope. If our client or business partner relationships were to become intertwined in such negative publicity, our ability to attract and retain clients, business partners, and employees may be negatively impacted, and our stock price may also be negatively impacted. Additionally, we may face pressure to not do business in certain industries that are viewed as harmful to the environment or are otherwise negatively perceived, which could impact our growth. Additionally, investors and shareholder advocates are placing ever increasing emphasis on how corporations address ESG issues in their business strategy when making investment decisions and when developing their investment theses and proxy recommendations. We may incur meaningful costs with respect to our ESG efforts and if such efforts are negatively perceived, our reputation and stock price may suffer. In addition, ongoing legislative or regulatory uncertainties and changes regarding climate risk management and practices may result in higher regulatory, compliance, credit and reputational risks and costs.

***Our deposit insurance premiums could be substantially higher in the future, which could have a material adverse effect on our future earnings.***

The FDIC insures deposits at FDIC-insured depository institutions, such as the Bank, up to applicable limits. The amount of a particular institution's deposit insurance assessment is based on that institution's risk classification under an FDIC risk-based assessment system. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to its regulators. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. Any future additional assessments, increases or required prepayments in FDIC insurance premiums could reduce our profitability, may limit our ability to pursue certain business opportunities or otherwise negatively impact our operations.

***We are subject to federal and state fair lending laws, and failure to comply with these laws could lead to material penalties.***

Federal and state fair lending laws and regulations, such as the Equal Credit Opportunity Act and the Fair Housing Act, impose nondiscriminatory lending requirements on financial institutions. The Department of Justice, CFPB and other federal and state agencies are responsible for enforcing these laws and regulations. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. A successful challenge to our performance under the fair lending laws and regulations could adversely impact our rating under the Community Reinvestment Act and result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on merger and acquisition activity and restrictions on expansion activity, which could negatively impact our reputation, business, financial condition and results of operations.

***We could face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.***

The Bank Secrecy Act of 1970, the USA PATRIOT Act and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and currency transaction reports as appropriate. FinCEN, established by the U.S. Department of the Treasury to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and engages in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and IRS. There is also increased scrutiny of compliance with the rules enforced by OFAC related to U.S. sanctions regimes. If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we have already acquired or may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition

plans, which would negatively impact our business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. See "Business—Supervision and Regulation."

***Recent negative developments affecting the banking industry, and resulting media coverage, have eroded customer confidence in the banking system.***

The closures of Silicon Valley Bank and Signature Bank in March 2023 and First Republic Bank in May 2023, and concerns about similar future events, have generated significant market volatility among publicly traded bank holding companies and, in particular, regional banks like the Company. These market developments have negatively impacted customer confidence in the safety and soundness of regional banks. As a result, customers may choose to maintain deposits with larger financial institutions or invest in higher yielding short-term fixed income securities, all of which could materially adversely impact the Company's liquidity, loan funding capacity, net interest margin, capital and results of operations. While the Department of the Treasury, the Federal Reserve, and the FDIC took action to ensure that depositors of these failed banks had access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will be successful in restoring customer confidence in regional banks and the banking system more broadly.

We also anticipate increased regulatory scrutiny – in the course of routine examinations and otherwise – and new regulations directed towards banks of similar size to the Bank, designed to address the recent negative developments in the banking industry, all of which may increase our costs of doing business and reduce our profitability. Among other things, there may be an increased focus by both regulators and investors on deposit composition, the level of uninsured deposits, the level of unrealized losses in either available-for-sale or held-to-maturity securities portfolios, contingent liquidity, CRE loan composition and concentration, capital position, and general oversight and internal control structures regarding the foregoing. This could impact our ability to achieve our strategic objectives and may result in changes to our balance sheet position which could, in turn, negatively impact our profitability.

**Risks related to our common stock**

***Applicable laws and regulations restrict both the ability of the Bank to pay dividends to the Company and the ability of the Company to pay dividends to our shareholders.***

Both the Company and the Bank are subject to various regulatory restrictions relating to the payment of dividends. In addition, the Federal Reserve has the authority to prohibit bank holding companies from engaging in unsafe or unsound practices in conducting their business. These federal and state laws, regulations and policies are described in greater detail in "Business—Supervision and Regulation—Payment of Dividends," but generally look to factors such as previous results and net income, capital needs, asset quality, existence of enforcement or remediation proceedings, and overall financial condition.

For the foreseeable future, the majority, if not all, of the Company's revenue will be from any dividends paid to the Company by the Bank. Accordingly, our ability to pay dividends also depends on the ability of the Bank to pay dividends to us. Furthermore, the present and future dividend policy of the Bank is subject to the discretion of its board of directors.

We cannot guarantee that the Company or the Bank will be permitted by financial condition or applicable regulatory restrictions to pay dividends, that the board of directors of the Bank will elect to pay dividends to us, nor can we guarantee the timing or amount of any dividend actually paid.

***Our securities are not FDIC insured.***

Securities that we issue, including our common stock, are not savings or deposit accounts or other obligations of any bank, insured by the FDIC, any other governmental agency or instrumentality, or any private insurer, and are subject to investment risk, including the possible loss of our shareholders' investments.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## ITEM 1C. CYBERSECURITY

### Cybersecurity Risk Management and Strategy

Assessing, identifying and managing material risks from cybersecurity threats is critical for maintaining the security of the Company's data and information systems, and is integrated into our enterprise risk management systems and processes. The Bank's approach to cybersecurity risk management and strategy is based on the FFIEC Cybersecurity Assessment Tool ("CAT"), which provides a repeatable and measurable process for evaluating cybersecurity preparedness and assessing, identifying, and managing material risks from cybersecurity threats. The CAT incorporates cybersecurity-related principles from the FFIEC Information Technology Examination Handbook and regulatory guidance, and concepts from other industry standards, including the National Institute of Standards and Technology Cybersecurity Framework.

The CAT consists of two parts: Cybersecurity Inherent Risk Profile and Cybersecurity Maturity. Completion of both parts of the CAT allow management and the Board to evaluate whether the Company's cybersecurity risk and preparedness are aligned. The Cybersecurity Inherent Risk Profile is the level of risk posed to the Company by technologies and connection types, delivery channels, online/mobile products and technology services, organizational characteristics and external threats. Cybersecurity Maturity is designed to help management measure the Company's level of risk and corresponding controls under the following five domains: (i) Cyber Risk Management and Oversight; (ii) Threat Intelligence and Collaboration; (iii) Cybersecurity Controls; (iv) External Dependency Management; and (v) Cyber Incident Management and Resilience.

The Information Security Officer ("ISO") and the Company's Information Technology Committee conduct and review the CAT annually to identify changes to the Company's inherent risk profile; when new threats arise or when considering changes to the business strategy, such as expanding operations, offering new products and services, or entering into new third-party relationships that support critical activities. Consequently, management can determine whether additional risk management practices or controls are needed to maintain or augment the Company's cybersecurity maturity.

In an effort to continually share threat intelligence and increase awareness of cybersecurity trends, the Company has also implemented a Cybersecurity Education and Awareness Program. This program includes the following components:

- Mandatory annual cybersecurity employee training;
- Training specifically targeted to Senior Management and Information Technology staff;
- Bimonthly review of emerging security trends by the Information Technology Committee;
- Mandatory annual cybersecurity Board training;
- Periodic communication to employees highlighting internal control requirements and information about common threats or fraud schemes; and
- Periodic communication to the Bank's customers highlighting emerging threats and good cybersecurity hygiene.

To date, we have not experienced a cybersecurity incident that has materially impacted our business strategy, results of operations, or financial condition. Despite our efforts, there can be no assurance that our cybersecurity risk management processes and measures described will be fully implemented, complied with, or effective in protecting our systems and information. We face risks from certain cybersecurity threats that, if realized, are reasonably likely to materially affect our business strategy, result of operations or financial condition. Please see Part I, Item 1A. Risk Factors for further discussion of the risks associated with an interruption or breach in our information systems or infrastructure.

### Board and Management Governance

The Company's Board of Directors recognizes the importance of maintaining the trust and confidence of our customers, employees, and shareholders. The Board of Directors' responsibilities for cybersecurity risk management and strategy include the following:

- Engaging management in establishing the Bank's vision, risk appetite, and overall strategic direction;
- Approving plans to ensure the use of the CAT;
- Reviewing management's analysis of the CAT results, inclusive of any reviews or opinions on the results issued by independent risk management or internal audit functions regarding those results;
- Reviewing management's determination of whether the Bank's cybersecurity preparedness is aligned with its risks;
- Reviewing and approving plans to address any risk management or control weaknesses; and
- Reviewing the results of management's ongoing monitoring of the Bank's exposure to and preparedness for cyber threats.

The Company has also appointed an ISO, who reports directly to the Audit Committee and shares a co-sourced relationship with an outside consulting firm. The ISO has been with Bank First for over 10 years in various operational and administrative roles. For the past four years, he has served as the Bank's Enterprise Risk Manager, and as ISO for the past two years. In 2022, he earned the Certified Banking Security Manager certification from SBS Cybersecurity. The ISO works closely with the head of Information Technology to ensure that the Bank's cybersecurity controls are in line with established internal culture, Board expectations and risk appetite, and all regulatory requirements. The ISO's responsibilities include the following:

- Developing a plan to conduct and complete the CAT;
- Working with the VP-Director of Technology to evaluate the results of the CAT;
- Leading employee efforts during the CAT to facilitate timely responses from across the Bank;
- Setting the target state of cybersecurity preparedness that best aligns to the Board of Directors' approved risk appetite;
- Reviewing, approving, and supporting plans to address risk management and control weaknesses;
- Analyzing and presenting the results of the CAT to the Board of Directors;
- Providing periodic cybersecurity updates to the Board of Directors;
- Overseeing the performance of ongoing monitoring to remain nimble and agile in addressing evolving areas of cybersecurity risk; and
- Overseeing the Bank's cybersecurity preparedness.
- Finally, the Company has established an Information Technology Committee to support the ISO in implementing the CAT, document formal action plans to be presented to the Board of Directors, enforce and implement the controls established by the CAT, and ensure employee compliance with internal controls

**ITEM 2. PROPERTIES**

Our main office is located at 402 North 8<sup>th</sup> Street, Manitowoc, Wisconsin 54220. In addition, the Bank operates twenty-six (26) additional branches located in fourteen (14) counties in Wisconsin, which includes the branches that were acquired in connection with the Company's recent acquisitions. The addresses of these offices are provided below. We believe these premises will be adequate for present and anticipated needs and that we have adequate insurance to cover our owned and leased premises. For each property that we lease, we believe that upon expiration of the lease we will be able to extend the lease on satisfactory terms or relocate to another acceptable location:

Office	Address	City, State, Zip	Lease/Own
Main Office	402 N. 8th Street	Manitowoc, Wisconsin, 54220	Own
Appleton	4201 W. Wisconsin Avenue	Appleton, Wisconsin, 54913	Lease
Bellevue	2747 Manitowoc Road	Green Bay, Wisconsin, 54311	Own
Cambridge	221 W. Main Street	Cambridge, Wisconsin, 53523	Own
Cedarburg	W61 N529 Washington Avenue	Cedarburg, Wisconsin, 53012	Own
Clintonville	135 S. Main Street	Clintonville, Wisconsin, 54929	Own
Denmark	103 E. Main Street	Denmark, Wisconsin, 54208	Own
Fond du Lac	245 N. Peters Avenue	Fond du Lac, Wisconsin, 54935	Own
Howard	1951 Shawano Avenue	Howard, Wisconsin, 54303	Own
Iola	295 E. State Street	Iola, Wisconsin, 54945	Own
Kiel	110 Fremont Street	Kiel, Wisconsin, 53042	Own
Manitowoc	2915 Custer Street	Manitowoc, Wisconsin, 54220	Own
Mishicot	110 Baugniet Street	Mishicot, Wisconsin, 54228	Own
Oshkosh	1159 N. Koeller Street	Oshkosh, Wisconsin, 54902	Own
Pardeeville	512 S. Main Street	Pardeeville, Wisconsin, 53954	Own
Plymouth	2700 Eastern Avenue	Plymouth, Wisconsin, 53073	Own
Poynette	105 S. Main Street	Poynette, Wisconsin, 53955	Own
Reedsburg	100 Mill Street	Reedsburg, Wisconsin, 54230	Own
Shawano	835 E. Green Bay Street	Shawano, Wisconsin, 54166	Own
Sheboygan	2600 Kohler Memorial Drive	Sheboygan, Wisconsin, 53081	Own
Tomah	110 W. Veterans Street	Tomah, Wisconsin, 54660	Own
Two Rivers	1703 Lake Street	Two Rivers, Wisconsin, 54241	Own
Valders	167 Lincoln Street	Valders, Wisconsin, 54245	Own
Watertown	104 W. Main Street	Watertown, Wisconsin, 53094	Own
Waupaca	111 Jefferson Street	Waupaca, Wisconsin, 54981	Own
Wautoma	105 Plaza Road	Wautoma, Wisconsin, 54982	Own

**ITEM 3. LEGAL PROCEEDINGS**

The Company and its subsidiaries are parties to various claims and lawsuits arising in the course of their normal business activities. Although the ultimate outcome of these suits cannot be ascertained at this time, it is the opinion of management that none of these matters, even if it resolved adversely to the Company, will have a material adverse effect on the Company's consolidated financial position.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

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Manitowoc, Wisconsin, 54220  
 Appleton, Wisconsin, 54913  
 Green Bay, Wisconsin, 54311  
 Cambridge, Wisconsin, 53523  
 Cedarburg, Wisconsin, 53012  
 Clintonville, Wisconsin, 54929  
 Denmark, Wisconsin, 54208  
 Fond du Lac, Wisconsin, 54935  
 Howard, Wisconsin, 54303  
 Iola, Wisconsin, 54945  
 Kiel, Wisconsin, 53042  
 Manitowoc, Wisconsin, 54220  
 Mishicot, Wisconsin, 54228  
 Oshkosh, Wisconsin, 54902  
 Pardeeville, Wisconsin, 53954  
 Plymouth, Wisconsin, 53073  
 Poynette, Wisconsin, 53955  
 Reedsburg, Wisconsin, 54230  
 Shawano, Wisconsin, 54166  
 Sheboygan, Wisconsin, 53081  
 Tomah, Wisconsin, 54660  
 Two Rivers, Wisconsin, 54241  
 Valders, Wisconsin, 54245  
 Watertown, Wisconsin, 53094  
 Waupaca, Wisconsin, 54981  
 Wautoma, Wisconsin, 54982

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Bank First registered its common stock under Section 12(b) of the Exchange Act on October 23, 2018, in connection with listing on the Nasdaq Capital Market, and trades under the symbol "BFC". Prior to October 23, 2018, Bank First's common stock was traded on the OTC Market Group's Pink tier under the symbol "BFNC". The trading volume of Bank First's common stock is less than that of banks with larger market capitalizations, even though Bank First has improved accessibility to its common stock first through its listing on Nasdaq. As of February 29, 2024, Bank First had approximately 1,658 shareholders of record, 11,515,130 shares issued and 10,141,926 shares outstanding.

**Share Repurchase Program**

On April 18, 2023, the Company reactivated its share repurchase program, pursuant to which the Company may repurchase up to \$26 million of its common stock, par value \$0.01 per share, for a period of one (1) year ending on April 17, 2024. The program was announced in a Current Report on Form 8-K on April 19, 2023. The table below sets forth information regarding repurchases of our common stock during the fourth quarter of 2023 under that program and other repurchases.

<i>(in thousands, except per share data)</i>	Total Number of Shares	Average Price Paid per Share <sup>(1)</sup>	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
	Repurchased			
October 2023	14,611	\$ 76.59	12,611	270,346
November 2023	—	—	—	270,346
December 2023	—	—	—	270,346
Total	14,611	\$ 76.59	12,611	270,346

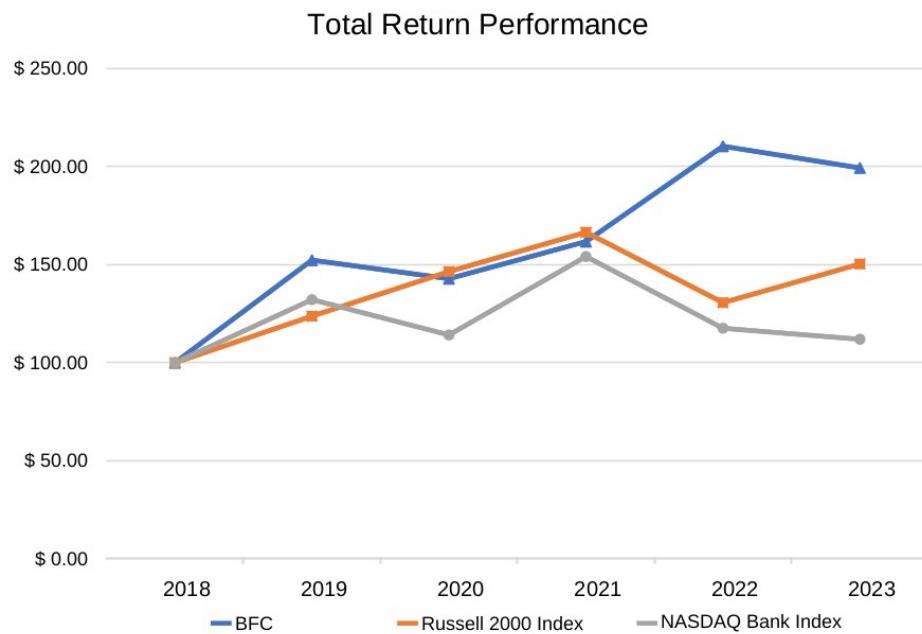
(1) The average price paid per share is calculated on a trade date basis for all open market transactions and excludes commissions and other transaction expenses.

(2) Based on the closing price per share as of December 31, 2023 (\$86.66).

The Inflation Reduction Act of 2022 ("IRA") created a new nondeductible 1% excise tax on repurchases of corporate stock by certain publicly traded corporations or their specified affiliates after December 31, 2022. The tax is imposed on the fair value of the stock of a covered corporation that is repurchased in a given year, less the fair market value of any stock issued in that year. The Company falls under the definition of a "covered corporation". The excise tax applies to all of the stock of a covered corporation regardless of whether the corporation has profits or losses. The impact of the IRA on our consolidated financial statements will be dependent on the extent of stock repurchases made in current and future periods.

### Performance Graph

The following graph compares the yearly percentage change in cumulative shareholder return on Bank First stock with the cumulative total return of the Russell 2000 Index and the Nasdaq Bank Index for the last five fiscal years (assuming a \$100 investment on December 31, 2018 and reinvestment of all dividends). The following performance graph and related information are neither "soliciting material" nor "filed" with the SEC, nor shall such information be incorporated by reference into any future filings under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such filing.



Index	Period Ending					
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
BFC	\$ 100.00	\$ 152.29	\$ 142.81	\$ 161.74	\$ 210.36	\$ 199.27
Russell 2000	100.00	123.72	146.44	166.50	130.60	150.31
Nasdaq Bank	100.00	132.14	114.13	154.12	117.55	111.93

### ITEM 6. RESERVED

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes. Historical results of operations and the percentage relationships among any amounts included, and any trends that may appear, may not indicate trends in operations or results of operations for any future periods. We are a bank holding company and we conduct all of our material business operations through the Bank. As a result, the discussion and analysis above relates to activities primarily conducted at the Bank level.

We have made, and will continue to make, various forward-looking statements with respect to financial and business matters. Comments regarding our business that are not historical facts are considered forward-looking statements that involve inherent risks and uncertainties. Actual results may differ materially from those contained in these forward-looking statements. For additional information regarding our cautionary disclosures, see the "Cautionary Note Regarding Forward-Looking Statements" at the beginning of this Annual Report.

### **OVERVIEW**

Bank First Corporation is a Wisconsin corporation that was organized primarily to serve as the holding company for Bank First, N.A. Bank First, N.A., which was incorporated in 1894, is a nationally-chartered bank headquartered in Manitowoc, Wisconsin. It is a member of the Federal Reserve, and is regulated by the OCC. Including its headquarters in Manitowoc, Wisconsin, the Bank has 26 banking locations in Brown, Columbia, Dane, Fond du Lac, Jefferson, Manitowoc, Monroe, Outagamie, Ozaukee, Shawano, Sheboygan, Waupaca, Waushara, and Winnebago counties in Wisconsin. The Bank offers loan, deposit and treasury management products at each of its banking locations.

As with most community banks, the Bank derives a significant portion of its income from interest received on loans and investments. The Bank's primary source of funding is deposits, both interest-bearing and noninterest-bearing. In order to maximize the Bank's net interest income, or the difference between the income on interest-earning assets and the expense of interest-bearing liabilities, the Bank must not only manage the volume of these balance sheet items, but also the yields earned on interest-earning assets and the rates paid on interest-bearing liabilities. To account for credit risk inherent in all loans, the Bank maintains an allowance for credit losses ("ACL – Loans") to absorb possible losses on existing loans that may become uncollectible. The Bank establishes and maintains this allowance by charging a provision for credit losses against operating earnings. Beyond its net interest income, the Bank further receives income through the net gain on sale of loans held for sale as well as servicing income which is retained on those sold loans. In order to maintain its operations and bank locations, the Bank incurs various operating expenses which are further described within the "Results of Operations" later in this section.

The Bank, through its 100% owned subsidiary TVG Holdings, Inc., holds a 40% ownership interest in Ansay & Associates, LLC, an insurance agency providing clients primarily located in Wisconsin with insurance and risk management solutions. The Bank owned 49.8% of UFS, LLC, which provides data processing solutions to over 60 banks in the Midwest, through October 1, 2023. On that date it sold 100% of its member interest in UFS to a third party. These unconsolidated subsidiary interests contribute noninterest income to the Bank through their underlying annual earnings.

As of December 31, 2023, the Company had total consolidated assets of \$4.22 billion, total loans of \$3.34 billion, total deposits of \$3.43 billion and total stockholders' equity of \$619.8 million. The Company employs approximately 379 full-time equivalent employees and has an assets-to-FTE ratio of approximately \$11.1 million. For more information, see the Company's website at [www.bankfirst.com](http://www.bankfirst.com).

### **Recent acquisitions**

#### *Hometown Bancorp, Ltd.*

On February 10, 2023, the Company completed a merger with Hometown Bancorp, Ltd. ("Hometown"), a bank holding company headquartered in Fond du Lac, Wisconsin, pursuant to the merger agreement, dated as of July 25, 2022, by and between the Company and Hometown, whereby Hometown merged with and into the Company, and Hometown Bank,

Hometown's wholly-owned banking subsidiary, merged with and into the Bank. Hometown's principal activity was the ownership and operation of Hometown Bank, a state-chartered banking institution that operated ten (10) branches in Wisconsin at the time of closing. The merger consideration totaled approximately \$130.5 million.

Pursuant to the terms of the merger agreement, Hometown shareholders could elect to receive either 0.3962 of a share of the Company's common stock or \$29.16 in cash for each outstanding share of Hometown common stock, subject to a maximum of 30% cash consideration in total, with cash paid in lieu of any remaining fractional share. Company stock issued totaled 1,450,272 shares valued at approximately \$115.1 million, with cash of \$15.4 million comprising the remainder of merger consideration.

*Denmark Bancshares, Inc.*

On August 12, 2022, the Company completed a merger with Denmark Bancshares, Inc. ("Denmark"), a bank holding company headquartered in Denmark, Wisconsin, pursuant to the merger agreement, dated as of January 18, 2022 by and between the Company and Denmark, whereby Denmark merged with and into the Company, and Denmark State Bank, Denmark's wholly-owned banking subsidiary, merged with and into the Bank. Denmark's principal activity was the ownership and operation of Denmark State Bank, a state-chartered banking institution that operated seven (7) branches in Wisconsin at the time of closing. The merger consideration totaled approximately \$128.8 million.

Pursuant to the terms of the merger agreement, Denmark shareholders could elect to receive either 0.5276 of a share of the Company's common stock or \$38.10 in cash for each outstanding share of Denmark common stock, subject to a maximum of 20% cash consideration in total, with cash paid in lieu of any remaining fractional share. Company stock issued totaled 1,579,530 shares valued at approximately \$124.8 million, with cash of \$4.0 million comprising the remainder of merger consideration.

The Company accounts for these transactions under the acquisition method of accounting, and thus, the financial position and results of operations of acquired institutions prior to the consummation date are not included in the accompanying consolidated financial statements. The acquisition method of accounting required assets purchased and liabilities assumed to be recorded at their respective fair values at the date of acquisition. The Company determines the fair value of core deposit intangibles, securities, premises and equipment, loans, other assets and liabilities, deposits and borrowings with the assistance of third-party valuations, appraisals, and third-party advisors. The estimated fair values are subject to refinement for up to one year after the consummation as additional information becomes available relative to the closing date fair values.

#### **CRITICAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

The accounting and reporting policies of the Company conform to GAAP in the United States and general practices within the financial institution industry. To prepare financial statements in conformity with GAAP, management makes estimates, assumptions and judgments based on available information. These estimates, assumptions and judgments are based on information available as of the date of the financial statements and, as this information changes, actual results could differ from the estimates, assumptions and judgments reflected in the financial statement. In particular, management has identified several accounting policies that, due to the estimates, assumptions and judgments inherent in those policies, are critical in understanding our financial statements.

The following is a discussion of the critical accounting policies and significant estimates that require us to make complex and subjective judgments. Additional information about these policies can be found in Note 1 of our consolidated financial statements as of December 31, 2023, included elsewhere in this Annual Report on Form 10-K.

**Business Combinations, Core Deposit Intangible and Acquired Loans.** We account for business combinations under the acquisition method of accounting in accordance with Accounting Standards Codification (ASC) 805, Business Combinations (ASC 805). We recognize the full fair value of the assets acquired and liabilities assumed and immediately expense transaction costs. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Results of operations of the acquired business are included in the statement of income from the effective date of the acquisition.

The primary identifiable intangible asset we typically record in connection with a whole bank or branch acquisition is the value of the core deposit intangible which represents the estimated value of the long-term deposit relationships acquired in the transaction. Determining the amount of identifiable intangible assets and their average lives involves multiple assumptions and estimates and is typically determined by performing a discounted cash flow analysis, which involves a combination of any or all of the following assumptions: customer attrition/runoff, alternative funding costs, deposit servicing costs, and discount rates.

Further, the valuation of acquired loans involves significant estimates and assumptions based on information available as of the acquisition date. Loans acquired in a business combination are evaluated either individually or in pools of loans with similar characteristics; including consideration of a credit component. A number of factors are considered in determining the estimated fair value of purchased loans including, among other things, the remaining life of the acquired loans, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral, estimated holding periods, contractual interest rates compared to market interest rates, and net present value of cash flows expected to be received.

**Allowance for Credit Losses — Loans.** The ACL — Loans represents management's estimate of expected credit losses in the Company's loan portfolio at the balance sheet date. The Company estimates the ACL — Loans based on the amortized cost basis of the underlying loan using a current expected credit loss methodology ("CECL"). To estimate the amount of ACL-Loans, the Company considers historical loss rates and other qualitative adjustments, as well as a forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. The Company's ACL - Loans is calculated using collectively evaluated and individually evaluated loans. This evaluation is inherently subjective as it requires material estimates that are susceptible to significant change including the amounts and timing of future cash flows expected to be received on loans.

**Deferred Tax Assets.** Deferred tax assets ("DTA") and liabilities are determined using the liability method. DTAs and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities and the current enacted tax rates which will be in effect when these differences are expected to reverse. Provision (benefit) for deferred taxes is the result of changes in the DTAs and liabilities. Deferred taxes are reviewed quarterly and are reduced by a valuation allowance if, based upon the information available, it is more likely than not that some or all of the DTAs will not be realized.

**Recent Accounting Pronouncements.** For a discussion of recent accounting pronouncements, see "Note 1 – Summary of Significant Accounting Policies" of the Notes to the Consolidated Financial Statements in Item 8 of this report on Form 10-K for further discussion.

## RESULTS OF OPERATIONS

The following discussion and analysis presents the more significant factors that affected our financial condition as of December 31, 2023 and 2022 and results of operations for each of the years then ended. Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K filed with the SEC on March 10, 2023 for a discussion and analysis of the more significant factors that affected periods prior to 2022.

**General.** Net income increased \$29.3 million, or 64.8%, to \$74.5 million for the year ended December 31, 2023, from \$45.2 million for the year ended December 31, 2022. During 2023, as a result of the acquisition of Hometown during February 2023 and the impact of the acquisition of Denmark impacting the full year of 2023 compared to less than five months of 2022, the Company experienced increased net interest income, a higher provision for credit losses, an increase in service charge and loan servicing income, and a significant increase in many noninterest expense areas. Also during 2023 the Company sold 100% of its member interest in UFS, LLC, creating a pre-tax gain on sale of \$38.9 million. Finally, the Company sold its available for sale US Treasury securities during 2023, creating a pre-tax loss on sale of \$7.9 million.

**Net Interest Income.** The management of interest income and expense is fundamental to our financial performance. Net interest income, the difference between interest income and interest expense, is the largest component of the Company's total revenue. Management closely monitors both total net interest income and the net interest margin (net interest income divided by average earning assets). We seek to maximize net interest income without exposing the Company to an

excessive level of interest rate risk through our asset and liability policies. Interest rate risk is managed by monitoring the pricing, maturity and repricing options of all classes of interest-bearing assets and liabilities. Our net interest margin can also be adversely impacted by the reversal of interest on nonaccrual loans and the reinvestment of loan payoffs into lower yielding investment securities and other short-term investments.

Net interest income after provision for credit losses increased by \$26.9 million to \$128.8 million for the year ended December 31, 2023, from \$101.9 million for the year ended December 31, 2022. Interest income on loans increased by \$61.9 million, or 57.8%, from 2022 to 2023. Total average interest-earning assets increased to \$3.66 billion for the year ended December 31, 2023 from \$3.09 billion for the year ended December 31, 2022. The Bank's net interest margin increased twenty-eight basis points to 3.69% for the year ended December 31, 2023, up from 3.41% for the year ended December 31, 2022.

**Interest Income.** Total interest income increased \$65.9 million, or 56.6%, to \$182.5 million for the year ended December 31, 2023, up from \$116.5 million for the year ended December 31, 2022. This increase was driven by an increase in average rates earned on interest-earning assets, rising from 3.82% during 2022 to 5.03% during 2023, and a \$565.4 million increase in average interest-earning assets during 2023 when compared to 2022. Most of the growth in average interest-earning assets was the result of the acquisitions of Denmark and Hometown.

**Interest Expense.** Interest expense increased \$36.6 million, or 293.6%, to \$49.0 million for the year ended December 31, 2023, up from \$12.4 million for the year ended December 31, 2022. The increase was driven by a combination of increases in the average rates paid on interest-bearing liabilities, rising from 0.60% during 2022 to 2.04% during 2023, and a \$311.0 million increase in average interest-bearing liabilities. Once again, most of the growth in average interest-bearing liabilities was the result of the acquisitions of Denmark and Hometown.

Interest expense on interest-bearing deposits increased by \$32.1 million to \$42.4 million for the year ended December 31, 2023, from \$10.3 million for the year ended December 31, 2022. This increase was due to a higher interest rate environment driving an increase in average rates paid on interest-bearing deposits, rising from 0.54% during 2022 to 1.84% during 2023, and growth of \$398.9 million year-over-year in average interest-bearing deposits.

**Provision for Credit Losses.** Credit risk is inherent in the business of making loans. We establish an allowance for credit losses through charges to earnings, which are shown in the statements of income as the provision for credit losses. Specifically identifiable and quantifiable known losses are promptly charged off against the allowance. The provision for credit losses is determined by conducting a quarterly evaluation of the adequacy of our allowance for credit losses and charging the shortfall or excess, if any, to the current quarter's expense. This has the effect of creating variability in the amount and frequency of charges to earnings. The provision for credit losses and level of allowance for each period are dependent upon many factors, including loan growth, net charge-offs, changes in the composition of the loan portfolio, delinquencies, management's assessment of the quality of the loan portfolio, the valuation of problem loans and the general economic conditions in our market area. The determination of the amount is complex and involves a high degree of judgment and subjectivity.

We recorded a provision for credit losses of \$4.7 million for the year ended December 31, 2023, compared to \$2.2 million for the year ended December 31, 2022. The increased provision for credit losses during 2023 was primarily result of ASU 2016-13, which was adopted at the beginning of 2023, requiring a provision to be recorded related to loans acquired from Hometown. Metrics regarding the credit quality of the Bank's loan portfolio continue to show very little in terms of credit stress during 2023. The ACL-Loans was \$43.6 million, or 1.30% of total loans, at December 31, 2023 compared to \$22.7 million, or 0.78% of total loans at December 31, 2022. The increased ACL - Loans coverage was also the result of adopting ASU 2016-13 as of January 1, 2023.

**Noninterest Income.** Noninterest income is an important component of our total revenues. A significant portion of our noninterest income has historically been associated with service charges and income from the Bank's unconsolidated subsidiaries, Ansay and UFS. Other typical sources of noninterest income include loan servicing fees and gains on sales of mortgage loans.

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Noninterest income increased by \$38.4 million, or 195.0% to \$58.1 million for 2023, up from \$19.7 million during 2022. The primary driver of the increase in noninterest income was the aforementioned \$38.9 million pre-tax gain on sale of UFS during 2023. This sale also led to a decrease in the income provided by UFS during 2023 as this revenue stream no longer existed during the final quarter. The continued slowdown in the retail mortgage lending market during 2023 led to a \$0.7 million decline in gains on sales of mortgage loans to the secondary market year-over-year. While this slowdown continued from 2022, the positive impact it had on the valuation of the Company's mortgage servicing rights ("MSR") was less significant during 2023, leading to only \$0.4 million in positive valuation adjustments to MSRs in 2023 compared to \$2.9 million in 2022. Finally, income from service charges and loan servicing saw a significant increase year-over-year as a result of added scale from the acquisitions of Denmark and Hometown. The major components of our noninterest income are listed in the table below:

(in thousands)	For the Years Ended December 31,	
	2023	2022
Noninterest Income		
Service charges	\$ 7,033	\$ 5,810
Income from Ansay	2,922	2,558
Income from UFS	2,265	3,055
Loan servicing income	2,860	1,922
Valuation adjustment on MSR	395	2,865
Net gain on sales of mortgage loans	897	1,560
Gain on sale of UFS	38,904	
Other	2,839	1,931
Total noninterest income	\$ 58,115	\$ 19,701

**Noninterest Expense.** Noninterest expense increased \$26.2 million to \$88.1 million for the year ended December 31, 2023, up from \$62.0 million for the year ended December 31, 2022. One driver of this increase in noninterest expense was the aforementioned sale of a significant number of available for sale securities during 2023, resulting in a \$7.9 million pre-tax loss during 2023. These securities had an average yield of 1.36%. Proceeds of these sales were reinvested in a combination of short and long-term investments with an average yield of 4.98%. Personnel expense increased \$7.2 million, or 21.7%, data processing expense increased \$1.7 million, or 26.7%, postage, stationary and supplies expense increased \$0.3 million, or 40.6%, charitable contributions expense increased by \$0.2 million, or 31.5%, advertising expense increased \$0.1 million, or 19.9%, and other noninterest expense increased \$2.7 million, or 42.1%, all primarily as a result of the added scale from the Denmark and Hometown acquisitions. Outside service fees decreased \$0.4 million, or 5.6%, primarily as a result of nearly all legal and professional fees related to the Denmark acquisition and many of these same fees related to the Hometown acquisition occurring during 2022. Amortization of intangibles increased by \$4.0 million, or 172.8%, as the acquisitions of Denmark and Hometown created core deposit intangibles of \$15.1 million and \$16.5 million, respectively, which began amortizing on the date those transactions closed. These acquisitions also resulted in several former bank branches of those institutions becoming other real estate owned, leading to the significant losses on sales and valuations of these buildings during 2023. The major components of our noninterest expense are listed in the table below:

(In thousands)	For the Years Ended December 31,	
	2023	2022
<b>Noninterest Expense</b>		
Salaries, commissions, and employee benefits	\$ 40,355	\$ 33,155
Occupancy	5,670	5,467
Data processing	8,011	6,324
Postage, stationary, and supplies	1,084	771
Advertising	326	271
Charitable contributions	944	718
Outside service fees	6,350	6,727
Net loss (gain) on sales and valuations of other real estate owned	2,133	(146)
Net loss on sales of securities	7,901	—
Amortization of intangibles	6,324	2,318
Other	9,021	6,348
<b>Total noninterest expenses</b>	<b>\$ 88,119</b>	<b>\$ 61,953</b>

**Income Tax Expense.** We recorded a provision for income taxes of \$24.3 million for the year ended December 31, 2023, compared to \$14.4 million for the year ended December 31, 2022, reflecting effective tax rates of 24.6% and 24.2%, respectively. The income tax expense related to the gain on sale of UFS offset the impact of legislation passed as part of the 2023 Wisconsin state budget which exempts interest and fees earned on certain commercial loans of \$5 million or less made to borrowers who reside or are located in the state of Wisconsin. The expected future reduction in the Bank's effective tax rate as a result of this legislation resulted in a valuation allowance on our deferred tax assets totaling \$2.5 million, adding to income tax expense for 2023.

#### NET INTEREST MARGIN

Net interest income represents the difference between interest earned, primarily on loans and investments, and interest paid on funding sources, primarily deposits and borrowings. Interest rate spread is the difference between the average rate earned on total interest-earning assets and the average rate paid on total interest-bearing liabilities. Net interest margin is the amount of net interest income, on a fully taxable-equivalent basis, expressed as a percentage of average interest-earning assets. The average rate earned on earning assets is the amount of annualized taxable equivalent interest income expressed as a percentage of average earning assets. The average rate paid on interest-bearing liabilities is equal to annualized interest expense as a percentage of average interest-bearing liabilities.

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The following tables set forth the distribution of our average assets, liabilities and shareholders' equity, and average rates earned or paid on a fully taxable equivalent basis for each of the periods indicated:

	For the Year Ended December 31,										
	2023			2022			2021			(dollars in thousands)	
	Average Balance	Interest Income/ Expenses (1)	Rate Earned/ Paid (1)	Average Balance	Interest Income/ Expenses (1)	Rate Earned/ Paid (1)	Average Balance	Interest Income/ Expenses (1)	Rate Earned/ Paid (1)		
<b>ASSETS</b>											
Interest-earning assets											
Loans (2)											
Taxable	\$ 3,172,468	\$ 165,113	5.20 %	\$ 2,434,554	\$ 103,612	4.26 %	\$ 2,128,327	\$ 90,172	4.24 %		
Tax-exempt	103,957	4,686	4.51 %	96,183	4,227	4.39 %	88,978	4,113	4.62 %		
Securities											
Taxable (available for sale)	185,867	5,851	3.15 %	227,101	5,230	2.30 %	103,277	2,788	2.70 %		
Tax-exempt (available for sale)	36,690	1,195	3.26 %	81,181	2,140	2.64 %	70,864	2,207	3.11 %		
Taxable (held to maturity)	71,908	2,678	3.72 %	24,416	670	2.74 %	—	—	— %		
Tax-exempt (held to maturity)	4,426	115	2.60 %	5,396	139	2.58 %	6,098	155	2.54 %		
Cash and due from banks	79,822	4,104	5.14 %	220,929	1,883	0.85 %	237,021	310	0.13 %		
Total interest-earning assets	3,655,138	183,742	5.03 %	3,089,760	117,901	3.82 %	2,634,565	99,745	3.79 %		
Non interest-earning assets	447,934			280,249			222,548				
Allowance for loan losses	(41,714)			(22,152)			(19,320)				
<b>Total assets</b>	<b>\$ 4,061,358</b>			<b>\$ 3,347,857</b>			<b>\$ 2,837,793</b>				
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>											
Interest-bearing deposits											
Checking accounts	\$ 293,568	\$ 5,362	1.83 %	\$ 253,443	\$ 1,075	0.42 %	\$ 209,970	\$ 252	0.12 %		
Savings accounts	833,360	9,796	1.18 %	691,599	3,099	0.45 %	497,958	1,773	0.36 %		
Money market accounts	665,988	12,722	1.91 %	666,717	3,025	0.45 %	664,591	2,115	0.32 %		
Certificates of deposit	509,273	14,396	2.83 %	286,054	2,818	0.99 %	278,602	2,967	1.06 %		
Brokered Deposits	3,184	90	2.83 %	8,587	251	2.92 %	14,718	420	2.85 %		
<b>Total interest bearing deposits</b>	<b>2,305,373</b>	<b>42,366</b>	<b>1.84 %</b>	<b>1,906,400</b>	<b>10,268</b>	<b>0.54 %</b>	<b>1,665,839</b>	<b>7,527</b>	<b>0.45 %</b>		
Other borrowed funds	97,384	6,637	6.82 %	185,329	2,181	1.18 %	63,474	777	1.22 %		
<b>Total interest-bearing liabilities</b>	<b>2,402,757</b>	<b>49,003</b>	<b>2.04 %</b>	<b>2,091,729</b>	<b>12,449</b>	<b>0.60 %</b>	<b>1,729,313</b>	<b>8,304</b>	<b>0.48 %</b>		
Non-interest bearing liabilities											
Demand Deposits	1,078,468			878,727			785,364				
Other liabilities	10,533			4,971			12,746				
<b>Total Liabilities</b>	<b>3,491,758</b>			<b>2,975,427</b>			<b>2,527,423</b>				
Shareholders' equity	569,600			372,430			310,370				
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$ 4,061,358</b>			<b>\$ 3,347,857</b>			<b>\$ 2,837,793</b>				
Net interest income on a fully taxable equivalent basis		134,739		105,452			91,441				
Less taxable equivalent adjustment		(1,259)		(1,366)			(1,359)				
<b>Net interest income</b>	<b>\$ 133,480</b>			<b>\$ 104,086</b>			<b>\$ 90,082</b>				
Net interest spread (3)		2.99 %		3.22 %			3.31 %				
Net interest margin (4)		3.69 %		3.41 %			3.47 %				

(1) Annualized on a fully taxable equivalent basis calculated using a federal tax rate of 21%.

(2) Nonaccrual loans are included in average amounts outstanding.

(3) Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.

(4) Net interest margin represents net interest income on a fully tax equivalent basis as a percentage of average interest-earning assets.

**Rate/Volume Analysis**

The following tables describe the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected our interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volumes (changes in average balance multiplied by prior year average rate) and (ii) changes attributable to changes in rate (change in average interest rate multiplied by prior year average balance), while (iii) changes attributable to the combined impact of volumes and rates have been allocated proportionately to separate volume and rate categories.

	Twelve Months Ended December 31, 2023 Compared with Twelve Months Ended December 31, 2022			Twelve Months Ended December 31, 2022 Compared with Twelve Months Ended December 31, 2021		
	Increase/(Decrease) Due to Change in			Increase/(Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(dollars in thousands)			(dollars in thousands)		
<b>Interest income</b>						
Loans						
Taxable	\$ 35,439	\$ 26,062	\$ 61,501	\$ 13,031	\$ 409	\$ 13,440
Tax-exempt	348	111	459	323	(209)	114
Securities						
Taxable (AFS)	(1,065)	1,686	621	2,905	(463)	2,442
Tax-exempt (AFS)	(1,366)	421	(945)	297	(364)	(67)
Taxable (HTM)	1,696	312	2,008	670	—	670
Tax-exempt (HTM)	(25)	1	(24)	(18)	2	(16)
Cash and due from banks	(1,884)	4,105	2,221	(22)	1,595	1,573
<b>Total interest income</b>	<b>33,143</b>	<b>32,698</b>	<b>65,841</b>	<b>\$ 17,186</b>	<b>\$ 970</b>	<b>\$ 18,156</b>
<b>Interest expense</b>						
Deposits						
Checking accounts	\$ 196	\$ 4,091	\$ 4,287	\$ 62	\$ 761	\$ 823
Savings accounts	751	5,946	6,697	797	529	1,326
Money market accounts	(3)	9,700	9,697	7	903	910
Certificates of deposit	3,410	8,168	11,578	78	(227)	(149)
Brokered Deposits	(153)	(8)	(161)	(179)	10	(169)
<b>Total interest bearing deposits</b>	<b>4,201</b>	<b>27,897</b>	<b>32,098</b>	<b>765</b>	<b>1,976</b>	<b>2,741</b>
Other borrowed funds	(1,482)	5,938	4,456	1,435	(31)	1,404
<b>Total interest expense</b>	<b>2,719</b>	<b>33,835</b>	<b>36,554</b>	<b>2,200</b>	<b>1,945</b>	<b>4,145</b>
<b>Change in net interest income</b>	<b>\$ 30,424</b>	<b>\$ (1,137)</b>	<b>\$ 29,287</b>	<b>\$ 14,986</b>	<b>\$ (975)</b>	<b>\$ 14,011</b>

**CHANGES IN FINANCIAL CONDITION**

**Total Assets.** Total assets increased \$561.4 million, or 15.3%, to \$4.22 billion at December 31, 2023 from \$3.66 billion at December 31, 2022. The primary driver of this increase, as with most of the categories below, was our acquisition of Hometown, consisting of \$615.1 million in assets, during 2023.

**Cash and Cash Equivalents.** Cash and cash equivalents increased by \$128.1 million, or 107.3%, to \$247.5 million at December 31, 2023 from \$119.4 million at December 31, 2022.

**Investment Securities.** The carrying value of total investment securities decreased by \$104.2 million to \$245.5 million at December 31, 2023 from \$349.7 million at December 31, 2022. This decrease was the result of sales of available for sale securities during 2023 as well as maturities of securities for which we chose to retain the funds in cash and cash equivalents rather than reinvest in securities.

**Loans.** Net loans increased by \$428.1 million, or 14.9%, to \$3.30 billion at December 31, 2023 from \$2.87 billion at December 31, 2022.

**Bank-Owned Life Insurance.** At December 31, 2023, our investment in bank-owned life insurance was \$61.3 million, an increase of \$15.2 million from \$46.1 million at December 31, 2022.

**Deposits.** Deposits increased \$372.7 million, or 12.2%, to \$3.43 billion at December 31, 2023 from \$3.06 billion at December 31, 2022.

**Borrowings.** At December 31, 2023 and 2022, borrowings consisted of advances from the FHLB of Chicago, subordinated debt to other banks and a junior subordinated debenture related to the Hometown Bancorp, Ltd. Capital Trust I. FHLB borrowings totaled \$35.3 million and \$1.9 million at December 31, 2023 and 2022, respectively. Subordinated debt decreased from \$23.5 million at December 31, 2022 to \$12.0 million at December 31, 2023. The junior subordinated debenture, which resulted from the acquisition of Hometown, totaled \$4.1 million at December 31, 2023.

**Stockholders' Equity.** Total stockholders' equity increased \$166.7 million, or 36.8%, to \$619.8 million at December 31, 2023 from \$453.1 million at December 31, 2022.

## LOANS

Our lending activities are conducted principally in Wisconsin. The Bank makes commercial and industrial loans, commercial real estate loans, construction and development loans, residential real estate loans, and a variety of consumer loans and other loans. Much of the loans made by the Bank are secured by real estate collateral. The Bank's commercial business loans are primarily made based on the cash flow of the borrower and secondarily on the underlying collateral provided by the borrower, with liquidation of the underlying real estate collateral typically being viewed as the primary source of repayment in the event of borrower default. Although commercial business loans are also often collateralized by equipment, inventory, accounts receivable, or other business assets, the liquidation of collateral in the event of default is often an insufficient source of repayment. Repayment of the Bank's residential loans are generally dependent on the health of the employment market in the borrowers' geographic areas and that of the general economy with liquidation of the underlying real estate collateral being typically viewed as the primary source of repayment in the event of borrower default.

Our loan portfolio is our most significant earning asset, comprising 79.3%, 79.1% and 76.1% of our total assets as of December 31, 2023, 2022 and 2021, respectively. Our strategy is to grow our loan portfolio by originating quality commercial and consumer loans that comply with our credit policies and that produce revenues consistent with our financial objectives. We believe our loan portfolio is well-balanced, which provides us with the opportunity to grow while monitoring our loan concentrations.

Total loans increased \$449.0 million, or 15.5%, to \$3.34 billion as of December 31, 2023 as compared to \$2.89 billion as of December 31, 2022. Our loan growth during the year ended December 31, 2023 has been comprised of a decrease of \$4.5 million, or 0.9%, in commercial and industrial loans, an increase of \$301.1 million, or 21.5%, in commercial real estate loans, an increase of \$1.1 million, or 0.6%, in construction and development loans, an increase of \$149.1 million, or 20.2%, in residential 1-4 family loans and an increase of \$2.2 million, or 3.5%, in consumer and other loans.

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The following table presents the balance and associated percentage of each major category in our loan portfolio at December 31, 2023, 2022, and 2021:

(In thousands)	December 31,					
	2023	% of Total	2022	% of Total	2021	% of Total
<b>Commercial &amp; industrial</b>	\$ 487,893	15 %	\$ 492,450	17 %	\$ 366,166	16 %
<b>Commercial real estate</b>						
Owner Occupied	894,596	27 %	716,963	25 %	574,565	26 %
Non-owner occupied	472,321	14 %	391,040	13 %	298,539	13 %
Multi-family	332,757	10 %	290,580	10 %	238,353	11 %
<b>Construction &amp; Development</b>	200,835	6 %	199,708	7 %	132,454	6 %
<b>Residential 1-4 family</b>	888,639	27 %	739,514	25 %	571,845	26 %
Consumer	50,950	1 %	44,963	2 %	32,131	1 %
Other Loans	14,983	— %	18,760	1 %	21,461	1 %
<b>Total Loans</b>	<u>\$ 3,342,974</u>	<u>100 %</u>	<u>\$ 2,893,978</u>	<u>100 %</u>	<u>\$ 2,235,514</u>	<u>100 %</u>

Our directors and officers and their affiliates are customers of, and have other transactions with, the Bank in the normal course of business. All loans and commitments included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than normal risk of collection or present other unfavorable features. At December 31, 2023 and December 31, 2022, total loans outstanding to such directors and officers and their affiliates were \$63.9 million and \$70.2 million, respectively. During the year ended December 31, 2023, \$24.5 million of additions and \$30.8 million of repayments were made to these loans, compared to \$46.5 million of additions and \$49.8 million of repayments during the year ended December 31, 2022. At December 31, 2023 and December 31, 2022, all of the loans to directors and officers were performing according to their original terms.

**Loan segments**

Changes in the principal segments of our loan portfolio are discussed below. Descriptions of and risks related to these segments can be found in the consolidated financial statements and footnotes presented elsewhere in this report.

**Commercial and Industrial (C&I).** Our C&I portfolio totaled \$487.9 million and \$492.5 million at December 31, 2023 and 2022, respectively, and represented 15% and 17% of our total loans, respectively. C&I loans decreased 0.9% during 2023, as a result of exiting a few nonperforming borrowers and borrowers from acquired institutions that did not fit the Bank's lending philosophy. C&I loans increased 34.5% during 2022 primarily as a result of loans acquired from Denmark during 2022, slightly offset by significant levels of PPP loans being forgiven during the year.

**Commercial Real Estate (CRE).** Our CRE loan portfolio totaled \$1.70 billion and \$1.40 billion at December 31, 2023 and 2022, respectively, and represented 51% and 48% of our total loans, respectively. Our CRE loans increased 21.5% during 2023, primarily as a result of loans acquired from Hometown during 2023. Our CRE loans increased 25.8% during 2022, primarily as a result of loans acquired from Denmark during 2022.

**Construction and Development (C&D).** Our C&D loan portfolio totaled \$200.8 million and \$199.7 million at December 31, 2023 and 2022, respectively, and represented 6% and 7% of our total loans, respectively. C&D loans increased 0.6% during 2023, as a result of management making a strategic decision to limit growth in this area. C&D loans increased 50.8% during 2022, primarily as a result of loans acquired from Denmark during 2022.

**Residential 1-4 Family.** Our residential 1-4 family loan portfolio totaled \$888.6 million and \$739.5 million at December 31, 2023 and 2022, respectively, and represented 27% and 25% of our total loans, respectively. Residential 1-4 family loans increased 20.2% during 2023, primarily as a result of loans acquired from Hometown during 2023. Residential 1-4 family loans increased 29.3% during 2022, primarily as a result of loans acquired from Denmark during 2022.

We do not offer reverse mortgages nor do we offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on his loan, resulting in an increased principal balance during the life of the loan. We also do not offer "subprime loans" (loans that are made with low down payments to borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (defined as loans having less than full documentation).

Residential real estate loans are originated both for sale to the secondary market as well as for retention in the Bank 's loan portfolio. The decision to sell a loan to the secondary market or retain within the portfolio is determined based on a variety of factors including but not limited to our asset/liability position, the current interest rate environment, and customer preference. Servicing rights are retained on all loans sold to the secondary market.

We were servicing mortgage loans sold to others without recourse of approximately \$1.18 billion and \$866.9 million at December 31, 2023 and 2022, respectively.

Loans sold with the retention of servicing assets result in the capitalization of servicing rights. Loan servicing rights are subsequently amortized as an offset to other income over the estimated period of servicing. The net balance of capitalized servicing rights amounted to \$13.7 million and \$9.6 million at December 31, 2023 and 2022, respectively.

**Consumer Loans.** Our consumer loan portfolio totaled \$51.0 million and \$45.0 million at December 31, 2023 and 2022, respectively, and represented 1% and 2% of our total loans, respectively. Consumer loans include secured and unsecured loans, lines of credit and personal installment loans. Our consumer loans increased by 13.3% and 39.9% during 2023 and 2022, respectively.

**Other Loans.** Our other loans totaled \$15.0 million and \$18.8 million at December 31, 2023 and 2022, respectively, and are immaterial to the overall loan portfolio. The other loans category consists primarily of overdrawn depository accounts, loans utilized to purchase or carry securities and loans to nonprofit organizations.

**Loan Portfolio Maturities.**

The following tables summarize the dollar amount of loans maturing in our portfolio based on their loan type, fixed or variable rate of interest, and contractual terms to maturity at December 31, 2023. The tables do not include any estimate of prepayments, which can significantly shorten the average life of all loans and may cause our actual repayment experience to differ from that shown below. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less.

	<u>One Year or Less</u>	<u>One to Five Years</u>	<u>Five to Fifteen Years</u> (dollars in thousands)	<u>Over Fifteen Years</u>	<u>Total</u>
Commercial & industrial	\$ 101,801	\$ 256,078	\$ 126,788	\$ 3,226	\$ 487,893
Commercial real estate					
Owner Occupied	90,210	387,505	339,011	77,870	894,596
Non-owner Occupied	57,783	237,426	168,851	8,261	472,321
Multi-family	14,159	128,422	189,825	351	332,757
Construction & Development	27,899	56,405	61,798	54,733	200,835
Residential 1-4 family	15,601	104,794	236,583	531,661	888,639
Consumer and other	6,094	38,862	16,633	4,344	65,933
Total	<u>\$ 313,547</u>	<u>\$ 1,209,492</u>	<u>\$ 1,139,489</u>	<u>\$ 680,446</u>	<u>\$ 3,342,974</u>
<b>Fixed Rate Loans:</b>					
Commercial & industrial	\$ 12,626	\$ 222,308	\$ 88,840	\$ 3,171	\$ 326,945
Commercial real estate					
Owner Occupied	37,726	331,781	147,682	21,031	538,220
Non-owner Occupied	49,109	227,264	56,423	—	332,796
Multi-family	14,104	123,124	135,746	—	272,974
Construction & Development	17,722	53,231	45,238	35,430	151,621
Residential 1-4 family	8,132	84,741	192,964	277,503	563,340
Consumer and other	5,247	37,888	16,173	4,344	63,652
Total	<u>\$ 144,666</u>	<u>\$ 1,080,337</u>	<u>\$ 683,066</u>	<u>\$ 341,479</u>	<u>\$ 2,249,548</u>
<b>Floating Rate Loans:</b>					
Commercial & industrial	\$ 89,175	\$ 33,770	\$ 37,948	\$ 55	\$ 160,948
Commercial real estate					
Owner Occupied	52,484	55,724	191,329	56,839	356,376
Non-owner Occupied	8,674	10,162	112,428	8,261	139,525
Multi-family	55	5,298	54,079	351	59,783
Construction & Development	10,177	3,174	16,560	19,303	49,214
Residential 1-4 family	7,469	20,053	43,619	254,158	325,299
Consumer and other	847	974	460	—	2,281
Total	<u>\$ 168,881</u>	<u>\$ 129,155</u>	<u>\$ 456,423</u>	<u>\$ 338,967</u>	<u>\$ 1,093,426</u>

**NONPERFORMING ASSETS**

In order to operate with a sound risk profile, we focus on originating loans that we believe to be of high quality. We have established loan approval policies and procedures to assist us in maintaining the overall quality of our loan portfolio. When delinquencies in our loans exist, we rigorously monitor the levels of such delinquencies for any negative or adverse trends. From time to time, we may modify loans to extend the term or make other concessions to help a borrower with a deteriorating financial condition stay current on their loan and to avoid foreclosure. We generally do not forgive principal or interest on loans or modify the interest rates on loans to rates that are below market rates. Furthermore, we are committed to collecting on all of our loans and, as a result, at times have lower net charge-offs compared to many of our peer banks. We believe that our commitment to collecting on all of our loans results in higher loan recoveries.

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Our nonperforming assets consist of nonperforming loans and foreclosed real estate. Nonperforming loans are those on which the accrual of interest has stopped, as well as loans that are contractually 90 days past due on which interest continues to accrue. The composition of our nonperforming assets is as follows:

	As of December 31, 2023	As of December 31, 2022	As of December 31, 2021
	(dollars in thousands)		
<b>Nonperforming loans</b>			
Nonaccrual loans			
Commercial & industrial	\$ 1,344	\$ 418	\$ 247
Commercial real estate			
Owner Occupied	3,877	2,688	5,884
Non-owner Occupied	—	—	650
Multi-family	—	—	—
Construction & Development	—	17	19
Residential 1-4 family	429	505	439
Consumer and other	12	—	2
Total nonaccrual loans	<u>5,662</u>	<u>3,628</u>	<u>7,241</u>
Loans past due > 90 days, but still accruing			
Commercial & industrial	106	—	738
Commercial real estate			
Owner Occupied	252	—	—
Non-owner Occupied	—	—	—
Multi-family	—	—	—
Construction & Development	—	—	—
Residential 1-4 family	507	268	245
Consumer and other	28	5	16
Total loans past due > 90 days, but still accruing	<u>893</u>	<u>273</u>	<u>999</u>
Total nonperforming loans	<u><u>\$ 6,555</u></u>	<u><u>\$ 3,901</u></u>	<u><u>\$ 8,240</u></u>
<b>OREO</b>			
Commercial real estate owned	\$ —	\$ —	\$ —
Residential real estate owned	—	—	10
Acquired bank property real estate owned	2,573	2,520	140
Total OREO	<u><u>\$ 2,573</u></u>	<u><u>\$ 2,520</u></u>	<u><u>\$ 150</u></u>
Total nonperforming assets ("NPAs")	<u><u>\$ 9,128</u></u>	<u><u>\$ 6,421</u></u>	<u><u>\$ 8,390</u></u>
Accruing modified loans to borrowers experiencing financial difficulty (1)	\$ 21	\$ 450	\$ 484
<b>Ratios</b>			
Nonaccrual loans to total loans	0.17 %	0.13 %	0.32 %
NPAs to total loans plus OREO	0.27 %	0.22 %	0.38 %
NPAs to total assets	0.21 %	0.18 %	0.29 %
ACL - Loans to nonaccrual loans	770 %	625 %	281 %
ACL - Loans to total loans	1.30 %	0.78 %	0.91 %

(1) Amounts prior to January 1, 2023 represent accruing troubled debt restructured loans.

At December 31, 2023, 2022 and 2021, loans individually evaluated had specific reserves of \$4,245,000, \$8,000 and \$964,000, respectively. Levels of specific reserves are dependent on the specific underlying impaired loans at any given time. Management has evaluated the aforementioned loans and other loans classified as nonperforming and believes that all nonperforming loans have been adequately reserved for in the allowance for credit losses at December 31, 2023.

**Nonaccrual Loans**

Loans are typically placed on nonaccrual status when any payment of principal and/or interest is 90 days or more past due, unless the collateral is sufficient to cover both principal and interest and the loan is in the process of collection. Loans are also placed on nonaccrual status when management believes, after considering economic and business conditions, that the principal or interest will not be collectible in the normal course of business. We monitor closely the performance of our loan portfolio. In addition to the monitoring and review of loan performance internally, we have also contracted with an independent organization to review our commercial and retail loan portfolios. The status of delinquent loans, as well as situations identified as potential problems, is reviewed on a regular basis by senior management.

**ALLOWANCE FOR CREDIT LOSSES - LOANS**

The Company assesses the adequacy of its ACL - Loans at the end of each calendar quarter. The level of ACL - Loans is based on the Company's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay a loan, the estimated value of any underlying collateral, composition of the loan portfolio and other relevant factors. The ACL - Loans is increased by a provision for credit losses, which is charged to expense, when the analysis shows that an increase is warranted. The ACL - Loans is reduced by charge-offs, net of recoveries, when they occur. The ACL is believed adequate to absorb all expected future losses to be recognized over the contractual life of the loans in the portfolio.

For further details on the Company's ACL - Loans, refer to the footnotes presented along with the consolidated financial statements elsewhere in this report.

At December 31, 2023, the ACL - Loans was \$43.6 million (representing 1.30% of period end loans). The Company adopted CECL as of January 1, 2023, which increased the ACL - Loans by \$11.0 million. In addition, the ACL - Loans increased due to the acquisition of Hometown, which required a \$3.6 million provision for credit losses on non-Purchase Credit Deteriorated ("PCD") loans and a \$5.5 million reserve related to PCD loans. The reserve related to PCD loans was recorded as an adjustment to the acquisition date fair values on these loans and was not included in the provision for credit losses. Net charge-offs remain negligible.

The following table summarizes the changes in our ACL - Loans for the years indicated:

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Balance of ACL - Loans at the beginning of period	\$ 22,680	\$ 20,315	\$ 17,658
Adoption of CECL	10,972	—	—
ACL - Loans on PCD loans acquired	5,534	—	—
Net loans charged-off (recovered):			
Commercial & industrial	(22)	(499)	180
Commercial real estate - owner occupied	(70)	816	275
Commercial real estate - non-owner occupied	—	(360)	(5)
Commercial real estate - multi-family	—	—	—
Construction & Development	—	(152)	(143)
Residential 1-4 family	(106)	26	110
Consumer	—	21	6
Other Loans	67	(17)	20
Total net loans recovered	(131)	(165)	443
Provision charged to operating expense	4,292	2,200	3,100
Balance of ACL - Loans at end of period	<u>\$ 43,609</u>	<u>\$ 22,680</u>	<u>\$ 20,315</u>
<b>Ratio of net charge-offs (recoveries) to average loans by loan composition</b>			
Commercial & industrial	(0.00)%	(0.12)%	0.05 %
Commercial real estate - owner occupied	(0.01)%	0.13 %	0.05 %
Commercial real estate - non-owner occupied	— %	(0.06)%	— %
Commercial real estate - multi-family	— %	— %	— %
Construction & Development	— %	(0.09)%	(0.11)%
Residential 1-4 family	(0.01)%	— %	0.02 %
Consumer	— %	0.05 %	0.02 %
Other Loans	0.36 %	(0.04)%	0.07 %
Total net charge-offs (recoveries) to average loans	(0.00)%	(0.01)%	0.02 %

The level of charge-offs depends on many factors, including the national and regional economy. Cyclical lagging factors may result in charge-offs being higher than historical levels. The dollar amount of the ACL - Loans increased primarily as a result of loan growth and changes in the portfolio composition. Although the allowance is allocated between categories, the entire allowance is available to absorb losses attributable to all loan categories. Management believes that the ACL - Loans is adequate.

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The following table summarizes an allocation of the ACL - Loans and the related percentage of loans outstanding in each category for the periods below.

(in thousands, except %)	As of December 31					
	2023		2022		2021	
	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans
<b>Loan Type:</b>						
Commercial & industrial	\$ 5,965	15 %	\$ 4,071	17 %	\$ 3,699	16 %
Commercial real estate - owner occupied	12,285	27 %	5,204	25 %	5,633	26 %
Commercial real estate - non-owner occupied	5,700	14 %	2,644	23 %	3,123	14 %
Commercial real estate - multi-family	4,754	10 %	2,761	%	2,028	10 %
Construction & development	3,597	6 %	1,592	7 %	984	6 %
Residential 1-4 family	10,620	27 %	5,944	25 %	4,445	26 %
Consumer	615	1 %	314	2 %	224	1 %
Other loans	73	— %	150	1 %	179	1 %
Total allowance	\$ 43,609	100 %	\$ 22,680	100 %	\$ 20,315	100 %

**SOURCES OF FUNDS**

**General.** Deposits traditionally have been our primary source of funds for our investment and lending activities. We continue to focus on growing core deposits through our relationship driven banking philosophy and community-focused marketing programs. We also borrow from the FHLB of Chicago to supplement cash needs, to lengthen the maturities of liabilities for interest rate risk management purposes and to manage our cost of funds. Our additional sources of funds are scheduled payments and prepayments of principal and interest on loans and investment securities and fee income and proceeds from the sales of loans and securities.

**Deposits.** Our current deposit products include non-interest bearing and interest-bearing checking accounts, savings accounts, money market accounts, and certificate of deposits. As of December 31, 2023, deposit liabilities accounted for approximately 81.3% of our total liabilities and equity. We accept deposits primarily from customers in the communities in which our branches and offices are located, as well as from small businesses and other customers throughout our lending area. We rely on our competitive pricing and products, quality customer service, and convenient locations and hours to attract and retain deposits. Deposit rates and terms are based primarily on current business strategies, market interest rates, liquidity requirements and our deposit growth goals.

Total deposits were \$3.43 billion and \$3.06 billion as of December 31, 2023 and 2022, respectively. Noninterest-bearing deposits at December 31, 2023 and 2022 were \$1.05 billion and \$934.1 million, respectively, while interest-bearing deposits were \$2.38 billion and \$2.13 billion at December 31, 2023 and 2022, respectively.

At December 31, 2023, we had a total of \$582.0 million in certificates of deposit, including \$0.7 million of brokered deposits, of which \$0.7 million had remaining maturities of one year or less. Based on historical experience and our current pricing strategy, we believe we will retain a large portion of these accounts upon maturity.

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The following tables set forth the average balances of our deposits for the periods indicated:

	Year ended December 31, 2023		Year ended December 31, 2022		Year ended December 31, 2021	
	Amount	Percent	Amount	Percent	Amount	Percent
Noninterest-bearing demand deposits	\$ 1,078,468	31.9 %	\$ 878,727	31.6 %	\$ 785,364	32.0 %
Interest-bearing checking deposits	293,568	8.7 %	253,443	9.1 %	209,970	8.6 %
Savings deposits	833,360	24.6 %	691,599	24.8 %	497,958	20.3 %
Money market accounts	665,988	19.7 %	666,717	23.9 %	664,591	27.1 %
Certificates of deposit	509,273	15.1 %	286,054	10.3 %	278,602	11.4 %
Brokered deposits	3,184	0.1 %	8,587	0.3 %	14,718	0.6 %
<b>Total</b>	<b>\$ 3,383,841</b>	<b>100 %</b>	<b>\$ 2,785,127</b>	<b>100 %</b>	<b>\$ 2,451,203</b>	<b>100 %</b>

The following table provides information on maturities of certificates of deposits which exceed FDIC insurance limits of \$250,000 as of December 31, 2023:

	Time Deposits over FDIC Insurance Limits	Portion of Time Deposits in Excess of FDIC Insurance Limits
	(dollars in thousands)	
3 months or less remaining	\$ 62,889	\$ 34,139
Over 3 to 6 months remaining	26,972	10,472
Over 6 to 12 months remaining	41,665	21,665
Over 12 months or more remaining	11,169	3,919
<b>Total</b>	<b>\$ 142,695</b>	<b>\$ 70,195</b>

**Borrowings**

Deposits and investment securities for sale are the primary source of funds for our lending activities and general business purposes. However, we may also obtain advances from the FHLB, purchase federal funds and engage in overnight borrowing from the Federal Reserve, correspondent banks, or enter into repurchase agreements.

*Securities sold under repurchase agreements*

The Company has securities sold under repurchase agreements which have contractual maturities up to one year from the transaction date with variable and fixed rate terms. The agreements to repurchase require that the Company (seller) repurchase identical securities as those that are sold. The securities underlying the agreements are under the Company's control.

The following table summarizes securities sold under repurchase agreements, and the weighted average interest rates paid:

(dollars in thousands)	Year ended December 31,		
	2023	2022	2021
Average daily amount of securities sold under repurchase agreements during the period	\$ 36,833	\$ 25,749	\$ 34,637
Weighted average interest rate on average daily securities sold under repurchase agreements	4.92 %	2.11 %	0.03 %
Maximum outstanding securities sold under repurchase agreements at any month-end	\$ 75,747	\$ 97,196	\$ 57,915
Securities sold under repurchase agreements at period end	\$ 75,747	\$ 97,196	\$ 41,122
Weighted average interest rate on securities sold under repurchase agreements at period end	5.31 %	4.31 %	0.02 %

*Lines of credit and other borrowings*

The Company's other borrowings have historically consisted primarily of short-term FHLB of Chicago advances collateralized by a blanket pledge agreement on the Company's FHLB capital stock and retail and commercial loans held in the Company's portfolio. There were \$35.3 million and \$1.9 million of advances outstanding from the FHLB at December 31, 2023 and 2022, respectively. See Note 14 "Notes Payable" of the Notes to Consolidated Financial Statements under Part II, Item 8 for additional disclosures.

The total loans pledged as collateral were \$1.49 billion and \$1.15 billion at December 31, 2023 and 2022, respectively.

The Company maintains a \$7.5 million line of credit with a commercial bank, which was entered into on May 15, 2022. There were no outstanding balances on this note at December 31, 2023 or 2022. Any future borrowings will require monthly payments of interest at a variable rate, and will be due in full on May 15, 2024.

During September 2017, the Company entered into subordinated note agreements with three separate commercial banks under which it borrowed \$11.5 million. These notes were all issued with 10-year maturities, carried interest at a variable rate payable quarterly, were callable on or after the sixth anniversary of the issuance dates, and qualified for Tier 2 capital for regulatory purposes. These notes were repaid in full during October 2023.

On July 22, 2020, the Company entered into subordinated note agreements with two separate commercial banks. The Company had through December 31, 2020, to borrow funds up to a maximum availability of \$6.0 million under each agreement, or \$12.0 million total. These notes were issued with 10-year maturities, carry interest at a fixed rate of 5.0% through June 30, 2025, and at a variable rate thereafter, payable quarterly. These notes are callable on or after January 1, 2026 and qualify for Tier 2 capital for regulatory purposes. The Company had outstanding balances of \$6.0 million under these agreements at December 31, 2023 and 2022.

During August 2022, the Company entered into subordinated note agreements with an individual. The Company had outstanding balances of \$6.0 million under these agreements as of December 31, 2023 and 2022. These notes were issued with 10-year maturities, carry interest at a fixed rate of 5.25% through August 6, 2027, and at a variable rate thereafter, payable quarterly. These notes are callable on or after August 6, 2027 and qualify for Tier 2 capital for regulatory purposes. The individual associated with these subordinated note agreements is not a related party of the Company.

As a result of the acquisition of Hometown during February 2023, the Company acquired all of the common securities of Hometown's wholly-owned subsidiaries, Hometown Bancorp, Ltd. Capital Trust I ("Trust I") and Hometown Bancorp, Ltd. Capital Trust II ("Trust II"). The Company also assumed adjustable rate junior subordinated debentures issued to these trusts. The junior subordinated debentures issued to Trust I and Trust II totaled \$4.1 million and \$8.2 million, respectively, carried interest at floating rates resetting on each quarterly payment date, and were due on January 7, 2034 and December 15, 2036, respectively. Applicable discounts originally totaling \$1.5 million were recorded to carry the assumed debentures at their then estimated fair value and were being accreted to interest expense over the remaining life of the debentures. Both junior subordinated debentures were redeemable by the Company, subject to prior approval by the Federal Reserve Bank, on any quarterly payment date. The junior subordinated debentures represented the sole asset of Trust I and Trust II. The trusts were not included in the Company's consolidated financial statements. The net effect of all agreements assumed with respect to Trust I and Trust II is that the Company, through payments on its debentures, was liable for the distributions and other payments required on the trusts' preferred securities. Trust I and Trust II also provided the Company with \$12.0 million in Tier 1 capital for regulatory capital purposes. The Company redeemed the junior subordinated debenture related to Trust II during December 2023, resulting in Trust II's dissolution. The Company redeemed the junior subordinated debenture related to Trust I on January 8, 2024, resulting in Trust I's dissolution. As a result of the redemption of the junior subordinated debenture related to Trust II and notification of the Company's intent to redeem the junior subordinated debenture of Trust I prior to December 31, 2023, the Company amortized the remaining original fair value discounts into interest expense during 2023.

## INVESTMENT SECURITIES

Our securities portfolio consists of securities available for sale and securities held to maturity. Securities are classified as held to maturity or available for sale at the time of purchase. Obligations of states and political subdivisions and mortgage-backed securities, all of which are issued by U.S. government agencies or U.S. government-sponsored enterprises, make up the largest components of the securities portfolio. We manage our investment portfolio to provide an adequate level of liquidity as well as to maintain neutral interest rate-sensitive positions, while earning an adequate level of investment income without taking undue or excessive risk.

Securities available for sale consist of U.S. Treasury securities, obligations of states and political subdivision, agency mortgage-backed securities, corporate notes, and certificates of deposits. Securities classified as available for sale, which management has the intent and ability to hold for an indefinite period of time, but not necessarily to maturity, are carried at fair value, with unrealized gains and losses, net of related deferred income taxes, included in stockholders' equity as a separate component of other comprehensive income. The fair value of securities available for sale totaled \$142.2 million and included gross unrealized gains of \$86,000 and gross unrealized losses of \$12.2 million at December 31, 2023. At December 31, 2022, the fair value of securities available for sale totaled \$304.6 million and included gross unrealized gains of \$0.5 million and gross unrealized losses of \$21.8 million.

Securities classified as held to maturity consist of U.S. Treasury securities and obligations of states and political subdivisions. These securities, which management has the intent and ability to hold to maturity, are reported at amortized cost. Securities held to maturity as of December 31, 2023 and 2022, are carried at their amortized cost of \$103.3 million and \$45.1 million, respectively.

The Company recognized a net loss on sale of investment securities of \$7.9 million during the year ended December 31, 2023. The Company did not sell any securities in 2022.

The following tables set forth the composition and maturities of investment securities as of December 31, 2023 and December 31, 2022. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Within One Year		After One, But Within Five Years		After Five, But Within Ten Years		After Ten Years		Total	
	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)
<b>At December 31, 2023</b>										
Available for sale securities										
Obligations of U.S. Government sponsored agencies	\$ 980	5.1 %	\$ 1,464	5.0 %	\$ 16,202	2.2 %	\$ 12,807	2.2 %	\$ 31,453	2.5 %
Obligations of states and political subdivisions	—	— %	9,828	4.1 %	14,542	3.5 %	39,559	2.8 %	63,929	3.1 %
Mortgage-backed securities	3,579	2.6 %	8,649	3.3 %	11,788	4.1 %	13,773	3.7 %	37,789	3.6 %
Corporate notes	4,995	3.3 %	5,000	6.5 %	9,119	3.4 %	1,543	6.5 %	20,657	4.4 %
Certificates of deposit	490	1.3 %	—	— %	—	— %	—	— %	490	1.3 %
Total available for sale securities	\$ 10,044	3.1 %	\$ 24,941	4.4 %	\$ 51,651	3.2 %	\$ 67,682	2.9 %	\$ 154,318	3.3 %
Held to maturity securities										
U.S. Treasury securities	\$ 16,816	3.4 %	\$ 60,714	3.6 %	\$ 21,643	4.7 %	\$ —	—	\$ 99,173	3.8 %
Obligations of states and political subdivisions	956	2.7 %	2,324	2.5 %	871	3.0 %	—	— %	4,151	2.6 %
Total held to maturity securities	\$ 17,772	3.4 %	\$ 63,038	3.6 %	\$ 22,514	4.6 %	\$ —	— %	\$ 103,324	3.8 %
Total	<u>\$ 27,816</u>	<u>3.3 %</u>	<u>\$ 87,979</u>	<u>3.8 %</u>	<u>\$ 74,165</u>	<u>3.7 %</u>	<u>\$ 67,682</u>	<u>2.9 %</u>	<u>\$ 257,642</u>	<u>3.5 %</u>

At December 31, 2022	Within One Year		After One, But Within Five Years		After Five, But Within Ten Years		After Ten Years		Total	
	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)
<b>Available for sale securities</b>										
U.S. Treasury securities	\$ 99,991	1.2 %	\$ 9,857	1.2 %	\$ 39,766	1.5 %	\$ —	— %	149,614	1.3 %
Obligations of U.S. Government sponsored agencies	—	— %	—	— %	12,846	1.5 %	12,089	1.9 %	24,935	1.7 %
Obligations of states and political subdivisions	3,927	3.0 %	5,541	3.6 %	24,338	3.5 %	56,895	3.0 %	90,701	3.2 %
Mortgage-backed securities	3,358	2.4 %	9,829	2.9 %	12,608	3.2 %	12,906	3.4 %	38,701	3.1 %
Corporate notes	—	— %	4,983	3.3 %	14,674	3.6 %	1,348	8.6 %	21,005	3.8 %
Certificates of deposit	503	1.1 %	501	1.2 %	—	— %	—	— %	1,004	1.2 %
Total available for sale securities	\$ 107,779	1.3 %	\$ 30,711	2.5 %	\$ 104,232	2.5 %	\$ 83,238	3.0 %	\$ 325,960	2.2 %
<b>Held to maturity securities</b>										
U.S. Treasury securities	\$ —	— %	\$ 35,772	2.7 %	\$ 4,130	3.6 %	\$ —	— %	39,902	2.9 %
Obligations of states and political subdivisions	389	3.2 %	3,935	2.6 %	871	3.1 %	—	— %	5,195	2.7 %
Total held to maturity securities	\$ 389	3.2 %	\$ 39,707	2.7 %	\$ 5,001	4.2 %	\$ —	— %	\$ 45,097	2.9 %
<b>Total</b>	<b>\$ 108,168</b>	<b>1.3 %</b>	<b>\$ 70,418</b>	<b>2.6 %</b>	<b>\$ 109,233</b>	<b>2.6 %</b>	<b>\$ 83,238</b>	<b>3.0 %</b>	<b>\$ 371,057</b>	<b>2.3 %</b>

(1) Weighted Average Yield is shown on a fully taxable equivalent basis using a federal tax rate of 21%.

## LIQUIDITY AND CAPITAL RESOURCES

**Liquidity.** Liquidity is defined as the Company's ability to generate adequate cash to meet its needs for day-to-day operations and material long and short-term commitments. Liquidity is the risk of potential loss if we were unable to meet our funding requirements at a reasonable cost. We are expected to maintain adequate liquidity at the Bank to meet the cash flow requirements of customers who may be either depositors wishing to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. Our asset and liability management policy is intended to cause the Bank to maintain adequate liquidity and, therefore, enhance our ability to raise funds to support asset growth, meet deposit withdrawals and lending needs, maintain reserve requirements and otherwise sustain our operations.

We continuously monitor our liquidity position to ensure that assets and liabilities are managed in a manner that will meet all of our short-term and long-term cash requirements. We manage our liquidity based on demand and specific events and uncertainties to meet current and future financial obligations of a short-term nature. We also monitor our liquidity requirements in light of interest rate trends, changes in the economy and the scheduled maturity and interest rate sensitivity of the investment and loan portfolios and deposits. Our objective in managing liquidity is to respond to the needs of depositors and borrowers as well as to increase earnings enhancement opportunities in a changing marketplace.

Our liquidity is maintained through investment portfolio, deposits, borrowings from the FHLB, and lines available from correspondent banks. Our highest priority is placed on growing noninterest bearing deposits through strong community involvement in the markets that we serve. Borrowings and brokered deposits are considered short-term supplements to our overall liquidity but are not intended to be relied upon for long-term needs. We believe that our present position is adequate to meet our current and future liquidity needs, and management knows of no trend or event that will have a material impact on the Company's ability to maintain liquidity at satisfactory levels. Management further believes that our present position is adequate to assure that securities classified as held to maturity will not need to be sold prior to maturity.

**Capital Adequacy.** Total shareholders' equity was \$619.8 million at December 31, 2023, compared to \$453.1 million at December 31, 2022. Our total shareholders' equity increased during 2023 and 2022 as a result of our profitability, reduced by dividends paid and common share repurchases. Growth in shareholders' equity was further stimulated by the acquisitions of Hometown during 2023 and Denmark during 2022.

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Our capital management consists of providing adequate equity to support our current and future operations. We are subject to various regulatory capital requirements administered by state and federal banking agencies, including the Federal Reserve and the OCC. Failure to meet minimum capital requirements may prompt certain actions by regulators that, if undertaken, could have a direct material adverse effect on our financial condition and results of operations. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and Company must meet specific capital guidelines that involve quantitative measure of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and the classifications are also subject to qualitative judgment by the regulator in regards to risk weighting and other factors. See "Business—Supervision and Regulation—Capital Requirements."

The following table reflects capital ratios computed pursuant to the regulatory capital rules as applicable to the Company and the Bank. As a result of the Economic Growth Act, the Company is no longer required to comply with its risk-based capital rules. For more information, see "Business—Supervision and Regulation—Capital Requirements."

	Actual		Minimum Capital Required for Capital Adequacy		Minimum Capital Required for Capital Adequacy Plus Capital Conservation Buffer Basel III Phase-In Schedule		Minimum To Be Well-Capitalized Under prompt corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>At December 31, 2023</b>								
Bank First Corporation:								
Total capital (to risk-weighted assets)	\$ 484,398	14.0 %	\$ 276,904	8.0 %	\$ 363,437	10.5 %	N/A	N/A
Tier I capital (to risk-weighted assets)	437,979	12.7 %	207,678	6.0 %	294,211	8.5 %	N/A	N/A
Common equity tier I capital (to risk-weighted assets)	433,979	12.5 %	155,759	4.5 %	242,291	7.0 %	N/A	N/A
Tier I capital (to average assets)	437,979	11.1 %	158,581	4.0 %	158,581	4.0 %	N/A	N/A
Bank First, N.A.:								
Total capital (to risk-weighted assets)	\$ 446,634	12.9 %	\$ 276,726	8.0 %	\$ 363,202	10.5 %	\$ 345,907	10.0 %
Tier I capital (to risk-weighted assets)	412,215	11.9 %	207,544	6.0 %	294,021	8.5 %	276,726	8.0 %
Common equity tier I capital (to risk-weighted assets)	412,215	11.9 %	155,658	4.5 %	242,135	7.0 %	224,840	6.5 %
Tier I capital (to average assets)	412,215	10.4 %	158,585	4.0 %	158,585	4.0 %	198,231	5.0 %
<b>At December 31, 2022</b>								
Bank First Corporation:								
Total capital (to risk-weighted assets)	\$ 387,814	12.2 %	\$ 253,689	8.0 %	\$ 332,967	10.5 %	N/A	N/A
Tier I capital (to risk-weighted assets)	341,634	10.8 %	190,627	6.0 %	269,545	8.5 %	N/A	N/A
Common equity tier I capital (to risk-weighted assets)	341,634	10.8 %	142,700	4.5 %	221,978	7.0 %	N/A	N/A
Tier I capital (to average assets)	341,634	9.7 %	140,992	4.0 %	140,992	4.0 %	N/A	N/A
Bank First, N.A.:								
Total capital (to risk-weighted assets)	\$ 372,312	11.8 %	\$ 253,504	8.0 %	\$ 332,724	10.5 %	\$ 316,880	10.0 %
Tier I capital (to risk-weighted assets)	349,632	11.0 %	190,128	6.0 %	269,348	8.5 %	253,504	8.0 %
Common equity tier I capital (to risk-weighted assets)	349,632	11.0 %	142,596	4.5 %	221,816	7.0 %	205,972	6.5 %
Tier I capital (to average assets)	349,632	9.9 %	140,887	4.0 %	140,887	4.0 %	176,108	5.0 %

As previously mentioned, the Company carried \$12.0 million of subordinated debt and \$4.0 million of junior subordinated debt as of December 31, 2023 and \$23.5 million of subordinated debt as of December 31, 2022, which is included in total capital for the Company in the tables above.

#### FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

We are party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments primarily include commitments to originate and sell loans, standby and direct pay letters of credit, unused lines of credit and unadvanced portions of construction and development loans. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in these particular classes of financial instruments.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments, standby and direct pay letters of credit and unadvanced portions of construction and development loans is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

#### **Off-Balance Sheet Arrangements.**

Our significant off-balance-sheet arrangements consist of the following:

- Unused lines of credit
- Standby and direct pay letters of credit
- Credit card arrangements

Off-balance sheet arrangement means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the registrant is a party, under which the registrant has (1) any obligation under a guarantee contract, (2) retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement, (3) any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument, or (4) any obligation, including a contingent obligation, arising out of a variable interest.

Loan commitments are made to accommodate the financial needs of our customers. Standby and direct pay letters of credit commit us to make payments on behalf of customers when certain specified future events occur. Both arrangements have credit risk essentially the same as that involved in extending loans to clients and are subject to our normal credit policies. Collateral (e.g., securities, receivables, inventory, equipment, etc.) is obtained based on management's credit assessment of the customer.

Loan commitments and standby and direct pay letters of credit do not necessarily represent our future cash requirements because while the borrower has the ability to draw upon these commitments at any time, these commitments occasionally expire without being drawn upon. Our off-balance sheet arrangements as of December 31, 2023 were as follows:

Other Commitments	Amounts of Commitments Expiring - By Period as of December 31, 2023				
	Total	Less Than One Year	One to Three Years	Three to Five Years	After Five Years
(dollars in thousands)					
Unused lines of credit	\$ 799,398	\$ 369,800	\$ 129,181	\$ 66,070	\$ 234,347
Standby and direct pay letters of credit	9,785	7,615	1,407	580	183
Credit card arrangements	21,213	—	—	—	21,213
Total commitments	<u>\$ 830,396</u>	<u>\$ 377,415</u>	<u>\$ 130,588</u>	<u>\$ 66,650</u>	<u>\$ 255,743</u>

We closely monitor the amount of our remaining future commitments to borrowers in light of prevailing economic conditions and adjust these commitments as necessary. We will continue this process as new commitments are entered into or existing commitments are renewed.

#### **Effects of Inflation**

The effect of inflation on a financial institution differs significantly from the effect on an industrial company. While a financial institution's operating expenses, particularly salary and employee benefits, are affected by general inflation, the asset and liability structure of a financial institution consists largely of monetary items. Monetary items, such as cash, investments, loans, deposits and other borrowings, are those assets and liabilities which are or will be converted into a fixed number of dollars regardless of changes in prices. As a result, changes in interest rates have a more significant impact on a financial institution's performance than does general inflation. For additional information regarding interest rates and changes in net interest income see "Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Sensitivity." Inflation may have impacts on the Bank's customers, on businesses and consumers and their ability or willingness to invest, save or

spend, and perhaps on their ability to repay loans. As such, there would likely be impacts on the general appetite of banking products and the credit health of the Bank's customer base.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises primarily from interest rate risk inherent in its lending, investment and deposit-taking activities. To that end, management actively monitors and manages its interest rate risk exposure.

Our profitability is affected by fluctuations in interest rates. A sudden and substantial change in interest rates may adversely impact our earnings to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis. We monitor the impact of changes in interest rates on its net interest income using several tools.

Our primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on our net interest income and capital, while configuring our asset-liability structure to obtain the maximum yield-cost spread on that structure. We rely primarily on our asset-liability structure to control interest rate risk.

**Interest Rate Sensitivity.** Interest rate risk is the risk to earnings and value arising from changes in market interest rates. Interest rate risk arises from timing differences in the repricings and maturities of interest-earning assets and interest-bearing liabilities (repricing risk), changes in the expected maturities of assets and liabilities arising from embedded options, such as borrowers' ability to prepay home mortgage loans at any time and depositors' ability to redeem certificates of deposit before maturity (option risk), changes in the shape of the yield curve where interest rates increase or decrease in a nonparallel fashion (yield curve risk), and changes in spread relationships between different yield curves, such as U.S. Treasuries and LIBOR (basis risk).

An asset sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate higher net interest income, as rates earned on our interest-earning assets would reprice upward more quickly than rates paid on our interest-bearing liabilities, thus expanding our net interest margin. Conversely, a liability sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate lower net interest income, as rates paid on our interest-bearing liabilities would reprice upward more quickly than rates earned on our interest-earning assets, thus compressing our net interest margin.

The Company actively manages its interest rate sensitivity position. The objectives of interest rate risk management are to control exposure of net interest income to risks associated with interest rate movements and to achieve sustainable growth in net interest income. The Company's ALCO, using policies and procedures approved by the Company's board of directors, is responsible for the management of the Company's interest rate sensitivity position. The Company manages interest rate sensitivity by changing the mix, pricing and re-pricing characteristics of its assets and liabilities, through the management of its investment portfolio, its offerings of loan and selected deposit terms and through wholesale funding. Wholesale funding consists of, but is not limited to, multiple sources including borrowings with the FHLB of Chicago, the Federal Reserve Bank of Chicago's discount window and certificates of deposit from institutional brokers.

The Company uses several tools to manage its interest rate risk including interest rate sensitivity analysis, or gap analysis, market value of portfolio equity analysis, interest rate simulations under various rate scenarios and net interest margin reports. The results of these reports are compared to limits established by the Company's ALCO policies and appropriate adjustments are made if the results are outside the established limits.

There are an infinite number of potential interest rate scenarios, each of which can be accompanied by differing economic/political/regulatory climates; can generate multiple differing behavior patterns by markets, borrowers, depositors, etc.; and, can last for varying degrees of time. Therefore, by definition, interest rate risk sensitivity cannot be predicted with certainty. Accordingly, the Company's interest rate risk measurement philosophy focuses on maintaining an appropriate balance between theoretical and practical scenarios; especially given the primary objective of the Company's overall asset/liability management process is to facilitate meaningful strategy development and implementation.

Therefore, we model a set of interest rate scenarios capturing the financial effects of a range of plausible rate scenarios; the collective impact of which will enable the Company to clearly understand the nature and extent of its sensitivity to interest rate changes. Doing so necessitates an assessment of rate changes over varying time horizons and of varying/sufficient degrees such that the impact of embedded options within the balance sheet are sufficiently examined.

The following table demonstrates, as of December 31, 2023, the annualized result of an interest rate simulation and the estimated effect that a parallel interest rate shift, or “shock,” in the yield curve and subjective adjustments in deposit pricing might have on the Company’s projected net interest income over the next 12 months. This simulation assumes that there is no growth in interest-earning assets or interest-bearing liabilities over the next 12 months. The changes to net interest income shown below are in compliance with the Company’s policy guidelines.

Change in Interest Rates (in Basis Points)	Percentage Change in Net Interest Income
+400	0.1%
+300	0.1%
+200	0.1%
+100	0.2%
-100	(0.1)%

**Economic Value of Equity Analysis.** We also analyze the sensitivity of the Company’s financial condition to changes in interest rates through our economic value of equity model. This analysis measures the difference between estimated changes in the present value of the Company’s assets and estimated changes in the present value of the Company’s liabilities assuming various changes in current interest rates. The Company’s economic value of equity analysis as of December 31, 2023 estimated that, in the event of an instantaneous 200 basis point increase in interest rates, the Company would experience a 4.05% increase in the economic value of equity. At the same date, our analysis estimated that, in the event of an instantaneous 100 basis point decrease in interest rates, the Company would experience 2.10% decrease in the economic value of equity. The estimates of changes in the economic value of our equity require us to make certain assumptions including loan and mortgage-related investment prepayment speeds, reinvestment rates, and deposit maturities and decay rates. These assumptions are inherently uncertain and, as a result, we cannot precisely predict the impact of changes in interest rates on the economic value of our equity. Although our economic value of equity analysis provides an indication of our interest rate risk exposure at a particular point in time, such estimates are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on the economic value of our equity and will differ from actual results.

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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**Bank First Corporation and Subsidiaries Manitowoc, Wisconsin**

## **Consolidated Financial Statements**

Years Ended December 31, 2023, 2022 and 2021

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## Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders  
Bank First Corporation

### ***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated balance sheets of Bank First Corporation and Subsidiaries (the "Company") as December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2024, expressed an unqualified opinion thereon.

### ***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### ***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Allowance for Credit Losses - Loans*

As described in Note 4 to the financial statements the Company's allowance for credit losses on loans ("ACL-Loans") was \$43.6 million as of December 31, 2023. To estimate the ACL – Loans the Company segments the loan portfolio into loan pools based on loan type and similar credit risk elements. Loans with similar risk characteristics are evaluated in pools and the Company utilizes a discounted cash flow ("DCF") method where probability of default and loss given default assumptions are applied to a projective model of the pool's cash flows while considering prepayment and principal curtailment effects. The Company utilizes peer call report data to measure historical credit loss experience with similar risk characteristics within the segments over an economic cycle and has incorporated macroeconomic drivers to adjust the historical loss experience estimate for reasonable and supportable forecasts that are quantitatively related to the Company's historical credit loss experience. The expected credit losses for each loan pool are then adjusted for changes in qualitative factors not inherently considered in the quantitative analyses and include lending policy, changes in nature and volume of loans, staff experience, changes in volume and trends of problem loans, concentration risk, trends in underlying collateral values, external factors, quality of loan review system and other economic conditions.

We identified the ACL-Loans as a critical audit matter. The principal considerations for our determination included the high degree of judgment and subjectivity in auditing management's determination of the reasonable and supportable forecasts, and the identification and measurement of qualitative factor adjustments. This required a high degree of effort, specialized skills and knowledge, and significant judgment.

The primary procedures we performed to address this critical audit matter included:

- Evaluated the design and operating effectiveness of controls relating to the ACL-Loans, including:
  - Controls over the completeness and accuracy of data included in the model used to determine the ACL-Loans, and
  - Controls over management's review and approval of the ACL-Loans, including management's determination of the reasonable and supportable forecasts and qualitative factor adjustments applied within the qualitative framework.
- Evaluated forecast inputs and assumptions and involved our internal specialists to test the model through a recalculation of the DCF methodology within the ACL-Loans model.
- Evaluated the reasonableness of management's qualitative factor adjustments, including testing management's identification of qualitative factors, the application of qualitative factor adjustments within the model, and assessing the completeness and accuracy of data utilized in development of the qualitative adjustments.
- Evaluated management's judgments and assumptions related to the qualitative adjustments by assessing relevant trends in credit quality and evaluating the relationship of the trends to the qualitative adjustments applied to the ACL-Loans.

*Merger with Hometown Bancorp, Ltd. - Fair Value of Loans Acquired*

As described in Note 2 to the financial statements, the Company completed a merger with Hometown Bancorp, Ltd. on February 10, 2023. The Company accounted for this acquisition under the acquisition method of accounting. The Company recognized the full fair value of assets acquired and liabilities and immediately expensed transaction costs. Determination of the acquisition date fair values of the assets acquired and liabilities assumed required management to make significant estimates and assumptions. Specifically, a high degree of management judgment was required to determine the fair value loan portfolio acquired in the business combination. The fair value of the acquired loans was \$395.8 million as of February 10, 2023.

We identified the acquisition date fair value of acquired loans as a critical audit matter. The principal considerations for our determination included the high degree of judgment and subjectivity involved in auditing management's key inputs and

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assumptions, particularly as it relates to the discount rates, prepayment rates, identification and measurement of purchase credit deteriorated ("PCD") loans, and credit loss assumptions used to determine the fair value of acquired loans. This required a high degree of auditor effort, specialized skills and knowledge, and significant auditor judgment.

The primary procedures we performed to address this critical audit matter included:

- Evaluated the design and operating effectiveness of controls relating to the valuation of acquired loans, including controls addressing:
  - Management's review of the reasonableness of the discount rates, prepayment rates, identification and measurement of PCD loans, and credit loss assumptions used in the estimate of the fair value of acquired loans.
  - Management's review of the results of the third-party valuation of the acquired loan portfolio, including the review of the completeness and accuracy of the data inputs used as a basis for the valuations.
- Evaluated the completeness and accuracy of data inputs used as a basis for the valuation of the acquired loan portfolio.
- Evaluated, with the assistance of internal specialists, the reasonableness of the discount rates, prepayment rates, identification and measurement of PCD loans, and credit loss assumptions used in the estimate of the fair value of acquired loans, including, for a selected sample of loans, developing an independent expectation for comparison to management's fair value of the acquired loans.
- Tested the mathematical accuracy of the estimated fair value, including the application of the assumptions used in the calculation.

/s/ FORVIS, LLP

We have served as the Company's auditor since 2019.

Atlanta, GA

February 29, 2024

## Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders  
Bank First Corporation

### ***Opinion on the Internal Control over Financial Reporting***

We have audited Bank First Corporation and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of December 31, 2023, and 2022, and for each of the three years in the period ended December 31, 2023, and our report dated February 29, 2024, expressed an unqualified opinion on those consolidated financial statements.

### ***Basis for Opinion***

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As described in management's annual report on internal control over financial reporting, the scope of management's assessment of internal control over financial reporting as of December 31, 2023, has excluded Hometown Bancorp, Ltd. ("Hometown") acquired on February 10, 2023. We have also excluded Hometown from the scope of our audit of internal control over financial reporting. The fair value of assets acquired from Hometown at the acquisition date represented 14.6 percent of the consolidated total assets of the Company as of December 31, 2023.

***Definitions and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

/s/ FORVIS, LLP

Atlanta, GA

**February 29, 2024**

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Bank First Corporation and Subsidiaries  
Consolidated Balance Sheets

		<u>December 31, 2023</u> (In thousands, except share and per share data)	<u>December 31, 2022</u>
<b>Assets</b>			
Cash and due from banks	\$ 69,973	\$ 51,524	
Interest-bearing deposits	177,495	67,827	
Cash and cash equivalents	247,468	119,351	
Securities held to maturity, at amortized cost (\$103,626 and \$43,770 fair value at December 31, 2023 and December 31, 2022, respectively)	103,324	45,097	
Securities available for sale, at fair value (\$154,318 and \$325,960 amortized cost at December 31, 2023 and December 31, 2022, respectively)	142,197	304,637	
Loans held for sale	3,012	648	
Loans	3,342,974	2,893,978	
Allowance for credit losses - loans ("ACL-Loans")	(43,609)	(22,680)	
Loans, net	3,299,365	2,871,298	
Premises and equipment, net	69,891	56,448	
Goodwill	175,106	110,206	
Other investments	21,366	16,495	
Cash value of life insurance	61,292	46,050	
Core deposit intangibles, net	26,996	16,829	
Mortgage servicing rights ("MSR")	13,668	9,582	
Other real estate owned ("OREO")	2,573	2,520	
Investment in minority-owned subsidiaries	32,926	44,180	
Other assets	22,658	17,091	
<b>TOTAL ASSETS</b>	<b>\$ 4,221,842</b>	<b>\$ 3,660,432</b>	
<b>Liabilities and Stockholders' Equity</b>			
Liabilities:			
Deposits:			
Interest-bearing deposits	\$ 2,382,185	\$ 2,126,137	
Noninterest-bearing deposits	1,050,735	934,092	
Total deposits	3,432,920	3,060,229	
Securities sold under repurchase agreements	75,747	97,196	
Notes payable	35,270	1,929	
Subordinated notes	12,000	23,500	
Junior subordinated debenture	4,124	—	
Other liabilities	41,983	24,475	
Total liabilities	3,602,044	3,207,329	
Stockholders' equity:			
Serial preferred stock - \$0.01 par value			
Authorized - 5,000,000 shares	—	—	
Common stock - \$0.01 par value			
Authorized - 20,000,000 shares			
Issued - 11,515,130 and 10,064,858 shares as of December 31, 2023 and December 31, 2022, respectively			
Outstanding - 10,365,131 and 9,021,697 shares as of December 31, 2023 and December 31, 2022, respectively	115	101	
Additional paid-in capital	333,815	218,263	
Retained earnings	348,001	295,496	
Treasury stock, at cost - 1,149,999 and 1,043,161 shares as of December 31, 2023 and December 31, 2022, respectively	(53,387)	(45,191)	
Accumulated other comprehensive loss	(8,746)	(15,566)	
Total stockholders' equity	619,798	453,103	
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 4,221,842</b>	<b>\$ 3,660,432</b>	

See accompanying notes to consolidated financial statements.

Bank First Corporation and Subsidiaries  
Consolidated Statements of Income

	Years Ended December 31		
	2023	2022	2021
	(In Thousands, except per share amounts)		
<b>Interest income:</b>			
Loans, including fees	\$ 168,815	\$ 106,951	\$ 93,422
Securities:			
Taxable	8,460	5,887	2,788
Tax-exempt	1,035	1,801	1,866
Other	4,173	1,895	310
Total interest income	<u>182,483</u>	<u>116,534</u>	<u>98,386</u>
<b>Interest expense:</b>			
Deposits	42,367	10,268	7,527
Securities sold under repurchase agreements	1,813	542	10
Borrowed funds	4,823	1,639	767
Total interest expense	<u>49,003</u>	<u>12,449</u>	<u>8,304</u>
<b>Net interest income</b>	<u>133,480</u>	<u>104,085</u>	<u>90,082</u>
<b>Provision for credit losses</b>	<u>4,682</u>	<u>2,200</u>	<u>3,100</u>
<b>Net interest income after provision for credit losses</b>	<u>128,798</u>	<u>101,885</u>	<u>86,982</u>
<b>Noninterest income:</b>			
Service charges	7,033	5,810	6,128
Income from Ansay and Associates, LLC ("Ansay")	2,922	2,558	2,587
Income from UFS, LLC ("UFS")	2,265	3,055	2,556
Loan servicing income	2,860	1,922	1,622
Valuation adjustment on MSR	395	2,865	1,290
Net gain on sales of mortgage loans	897	1,560	7,371
Gain on sale of UFS	38,904	—	—
Other	2,839	1,931	1,967
Total noninterest income	<u>58,115</u>	<u>19,701</u>	<u>23,521</u>
<b>Noninterest expense:</b>			
Salaries, commissions, and employee benefits	40,355	33,155	28,515
Occupancy	5,670	5,467	4,198
Data processing	8,011	6,324	5,344
Postage, stationery, and supplies	1,084	771	713
Net loss (gain) on sales and valuations of OREO	2,133	(146)	(20)
Net loss on sale of securities	7,901	—	3
Advertising	326	271	227
Charitable contributions	944	718	534
Outside service fees	6,350	6,727	3,076
Amortization of intangibles	6,324	2,318	1,405
Other	9,021	6,348	6,541
Total noninterest expense	<u>88,119</u>	<u>61,953</u>	<u>50,536</u>
<b>Income before provision for income taxes</b>	<u>98,794</u>	<u>59,633</u>	<u>59,967</u>
<b>Provision for income taxes</b>	<u>24,280</u>	<u>14,419</u>	<u>14,523</u>
<b>Net Income</b>	<u><b>\$ 74,514</b></u>	<u><b>\$ 45,214</b></u>	<u><b>\$ 45,444</b></u>
<b>Earnings per share - basic</b>	<u><b>\$ 7.28</b></u>	<u><b>\$ 5.58</b></u>	<u><b>\$ 5.92</b></u>
<b>Earnings per share - diluted</b>	<u><b>\$ 7.28</b></u>	<u><b>\$ 5.58</b></u>	<u><b>\$ 5.92</b></u>

See accompanying notes to consolidated financial statements

Bank First Corporation and Subsidiaries  
Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2023	2022	2021
Net Income	\$ 74,514	\$ 45,214	\$ 45,444
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale securities:			
Unrealized holding gains (losses) arising during period	1,302	(26,266)	(2,946)
Amortization of unrealized holding gains on securities transferred from available for sale to held to maturity	(1)	(1)	(2)
Reclassification adjustment for losses included in net income	7,901	—	3
Income tax benefit (expense)	(2,382)	7,092	795
Total other comprehensive income (loss)	6,820	(19,175)	(2,150)
Comprehensive income	<u>\$ 81,334</u>	<u>\$ 26,039</u>	<u>\$ 43,294</u>

See accompanying notes to consolidated financial statements.

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**Bank First Corporation and Subsidiaries**  
**Consolidated Statements of Stockholders' Equity**

(dollars in thousands)	Serial Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
Balance at January 1, 2021	\$ —	\$ 85	\$ 92,847	\$ 221,393	\$ (25,227)	\$ 5,759	\$ 294,857
Net income	—	—	—	45,444	—	—	45,444
Other comprehensive loss	—	—	—	—	—	(2,150)	(2,150)
Purchase of treasury stock	—	—	—	—	(8,272)	—	(8,272)
Sale of treasury stock	—	—	—	—	114	—	114
Cash dividends (\$1.14 per share)	—	—	—	(8,733)	—	—	(8,733)
Amortization of stock-based compensation	—	—	1,393	—	—	—	1,393
Vesting of restricted stock awards	—	—	(1,091)	—	1,091	—	—
Balance at December 31, 2021	\$ —	\$ 85	\$ 93,149	\$ 258,104	\$ (32,294)	\$ 3,609	\$ 322,653
Net income	—	—	—	45,214	—	—	45,214
Other comprehensive loss	—	—	—	—	—	(19,175)	(19,175)
Purchase of treasury stock	—	—	—	—	(14,314)	—	(14,314)
Sale of treasury stock	—	—	—	—	114	—	114
Cash dividends (\$0.94 per share)	—	—	—	(7,822)	—	—	(7,822)
Amortization of stock-based compensation	—	—	1,662	—	—	—	1,662
Vesting of restricted stock awards	—	—	(1,303)	—	1,303	—	—
Shares issued in the acquisition of Denmark Bancshares, Inc. (1,579,530 shares)	—	16	124,755	—	—	—	124,771
Balance at December 31, 2022	\$ —	\$ 101	\$ 218,263	\$ 295,496	\$ (45,191)	\$ (15,566)	\$ 453,103
Net income	—	—	—	74,514	—	—	74,514
Other comprehensive income	—	—	—	—	—	6,820	6,820
Purchase of treasury stock	—	—	—	—	(10,046)	—	(10,046)
Sale of treasury stock	—	—	—	—	195	—	195
Cash dividends (\$1.15 per share)	—	—	—	(11,959)	—	—	(11,959)
Amortization of stock-based compensation	—	—	2,142	—	—	—	2,142
Vesting of restricted stock awards	—	—	(1,655)	—	1,655	—	—
Adoption of new accounting pronouncement (See Note 1)	—	—	—	(10,050)	—	—	(10,050)
Shares issued in the acquisition of Hometown Bancorp, Ltd. (1,450,272 shares)	—	14	115,065	—	—	—	115,079
Balance at December 31, 2023	<hr/> \$ —	<hr/> \$ 115	<hr/> \$ 333,815	<hr/> \$ 348,001	<hr/> \$ (53,387)	<hr/> \$ (8,746)	<hr/> \$ 619,798

See accompanying notes to consolidated financial statements.

Bank First Corporation and Subsidiaries  
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2023	2022	2021
	(In Thousands)		
<b>Cash flows from operating activities:</b>			
Net income	\$ 74,514	\$ 45,214	\$ 45,444
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	4,682	2,200	3,100
Depreciation and amortization of premises and equipment	2,073	1,656	1,780
Amortization of intangibles	6,324	2,318	1,405
Net amortization (accretion) of securities	(2,377)	315	807
Amortization of stock-based compensation	2,142	1,662	1,393
Accretion of purchase accounting valuations	(6,884)	(2,559)	(1,947)
Net change in deferred loan fees and costs	(1,434)	(881)	(1,208)
Benefit from deferred income taxes	(1,724)	(869)	(1)
Change in fair value of MSR and other investments	(693)	(3,028)	465
Loss (gain) from sale and disposal of premises and equipment and valuation allowance	363	57	(37)
Net loss (gain) on sale of OREO and valuation allowance	2,133	(146)	(20)
Proceeds from sales of mortgage loans	74,693	85,471	295,904
Originations of mortgage loans held for sale	(76,160)	(83,774)	(290,372)
Gain on sales of mortgage loans	(897)	(1,560)	(7,371)
Realized loss on sale of securities	7,901	—	3
Realized gain on sale of UFS	(38,904)	—	—
Undistributed income of UFS joint venture	(2,265)	(3,055)	(2,556)
Undistributed income of Ansay joint venture	(2,922)	(2,558)	(2,587)
Net earnings on life insurance	(1,534)	(925)	(768)
Decrease (increase) in other assets	(2,006)	2,877	1,862
Increase (decrease) in other liabilities	15,920	(2,407)	(5,013)
Net cash provided by operating activities	52,945	40,008	40,283
<b>Cash flows from investing activities, net of effects of business combination:</b>			
Activity in securities available for sale and held to maturity:			
Sales	76,038	—	9,087
Maturities, prepayments, and calls	126,737	14,690	34,033
Purchases	(26,646)	(142,414)	(93,767)
Proceeds from other investments	248	—	—
Net increase in loans	(37,410)	(198,000)	(41,713)
Proceeds from sale of UFS	51,674	—	—
Dividends received from UFS	1,747	2,408	2,646
Dividends received from Ansay	1,924	1,960	1,840
Proceeds from sale of OREO	1,827	320	1,893
Net sales (purchases) of Federal Home Loan Bank ("FHLB") stock	262	(635)	—
Net purchases of Federal Reserve Bank ("FRB") stock	(3,880)	(3,627)	—
Proceeds from life insurance	—	—	265
Proceeds from sale of premises and equipment	—	—	548
Purchases of premises and equipment	(13,484)	(6,872)	(8,718)
Net cash received in business combination	89,959	154,364	—
Net cash provided by (used in) investing activities	268,996	(177,806)	(93,886)

Bank First Corporation and Subsidiaries  
Consolidated Statements of Cash Flows - (continued)

	Years Ended December 31		
	2023	2022 (In Thousands)	2021
<b>Cash flows from financing activities, net of effects of business combination:</b>			
Net increase (decrease) in deposits	\$ (159,410)	\$ (72,879)	\$ 207,770
Net increase (decrease) in securities sold under repurchase agreements	(21,449)	56,074	4,745
Proceeds from advances of notes payable	121,700	3,122,700	5,000
Repayment of notes payable	(93,107)	(3,129,584)	(20,380)
Proceeds from issuance of subordinated notes	—	6,000	—
Repayment of subordinated notes	(11,500)	—	—
Repayment of junior subordinated debentures	(8,248)	—	—
Dividends paid	(11,959)	(7,822)	(8,733)
Proceeds from sales of common stock	195	114	114
Repurchase of common stock	(10,046)	(14,314)	(8,272)
Net cash provided by (used in) financing activities	(193,824)	(39,711)	180,244
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>128,117</b>	<b>(177,509)</b>	<b>126,641</b>
Cash and cash equivalents at beginning of year	119,351	296,860	170,219
<b>Cash and cash equivalents at end of year</b>	<b>\$ 247,468</b>	<b>\$ 119,351</b>	<b>\$ 296,860</b>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for:			
Interest	\$ 44,145	\$ 11,311	\$ 7,064
Income taxes	23,806	14,135	16,760
Supplemental schedule of noncash activities:			
Loans transferred to OREO	—	24	—
Closed branch building transferred to OREO	2,623	1,115	140
MSR resulting from sale of loans	879	771	1,862
Amortization of unrealized holding gains on securities transferred from available for sale to held to maturity recognized in other comprehensive income, net of tax	(1)	(1)	(2)
Change in unrealized gains and losses on investment securities available for sale, net of tax	(1,080)	(19,174)	(2,148)
<b>Acquisition:</b>			
Fair value of assets acquired	\$ 615,105	\$ 685,840	\$ —
Fair value of liabilities assumed	549,564	612,700	—
<b>Net assets acquired</b>	<b>\$ 65,541</b>	<b>\$ 73,140</b>	<b>\$ —</b>
Common stock issued in acquisition	\$ 115,079	\$ 124,771	\$ —

See accompanying notes to consolidated financial statements.

Bank First Corporation and Subsidiaries  
Notes to Consolidated Financial Statements

**Note 1 Summary of Significant Accounting Policies**

The accounting and reporting policies of Bank First Corporation and Subsidiaries ("Company") conform to generally accepted accounting principles ("GAAP") in the United States and general practices within the financial institution industry. Significant accounting and reporting policies are summarized below.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Veritas Asset Holdings, LLC ("Veritas") and Bank First, National Association ("Bank"). Veritas was dissolved by the Company during the year ended December 31, 2023. The Bank's wholly owned subsidiaries are Bank First Investments, Inc., TVG Holdings, Inc. ("TVG") and BFC Title LLC. All significant intercompany balances and transactions have been eliminated. The Bank and TVG have investments in minority-owned subsidiaries that are accounted for using the equity method in the consolidated financial statements. The Bank owned 49.8% of UFS, which provides data processing solutions to over 60 banks in the Midwest, through October 1, 2023. On that date it sold 100% of its member interest in UFS to a third party. TVG owns 40.0% of Ansay providing clients throughout the Midwest with superior insurance and risk management solutions.

**Organization**

The Company provides a variety of financial services to individual and business customers, primarily located in Wisconsin, through the Bank. The Bank is subject to competition from other traditional and nontraditional financial institutions and is also subject to the regulations of certain federal agencies and undergoes periodic examinations by those regulatory authorities including the Office of the Comptroller of the Currency and the Federal Reserve Bank.

**Use of Estimates in Preparation of Financial Statements**

The preparation of the accompanying consolidated financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. The allowance for credit losses, carrying value of real estate owned, carrying value of goodwill, fair value of mortgage servicing rights, and fair values of financial instruments are inherently subjective and are susceptible to significant change.

**Business Combinations**

The Company accounts for business combinations under the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, Business Combinations. The Company recognizes the full fair value of the assets acquired and liabilities assumed and immediately expenses transaction costs. If the amount of consideration exceeds the fair value of assets purchased less the fair value of liabilities assumed, goodwill is recorded. Alternatively, if the amount by which the fair value of assets purchased exceeds the fair value of liabilities assumed and consideration paid, a gain (bargain purchase gain) is recorded. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Results of operations of the acquired business are included in the statement of income from the effective date of the acquisition. Additional information regarding acquisitions is provided in Note 2.

**Cash and Cash Equivalents**

For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash on hand, interest-bearing and noninterest-bearing accounts in other financial institutions, and federal funds sold, all of which have original maturities of three months or less. Generally, federal funds are purchased and sold for one day periods. In the normal course of business, the Company maintains cash and due from bank balances with correspondent banks. Accounts at each institution that are insured by the Federal Deposit Insurance Corporation have up to \$250,000 of insurance. Total uninsured balances held at December 31, 2023 and 2022 were approximately \$3,100,000 and \$2,900,000, respectively.

**Securities**

Securities are classified as held to maturity ("HTM") or available for sale ("AFS") at the time of purchase. Investment securities classified as HTM, which management has the intent and ability to hold to maturity, are reported at amortized cost. Investment securities classified as AFS, which management has the intent and ability to hold for an indefinite period of time, but not necessarily to maturity, are carried at fair value, with unrealized gains and losses, net of related deferred income taxes, included in stockholders' equity as a separate component of other comprehensive income.

The net carrying value of debt securities classified as HTM or AFS is adjusted for amortization of premiums and accretion of discounts utilizing the effective interest method over the expected estimated maturity. Such amortization and accretion is included as an adjustment to interest income from securities. Interest and dividends are included in interest income from securities.

Transfers of debt securities into the HTM classification from the AFS classification are made at fair value as of the date of transfer. The unrealized holding gain or loss as of the date of transfer is retained in other comprehensive income and in the carrying value of the HTM securities, establishing the amortized cost of the security. These unrealized holding gains and losses as of the date of transfer are amortized or accreted over the remaining life of the security.

Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings.

Prior to January 1, 2023, unrealized gains or losses considered temporary and the noncredit portion of unrealized losses deemed other-than-temporary were reported as an increase or decrease in accumulated other comprehensive income. The credit related portion of unrealized losses deemed other-than-temporary were recorded in current period earnings.

Subsequent to January 1, 2023, as a result of adopting ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), the Bank evaluates securities for potential credit losses at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. For AFS securities, management determines whether the decline in fair value below the amortized cost basis (impairment) is due to credit-related or other factors. In making that evaluation, management considers the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. Any impairment on AFS securities that is related to factors other than credit is recognized in other comprehensive income, net of related deferred income taxes. Credit-related impairment on AFS securities is recognized as an allowance for credit losses ("ACL") on the balance sheet based on the amount by which the amortized cost basis exceeds the fair value, with a corresponding charge to net income. Both the ACL and charge to net income may be reversed if conditions change. However, if the Company intends to sell, or more likely than not will be required to sell, an impaired AFS security before recovering its amortized cost basis, the entire impairment must be recognized in net income with a corresponding adjustment to the security's amortized cost basis rather than through the establishment of an ACL. For HTM securities, management determines whether an ACL is necessary after considering the facts and circumstances of the underlying investment securities and evaluates expected credit losses by security type, aggregated by similar risk characteristics, based on historical credit losses adjusted for current conditions and supportable forecasts. The Company's HTM portfolio primarily consists of U.S. Treasury securities which have an explicit government guarantee; therefore, no ACL has been recorded for these securities.

**Other Investments**

Other investments are carried at cost, or, where available, recently observable market prices, which approximates fair value, and consist of FHLB stock, FRB stock and Bankers' Bancorporation stock. Other investments are evaluated for impairment at least on an annual basis.

**Loans Held for Sale**

Loans originated and intended for sale in the secondary market, consisting of the current origination of certain fixed-rate mortgage loans, are carried at the lower of cost or estimated fair value in the aggregate. A gain or loss is recognized at the time of the sale reflecting the present value of the difference between the contractual interest rate of the loans sold and the yield to the investor, adjusted for the initial value of mortgage servicing rights associated with loans sold with servicing retained. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

**Loans and Related Interest Income - Originated**

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are carried at their amortized cost basis, which is the unpaid principal balance outstanding, net of deferred loan fees and costs and any direct principal charge-offs.

Interest income is accrued on the unpaid principal balance using the simple interest method. The accrual of interest income on loans is discontinued when, in the opinion of management, there is reasonable doubt as to the borrower's ability to meet payment of interest or principal when due. Loans are generally placed on nonaccrual status when contractually past due 90 days or more as to interest or principal, though they may be placed in such status earlier. Loans past due 90 days or more may continue on accrual only when they are well secured and/or in process of collection or renewal. When interest accrual is discontinued, all previously accrued but uncollected interest is reversed against current period interest income. Except in very limited circumstances, cash collections on nonaccrual loans are credited to the loan receivable balance and no interest income is recognized on those loans until the principal balance is paid in full. Accrual of interest may be resumed when the customer is current on all principal and interest payments and has been paying on a timely basis for a sustained period of time.

A description of each segment of the loan portfolio, including the corresponding credit risk, is included below:

*Commercial / Industrial* – Commercial and industrial loans are typically made to small and middle-market established businesses involved in professional services, accommodation and food services, health care, financial services, wholesale trade, manufacturing, distribution, retailing and non-profits. Most clients are privately owned with markets that range from local to national in scope. Many of the loans to this segment are secured by liens on corporate assets and the personal guarantees of the principals. The regional economic strength or weakness impacts the relative risks in this loan category. There is little concentration in any one business sector, and loan risks are generally diversified among many borrowers. Risks associated with commercial and industrial loans include monitoring the condition of the collateral which often consists of inventory, accounts receivable, and other non-real estate assets. Declines in general economic conditions and other events can cause cash flows to fall to levels insufficient to service this debt.

*Commercial Real Estate – Owner Occupied and Non-owner Occupied* – Commercial real estate loans generally have terms of 10 years or less, although payments may be structured on a longer amortization basis. We evaluate each borrower on an individual basis and attempt to determine their business risks and credit profile. We attempt to reduce credit risk in the commercial real estate portfolio by emphasizing loans on owner-occupied industrial, office, and retail buildings where the loan-to-value ratio, established by independent appraisals, does not generally exceed 85% of cost or appraised value. We also generally require that a borrower's cash flow exceed 110% of monthly debt service obligations. In order to ensure secondary sources of payment and liquidity to support a loan request, we typically review all of the personal financial statements of the principal owners and require their personal guarantees. Commercial real estate loans are generally viewed as having more risk of default than residential real estate loans. They are also typically larger than residential real estate loans and consumer loans and depend on cash flows from the owner's business or the property to service the debt. Because our loan portfolio contains a number of commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in our levels of nonperforming assets. Non-owner occupied commercial real estate also carries an elevated risk of vacancy inhibiting cash flow and creating an inability to service the debt.

**Multi-Family** – Multi-family loans are a subset of commercial real estate loans and generally carry similar terms and underwriting requirements. These loans are broken out as a separate segment due to unique risk characteristics that they exhibit. While similar in nature to other non-owner occupied commercial real estate, they are significantly impacted by the individual credit capacity of many more individual tenants than other commercial real estate as well as the condition and capacity of the local residential housing markets. The underlying real estate also has a lack of suitable alternative uses.

**Construction and Development** – Construction and development loans are generally limited to a term of 9 to 24 months, although payments may be structured on a longer amortization basis. Most loans will mature and require payment in full upon completion and either the sale of the property or refinance into a permanent loan. We believe that construction and development loans generally carry a higher degree of risk than long-term financing of stabilized, rented, and owner-occupied properties because repayment depends on the ultimate completion of the project and usually on the subsequent sale of the property. We attempt to reduce risk associated with construction and development loans by obtaining personal guaranties and by keeping the maximum loan-to-value ratio at or below 85% of the lesser of cost or appraised value, depending on the project type. Generally, we do not have interest reserves built into loan commitments but require periodic cash payments for interest from the borrower's cash flow.

**Residential 1-4 Family** – We offer fixed and adjustable rate residential real estate loans with terms of up to 30 years. We also offer a variety of lot loan options to consumers to purchase the lot on which they intend build their home. We also offer traditional home equity loans and lines of credit. Our underwriting criteria for, and the risks associated with, home equity loans and lines of credit are generally the same as those for first mortgage loans. Home equity loans typically have terms of 20 years or less. We generally limit the extension of credit to 90% of the available equity of each property. These loans carry risk associated with local employment and declining real estate values.

**Consumer** – Consumer loans are underwritten based on the borrower's income, current debt level, past credit history, and the availability and value of collateral. Consumer rates are both fixed and variable, with negotiable terms. Our installment loans typically amortize over periods up to seven years. Although we typically require monthly principal and interest payments on our loan products, we will offer consumer loans at interest only with a single maturity date when a specific source of repayment is available. Consumer loans are generally considered to have greater risk than first or second mortgages on real estate because they may be unsecured, or, if they are secured, the value of the collateral may be difficult to assess and more likely to decrease in value than real estate.

**Other** – We make loans utilized to purchase or carry securities as well as loans to nonprofit organizations. Other loans also include overdrawn depository accounts.

**Loans and Related Interest Income - Acquired**

Loans purchased in acquisition transactions are acquired loans, and are recorded at their fair value at the acquisition date.

Prior to January 1, 2023, the Company initially classified acquired loans as either purchased credit impaired ("PCI") loans (i.e., loans that reflect credit deterioration since origination and it is probable at acquisition that the Company will be unable to collect all contractually required payments) or purchased non-impaired loans (i.e., performing acquired loans). The Company estimated the fair value of PCI loans based on the amount and timing of expected principal, interest and other cash flows for each loan. The excess of the loan's contractual principal and interest payments over all cash flows expected to be collected at acquisition was considered an amount that should not be accreted. These credit discounts ("nonaccretable marks") were included in the determination of the initial fair value for acquired loans; therefore, no allowance for credit losses was recorded at the acquisition date. Differences between the estimated fair values and expected cash flows of acquired loans at the acquisition date that were not credit-based ("accretable marks") were subsequently accreted to interest income over the estimated life of the loans. Subsequent to the acquisition date for PCI loans, increases in cash flows over those expected at the acquisition date resulted in a move of the discount from nonaccretable to accretable, while decreases in expected cash flows after the acquisition date were recognized through the provision for credit losses.

Subsequent to January 1, 2023, as a result of adopting ASU 2016-13, acquired loans that have evidence of more-than-insignificant deterioration in credit quality since origination are considered purchased credit deteriorated ("PCD") loans. At acquisition, an estimate of expected credit losses is made for PCD loans. This initial allowance for credit losses is allocated to individual PCD loans and added to the purchase price or acquisition date fair value to establish the initial cost basis of the PCD loans. Any difference between the unpaid principal balance of PCD loans and the amortized cost basis is considered to relate to noncredit factors, resulting in a discount or premium that is accreted or amortized to interest income. For acquired loans not deemed PCD loans at acquisition, the difference between the initial fair value mark and the unpaid principal balance is recognized in interest income over the estimated life of the loans. In addition, an initial allowance for expected credit losses is estimated and recorded as provision expense at the acquisition date. The subsequent measurement of expected credit losses for all acquired loans is the same as the subsequent measurement of expected credit losses for originated loans.

**Allowance for Credit Losses - Loans**

The ACL – Loans represents management's estimate of expected credit losses in the Company's loan portfolio at the balance sheet date. The Company estimates the ACL – Loans based on the amortized cost basis of the underlying loan and has made an accounting policy election to exclude accrued interest from the loan's amortized cost basis and the related measurement of the ACL – Loans. Estimating the amount of the ACL – Loans is a function of a number of factors, including but not limited to changes in the loan portfolio, net charge-offs, trends in past due and nonaccrual loans, and the level of potential problem loans, all of which may be susceptible to significant change. We establish the ACL – Loans through charges to earnings, which are shown in the statements of income as the provision for credit losses. Specifically identifiable and quantifiable known losses are promptly charged off against the allowance.

Prior to January 1, 2023, the Company used an incurred loss impairment model. This methodology assessed the overall appropriateness of the allowance for credit losses and included allocations for specifically impaired loans and loss factors for all remaining loans, with a component primarily based on historical loss rates and another component primarily based on other qualitative factors. Impaired loans were individually assessed and measured based on the present value of expected future cash flows discounted at the loan's effective price or the fair value of the collateral if the loan was collateral dependent. Loans that were determined not to be impaired were collectively evaluated for impairment, stratified by type and allocated loss ranges based on the Company's actual historical loss ratios for each strata, and adjustments were also provided for certain environmental and other qualitative factors.

Subsequent to January 1, 2023, as a result of adopting ASU 2016-13, the Company uses a current expected loss model ("CECL"). This methodology also considers historical loss rates and other qualitative adjustments, as well as a new forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the ACL – Loans estimate under CECL, the Company segments the loan portfolio into loan pools based on loan type and similar credit risk elements; calculates the historical loss rates for the segmented loan pools; applies the loss rates over the calculated life of the pooled loans; adjusts the forecasted macro-level economic conditions; and determines qualitative adjustments based on factors and conditions unique to the Company's portfolio. The Company further individually evaluates PCD loans and other loans that no longer share similar risk characteristics with the collectively evaluated pools based on the amount and timing of estimated future cash flows or collateral values and establishes specific reserves when these estimated future cash flows or collateral values do not justify the carrying value of the loan.

Management believes that the ACL - Loans is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the ACL - Loans. Such agencies may require the Bank to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

**Allowance for Credit Losses – Unfunded Commitments**

In addition to the ACL – Loans, the Company has established an allowance for unfunded commitments, included in other liabilities on the consolidated balance sheets, representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. The ACL – Unfunded Commitments is maintained at a level that management believes is sufficient to absorb losses arising from unfunded loan commitments, and is determined quarterly based on methodology similar to the methodology for determining the ACL – Loans.

**Premises and Equipment**

Premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Premises and equipment acquired in corporate acquisitions are recorded at estimated fair value on the date of acquisition. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of premises and equipment are reflected in income. Premises and equipment, and other long-term assets, are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Depreciation expense is computed using the straight-line method over the following estimated useful lives.

Buildings and improvements	40 years
Land improvements	20 years
Furniture, fixtures and equipment	2-7 years

**Other Real Estate Owned**

Assets acquired through, or in lieu of, loan foreclosure as well as buildings that the Company no longer utilizes in its operations are held for sale and are initially recorded at fair value at the date of foreclosure or abandonment less estimated costs to sell the asset, establishing a new cost basis. Any write downs at the time of foreclosure are charged to the allowance for credit loss. OREO properties acquired in conjunction with corporate acquisitions are recorded at fair value on the date of acquisition. Subsequent to foreclosure, valuations are periodically performed by management, and a valuation allowance is established if fair value declines below carrying value. Costs relating to the development and improvement of the property are capitalized. Revenue and expenses from operations and changes in the valuation allowance are included in other expenses.

**Intangible Assets and Goodwill**

Intangible assets consist of the value of core deposits, mortgage servicing assets and the excess of purchase price over fair value of net assets (goodwill). See Note 2 for additional information on acquisitions completed in 2023 and 2022.

The value of core deposits are typically recorded in connection with a whole bank or branch acquisition. The value of the core deposit intangible represents the estimated value of the long-term deposit relationships acquired in the transaction. Determining the value of cored deposits and their average lives involves multiple assumptions and estimates and is typically determined by performing a discounted cash flow analysis, which involves a combination of any or all of the following assumptions: customer attrition/runoff, alternative funding costs, deposit servicing costs, and discount rates. The value of core deposits are stated at cost less accumulated amortization and are amortized on a sum of the year's digits basis over a period of one to ten years.

Mortgage servicing rights are recognized as separate assets when rights are acquired through purchase or through sale of mortgage loans with servicing retained. Servicing rights acquired through sale of financial assets are recorded based on the fair value of the servicing right. The determination of fair value is based on a valuation model and includes stratifying the mortgage servicing rights by predominant characteristics, such as interest rates and terms, and estimating the fair value of each stratum based on the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as costs to service, a discount rate, and prepayment speeds. Changes in fair value are recorded as an adjustment to earnings.

The Company performs a "qualitative" assessment of goodwill to determine whether further impairment testing of indefinite-lived intangible assets is necessary on at least an annual basis. If it is determined, as a result of performing a qualitative assessment over goodwill, that it is more likely than not that goodwill is impaired, management will perform an impairment test to determine if the carrying value of goodwill is realizable.

The Company evaluated goodwill and core deposit intangibles for impairment during 2023, 2022 and 2021, determining that there was no goodwill or core deposit intangible impairment.

**Income Taxes**

The Company files one consolidated federal income tax return and four state returns. Federal income tax expense is allocated to each subsidiary based on an intercompany tax sharing agreement.

Deferred tax assets and liabilities have been determined using the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities and the current enacted tax rates which will be in effect when these differences are expected to reverse. Provision (benefit) for deferred taxes is the result of changes in the deferred tax assets and liabilities.

**Treasury Stock**

Common stock shares repurchased by the Company are recorded as treasury stock at cost.

**Securities Sold Under Repurchase Agreements**

The Company sells securities under repurchase agreements. These transactions are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were sold. The Company may have to provide additional collateral to the counterparty, as necessary.

**Off-Balance-Sheet Financial Instruments**

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments including commitments to extend credit, unfunded commitments under lines of credit, and letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded.

**Advertising**

Advertising costs are generally expensed as incurred.

**Per Share Computations**

Weighted average shares outstanding were 10,231,569, 8,104,117, and 7,680,896 for the years ended December 31, 2023, 2022 and 2021, respectively. All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities for basic and diluted earnings per share calculations. There were 58,359, 59,211, and 59,264 average shares of dilutive instruments outstanding during the years ended December 31, 2023, 2022, and 2021.

**Loss Contingencies**

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe that there are any such matters that will have a material effect on the consolidated financial statements at December 31, 2023 and 2022.

**Transfers of Financial Assets**

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Bank, the transferee obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets and the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

**Comprehensive Income**

GAAP normally requires that recognized revenues, expenses, gains and losses be included in net income. In addition to net income, another component of comprehensive income includes the after-tax effect of changes in unrealized gains and losses on available for sale securities. This item is reported as a separate component of stockholders' equity. The Company presents comprehensive income in the statement of comprehensive income.

**Stock-based Compensation**

The Company uses the fair value method of recognizing expense for stock-based compensation based on the fair value of restricted stock awards at the date of grant as prescribed by accounting standards codification Topic 781-10 *Compensation/Stock Compensation*.

**Mortgage Banking Derivatives**

Commitments to fund mortgage loans, at a set interest rate, (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free-standing derivatives. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest rate on the loan is locked. The Bank enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into in order to hedge the change in interest rates resulting from its commitments to fund loans. The forward commitments for the future delivery of mortgage loans are based on the Bank's "best efforts" and therefore the Bank is not penalized if a loan is not delivered to the investor if the loan did not get originated. Changes in the fair values of these derivatives generally offset each other and are included in "other income" in the consolidated statements of income.

**Reclassifications**

Certain 2022 and 2021 amounts have been reclassified to conform to the presentation used in 2023. These reclassifications had no effect on the operations, financial condition or cash flows of the Company.

**New Accounting Pronouncements**

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. It provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The updated guidance was originally effective for all entities from March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU 2022-06 which deferred the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The Company has been diligent in responding to reference rate reform and does not anticipate a significant impact to its financial statements as a result.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements*. This ASU modifies the disclosure or presentation requirements of a variety of topics in the Codification. Certain of the amendments represent clarifications to or technical corrections of the current requirements. The effective date for each amendment will be the date on which the Security and Exchange Commission's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. If, by June 30, 2027, the Securities and Exchange Commission has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity. The Company does not anticipate a significant impact to its financial statement disclosures as a result of this ASU.

**Recently Implemented Accounting Standards**

As a result of implementing ASU 2016-13 on January 1, 2023, the Company recorded a reduction to retained earnings of approximately \$10,050,000. The transition adjustment included an increase to the ACL-Loans of \$ 10,972,000 and an increase in the ACL – Unfunded Commitments of \$3,264,000, offset by applicable deferred taxes.

The Company adopted ASU 2016-13 using the prospective transition approach for financial assets considered PCD that were previously classified as PCI. The amortized cost of the PCD assets were adjusted to reflect the addition of \$0.3 million to the allowance for credit losses. The remaining noncredit discount (based on the adjusted amortized cost) will be accreted into interest income at the effective interest rate over the remaining life of the assets.

The following table presents the changes in the allowance for credit losses required as a result of this adoption:

Allowance for Credit Losses	January 1, 2023 As Reported After ASU 2016-13 Adoption	December 31, 2022 Pre-ASU 2016-13 Adoption	Impact of 2016-13 Adoption
<b>Assets</b>			
Loans held for investments			
Commercial/industrial	\$ 5,930	\$ 4,071	\$ 1,859
Commercial real estate - owner occupied	7,186	5,204	1,982
Commercial real estate - non-owner occupied	3,805	2,644	1,161
Commercial real estate - multi-family	3,514	2,761	753
Construction and development	3,655	1,592	2,063
Residential 1-4 family	8,511	5,944	2,567
Consumer	934	314	620
Other	117	150	(33)
Loans held for investments, total	33,652	22,680	10,972
<b>Liabilities</b>			
Unfunded commitments	3,264	-	3,264
<b>Total</b>	<b>\$ 36,916</b>	<b>\$ 22,680</b>	<b>\$ 14,236</b>

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings ("TDRs") and Vintage Disclosures*. This ASU eliminated the accounting guidance for TDRs by creditors and enhanced the disclosure requirements for loan modifications to borrowers experiencing financial difficulty. The ASU also requires public business entities to expand the vintage disclosures to include gross charge-offs by year of origination. The updated guidance was effective for fiscal years beginning after December 15, 2022. Adoption of this ASU did not have a material impact on the Company's consolidated financial statements; however, it resulted in new disclosures. See Note 4 for the new disclosures.

## Note 2 Acquisitions

### Hometown Bancorp, Ltd.

On February 10, 2023, the Company completed a merger with Hometown Bancorp, Ltd. ("Hometown"), a bank holding company headquartered in Fond du Lac, Wisconsin, pursuant to the Agreement and Plan of Bank Merger ("Merger Agreement"), dated as of July 25, 2022 by and among the Company and Hometown, whereby Hometown merged with and into the Company, and Hometown Bank, Hometown's wholly-owned banking subsidiary, merged with and into the Bank. Hometown's principal activity was the ownership and operation of Hometown Bank, a state-chartered banking institution that operated ten (10) branches in Wisconsin at the time of closing.

The merger consideration totaled approximately \$130,452,000. Pursuant to the terms of the Merger Agreement, Hometown shareholders could elect to receive either 0.3962 shares of the Company's common stock or \$ 29.16 in cash for each outstanding share of Hometown common stock, subject to a maximum of 30% cash consideration in total, with cash paid in lieu of any remaining fractional share. Company stock issued totaled 1,450,272 shares valued at approximately \$115,079,000, with cash of \$15,373,000 comprising the remainder of merger consideration.

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The fair value of the assets acquired and liabilities assumed on February 10, 2023 was as follows:

	As Recorded by Hometown	Fair Value Adjustments	As Recorded by the Company
Cash, cash equivalents and securities	\$ 174,582	\$ (1,010)	\$ 173,572
Other investments	1,195	—	1,195
Loans, net	406,168	(10,367)	395,801
Premises and equipment, net	7,577	(1,109)	6,468
Core deposit intangible	405	16,085	16,490
Other assets	28,011	(6,432)	21,579
<b>Total assets acquired</b>	<b>\$ 617,938</b>	<b>\$ (2,833)</b>	<b>\$ 615,105</b>
Deposits	\$ 532,165	\$ 209	\$ 532,374
Other borrowings	5,000	(331)	4,669
Junior subordinated debentures	12,372	(1,464)	10,908
Other liabilities	469	1,144	1,613
<b>Total liabilities assumed</b>	<b>\$ 550,006</b>	<b>\$ (442)</b>	<b>\$ 549,564</b>
Excess of assets acquired over liabilities assumed	<u>\$ 67,932</u>	<u>\$ (2,391)</u>	<u>\$ 65,541</u>
Less: purchase price			130,452
Goodwill			64,911
Refinement to fair value estimates (1)			(30)
<b>Goodwill (after refinement)</b>	<b>\$ 64,881</b>		

(1) Refinement consists of adjustments to the initial fair value estimates of other assets and liabilities.

Goodwill of \$64,881,000 arising from the merger consisted largely of synergies and the cost saves resulting from the combining of operations of the companies, and is not expected to be deductible for income tax purposes.

The Company purchased loans through this merger for which there was, at the date of acquisition, more than insignificant deterioration of credit quality since origination. The carrying value of these loans at acquisition was as follows:

	February 10, 2023
Purchase price of PCD loans at acquisition	\$ 25,778
Non-credit discount on PCD loans at acquisition	4,498
Allowance for credit losses on PCD loans at acquisition	5,534
<b>Par value of PCD acquired loans at acquisition</b>	<b>\$ 35,810</b>

**Denmark Bancshares, Inc.**

On August 12, 2022, the Company completed a merger with Denmark Bancshares, Inc. ("Denmark"), a bank holding company headquartered in Denmark, Wisconsin, pursuant to the Agreement and Plan of Bank Merger, dated as of January 18, 2022 by and between the Company and Denmark, whereby Denmark merged with and into the Company, and Denmark State Bank, Denmark's wholly-owned banking subsidiary, merged with and into the Bank. Denmark's principal activity was the ownership and operation of Denmark State Bank, a state-chartered banking institution that operated seven (7) branches in Wisconsin at the time of closing. The merger consideration totaled approximately \$128,781,000.

Pursuant to the terms of the merger agreement, Denmark shareholders could elect to receive either 0.5276 of a share of the Company's common stock or \$38.10 in cash for each outstanding share of Denmark common stock, subject to a maximum of 20% cash consideration in total, with cash paid in lieu of any remaining fractional share. Company stock issued totaled 1,579,530 shares valued at approximately \$124,771,000, with cash of \$4,010,000 comprising the remainder of merger consideration.

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The fair value of the assets acquired and liabilities assumed on August 12, 2022 was as follows:

	As Recorded by Denmark	Fair Value Adjustments	As Recorded by the Company
(in thousands)			
Cash, cash equivalents and securities	\$ 188,017	\$ (148)	\$ 187,869
Other investments	3,566	—	3,566
Loans, net	459,413	(2,358)	457,055
Premises and equipment, net	5,980	(1,635)	4,345
Core deposit intangible	—	15,112	15,112
Other assets	17,704	189	17,893
<b>Total assets acquired</b>	<b>\$ 674,680</b>	<b>\$ 11,160</b>	<b>\$ 685,840</b>
Deposits	\$ 604,636	\$ 166	\$ 604,802
Other borrowings	842	—	842
Other liabilities	3,951	3,105	7,056
<b>Total liabilities assumed</b>	<b>\$ 609,429</b>	<b>\$ 3,271</b>	<b>\$ 612,700</b>
Excess of assets acquired over liabilities assumed	<b>\$ 65,251</b>	<b>\$ 7,889</b>	<b>\$ 73,140</b>
Less: purchase price			128,781
Goodwill (originally recorded)			55,641
Refinement to fair value estimates (1)			(773)
Goodwill (after refinement)			<b>\$ 54,868</b>

(1) Refinement consists of adjustments to the initial fair value estimates of other assets and liabilities, primarily related to accrued and deferred income taxes.

The following unaudited pro forma information is presented for illustrative purposes only. The pro forma information should not be relied upon as being indicative of the historical results of operations the companies would have had if the merger had occurred before such periods or the future results of operations that the companies will experience as a result of the merger. The pro forma information, although helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings, opportunities to earn additional revenue, the impact of restructuring and merger-related expenses, or other factors that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. The unaudited pro forma information set forth below gives effect to the merger as if it had occurred on January 1, 2021, the beginning of the earliest period presented.

	Year Ended December 31, 2022
(in thousands, except per share data)	
Total revenue, net of interest expense	\$ 139,617
Net income	\$ 47,416
Diluted earnings per common share	\$ 5.21

The Company accounted for these transactions under the acquisition method of accounting, and thus, the financial position and results of operations of Hometown and Denmark prior to the consummation dates were not included in the accompanying consolidated financial statements. The Company determined the fair value of core deposit intangibles, securities, premises and equipment, loans, other assets and liabilities and deposits with the assistance of third-party valuations, appraisals and third-party advisors. The estimated fair values are subject to refinement for up to one year after deal consummation as additional information becomes available relative to the closing date fair values.

**Note 3 Securities**

The following is a summary of available for sale securities (dollar amounts in thousands):

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
<b>December 31, 2023</b>				
Obligations of U.S. Government sponsored agencies	\$ 31,453	\$ 4	\$ (3,163)	\$ 28,294
Obligations of states and political subdivisions	63,929	77	(5,760)	58,246
Mortgage-backed securities	37,789	5	(1,664)	36,130
Corporate notes	20,657	—	(1,619)	19,038
Certificates of deposit	490	—	(1)	489
<b>Total available for sale securities</b>	<b>\$ 154,318</b>	<b>\$ 86</b>	<b>\$ (12,207)</b>	<b>\$ 142,197</b>
<b>December 31, 2022</b>				
U.S. Treasury securities	\$ 149,614	\$ —	\$ (7,517)	\$ 142,097
Obligations of U.S. Government sponsored agencies	24,935	—	(3,186)	21,749
Obligations of states and political subdivisions	90,701	88	(7,603)	83,186
Mortgage-backed securities	38,701	—	(2,064)	36,637
Corporate notes	21,005	381	(1,392)	19,994
Certificates of deposit	1,004	—	(30)	974
<b>Total available for sale securities</b>	<b>\$ 325,960</b>	<b>\$ 469</b>	<b>\$ (21,792)</b>	<b>\$ 304,637</b>

The following is a summary of held to maturity securities (dollar amounts in thousands):

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
<b>December 31, 2023</b>				
U.S. Treasury securities	\$ 99,173	\$ 1,372	\$ (1,070)	\$ 99,475
Obligations of states and political subdivisions	4,151	—	—	4,151
<b>Total held to maturity securities</b>	<b>\$ 103,324</b>	<b>\$ 1,372</b>	<b>\$ (1,070)</b>	<b>\$ 103,626</b>
<b>December 31, 2022</b>				
U.S. Treasury securities	\$ 39,902	\$ 115	\$ (1,440)	\$ 38,577
Obligations of states and political subdivisions	5,195	—	(2)	5,193
<b>Total held to maturity securities</b>	<b>\$ 45,097</b>	<b>\$ 115</b>	<b>\$ (1,442)</b>	<b>\$ 43,770</b>

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The following table shows the fair value and gross unrealized losses of securities with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in thousands):

	Less Than 12 Months		Greater Than 12 Months		Total			Number of Securities
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		
<b>December 31, 2023 - Available for Sale</b>								
Obligations of U.S. Government sponsored agencies	\$ 6,519	\$ (173)	\$ 19,519	\$ (2,990)	\$ 26,038	\$ (3,163)		24
Obligations of states and political subdivisions	6,806	(71)	40,959	(5,689)	47,765	(5,760)		65
Mortgage-backed securities	5,751	(95)	28,693	(1,569)	34,444	(1,664)		104
Corporate notes	4,926	(68)	12,487	(1,551)	17,413	(1,619)		9
Certificate of deposits	—	—	489	(1)	489	(1)		2
<b>Totals</b>	<b>\$ 24,002</b>	<b>\$ (407)</b>	<b>\$ 102,147</b>	<b>\$ (11,800)</b>	<b>\$ 126,149</b>	<b>\$ (12,207)</b>		<b>204</b>
<b>December 31, 2023 - Held to Maturity</b>								
U.S. Treasury securities	\$ 31,785	\$ (99)	\$ 35,362	\$ (971)	\$ 67,147	\$ (1,070)		49
Obligations of states and political subdivisions	—	—	220	—	220	—		1
<b>Totals</b>	<b>\$ 31,785</b>	<b>\$ (99)</b>	<b>\$ 35,582</b>	<b>\$ (971)</b>	<b>\$ 67,367</b>	<b>\$ (1,070)</b>		<b>50</b>
<b>December 31, 2022 - Available for Sale</b>								
U.S. Treasury securities	\$ 99,433	\$ (559)	\$ 42,664	\$ (6,958)	\$ 142,097	\$ (7,517)		12
Obligations of U.S. Government sponsored agencies	6,735	(652)	15,014	(2,534)	21,749	(3,186)		16
Obligations of states and political subdivisions	50,839	(2,650)	15,933	(4,953)	66,772	(7,603)		103
Mortgage-backed securities	35,731	(1,993)	879	(71)	36,610	(2,064)		107
Corporate notes	9,701	(920)	3,080	(472)	12,781	(1,392)		8
Certificate of deposits	974	(30)	—	—	974	(30)		4
<b>Totals</b>	<b>\$ 203,413</b>	<b>\$ (6,804)</b>	<b>\$ 77,570</b>	<b>\$ (14,988)</b>	<b>\$ 280,983</b>	<b>\$ (21,792)</b>		<b>250</b>
<b>December 31, 2022 - Held to Maturity</b>								
U.S. Treasury securities	\$ 29,464	\$ (1,306)	\$ 4,868	\$ (134)	\$ 34,332	\$ (1,440)		15
Obligations of states and political subdivisions	417	(2)	—	—	417	(2)		2
<b>Totals</b>	<b>\$ 29,881</b>	<b>\$ (1,308)</b>	<b>\$ 4,868</b>	<b>\$ (134)</b>	<b>\$ 34,749</b>	<b>\$ (1,442)</b>		<b>17</b>

As of December 31, 2023, no allowance for credit losses has been recognized on available for sale securities in an unrealized loss position as the Company does not believe any of the debt securities are credit impaired. This is based on the Company's analysis of the risk characteristics, including credit ratings, and other qualitative factors related to these securities. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. As of December 31, 2023, the Company did not intend to sell these securities and it was more likely than not that the Company would not be required to sell the debt securities before recovery of their amortized cost, which may be at maturity. The unrealized losses have occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase, not credit deterioration.

Furthermore, the Company monitors the credit quality of debt securities held to maturity quarterly through the use of credit ratings. U.S. Treasury securities at December 31, 2023 were all rated AAA and have the full faith and credit backing of the United States Government. Obligations of states and political subdivisions in an unrealized loss position at December 31, 2023 are not material to the financial statements.

Contractual maturities will differ from expected maturities for mortgage-backed securities because borrowers may have the right to call or prepay obligations without penalties. The following is a summary of amortized cost and estimated fair value of securities, by contractual maturity, as of December 31, 2023 (dollar amounts in thousands):

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 6,465	\$ 6,394	\$ 17,772	\$ 17,639
Due after one year through 5 years	16,292	16,165	63,038	62,299
Due after 5 years through ten years	39,863	36,210	22,514	23,688
Due after 10 years	53,909	47,298	—	—
<b>Subtotal</b>	<b>116,529</b>	<b>106,067</b>	<b>103,324</b>	<b>103,626</b>
Mortgage-backed securities	37,789	36,130	—	—
<b>Total</b>	<b>\$ 154,318</b>	<b>\$ 142,197</b>	<b>\$ 103,324</b>	<b>\$ 103,626</b>

Following is a summary of the proceeds from sales of securities available for sale, as well as gross gains and losses, from the years ended December 31 (dollar amounts in thousands):

	2023	2022	2021
Proceeds from sales of securities	\$ 76,038	\$ —	\$ 9,087
Gross gains on sales	122	—	—
Gross losses on sales	(8,023)	—	(3)

As of December 31, 2023 and 2022, the carrying values of securities pledged to secure public deposits, securities sold under repurchase agreements, and for other purposes required or permitted by law were approximately \$204,848,000 and \$226,892,000, respectively.

## Note 4 Loans

The composition of loans at December 31 is as follows (dollar amounts in thousands):

	2023	2022
Commercial/industrial	\$ 488,498	\$ 492,563
Commercial real estate - owner occupied	893,977	717,401
Commercial real estate - non-owner occupied	473,829	391,133
Multi-family	332,959	290,650
Construction and development	201,823	200,022
Residential 1-4 family	888,412	739,339
Consumer	50,741	44,796
Other	14,980	18,905
Subtotals	3,345,219	2,894,809
ACL - Loans	(43,609)	(22,680)
Loans, net of ACL - Loans	3,301,610	2,872,129
Deferred loan fees, net	(2,245)	(831)
Loans, net	\$ 3,299,365	\$ 2,871,298

The ACL - Loans is based on the Company's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay a loan, the estimated value of any underlying collateral, composition of the loan portfolio and other relevant factors. Loans with similar risk characteristics are evaluated in pools and the Company utilizes a discounted cash flow ("DCF") method to estimate ACL for all loan pools. Under the DCF method, probability of default ("PD") and loss given default ("LGD") are applied to a projective model of the pool's cash flows while considering prepayment and principal curtailment effects. The analysis produces expected cash flows for each instrument in the pool by pairing loan-level term information (maturity date, payment amount, interest rate, etc.) with top-down pool assumptions (default rates and prepayment speeds). Management has determined that peer loss experience provides the best basis for its assessment of expected credit losses to determine the ACL. The Company utilized peer call report data to measure historical credit loss experience with similar risk characteristics within the segments over an economic cycle. Management reviewed the historical loss information to appropriately adjust for differences in current asset specific risk characteristics.

The historical loss experience estimate by pool is then adjusted by forecast factors that are quantitatively related to the Company's historical credit loss experience. For all loan pools, the Company utilizes and forecasts the national unemployment rate as a loss driver. The Company also utilizes and forecasts national GDP growth as a second loss driver for its commercial real estate – owner occupied and construction and development pools, the CRE (SA) interest rates and price index as a second loss driver for its commercial real estate – non-owner occupied pool, the real retail and food services sales index as a second loss driver for its consumer loan pool, and the S&P Case-Schiller US home price index as a second loss driver for its residential 1-4 family pool. For both national unemployment and national GDP growth the Company utilized a twelve-month forecast period, followed by a twelve-month reversion to the mean. The Company utilized the high-end range of the Federal Reserve Bank Open Market Committee forecast for national unemployment and the low-end range for national GDP growth at December 31, 2023. As of December 31, 2023, the Company anticipates the national unemployment rate to rise during the forecast period and the national GDP growth rate to decline. Due to a lack of reliable forecasts, the Company utilized long-term averages for the remaining loss drivers. The reasonable and supportable period and reversion period are re-evaluated each quarter by the Company and are dependent on the current economic environment among other factors.

The expected credit losses for each loan pool are then adjusted for changes in qualitative factors not inherently considered in the quantitative analyses. The qualitative adjustments either increase or decrease the quantitative model estimation. The Company considers factors that are relevant within the qualitative framework which include the following: lending policy, changes in nature and volume of loans, staff experience, changes in volume and trends of problem loans, concentration risk, trends in underlying collateral values, external factors, quality of loan review system and other economic conditions.

Expected credit losses for loans that no longer share similar risk characteristics with the collectively evaluated pools are excluded from the collective evaluation and estimated on an individual basis. Specific allocations of the ACL for credit losses on individually evaluated loans are estimated on one of several methods, including the estimated fair value of the underlying collateral, observable market value of similar debt or the present value of expected cash flows.

In addition to several minor refinements to the model during the fourth quarter of 2023, the Company performed a loss driver refresh study to determine whether the utilized loss drivers remained appropriate. While the fundamental methodology remained unchanged, as a result of this study, the real retail and food services sales index was introduced and applied to the consumer loan pool. In addition, multi-family loans were separated from commercial real estate – non-owner occupied into their own pool. The net impact of these changes during the fourth quarter of 2023 were not material to the model as the ACL-Loans to total loans ratio was 1.30% both prior to and after these changes were made.

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A summary of the activity in ACL - Loans by loan type as of December 31, 2023 is as follows (dollar amounts in thousands):

	Commercial / Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non - Owner Occupied	Multi-Family	Construction and Development	Residential 1-4 Family	Consumer	Other	Total
ACL - Loans - January 1, 2023	\$ 4,071	\$ 5,204	\$ 2,644	\$ 2,761	\$ 1,592	\$ 5,944	\$ 314	\$ 150	\$ 22,680
Adoption of CECL	1,859	1,982	1,161	753	2,063	2,567	620	(33)	10,972
ACL - Loans on PCD loans acquired	1,082	4,424	—	—	—	28	—	—	5,534
Charge-offs	—	—	—	—	—	(4)	(84)	(88)	
Recoveries	22	70	—	—	—	106	4	17	219
Provision	(1,069)	605	1,895	1,240	(58)	1,975	(319)	23	4,292
ACL - Loans - December 31, 2023	<u>\$ 5,965</u>	<u>\$ 12,285</u>	<u>\$ 5,700</u>	<u>\$ 4,754</u>	<u>\$ 3,597</u>	<u>\$ 10,620</u>	<u>\$ 615</u>	<u>\$ 73</u>	<u>\$ 43,609</u>

A summary of the activity in the allowance for loan losses ("ALL") by loan type as of December 31, 2022 is as follows (dollar amounts in thousands):

	Commercial / Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non - Owner Occupied	Multi-Family	Construction and Development	Residential 1-4 Family	Consumer	Other	Total
ALL - January 1, 2022	\$ 3,699	\$ 5,633	\$ 3,123	\$ 2,028	\$ 984	\$ 4,445	\$ 224	\$ 179	\$ 20,315
Charge-offs	—	(890)	—	—	—	(40)	(27)	(48)	(1,005)
Recoveries	499	74	360	—	152	14	6	65	1,170
Provision	(127)	387	(106)	—	456	1,525	111	(46)	2,200
ALL	4,071	5,204	3,377	2,028	1,592	5,944	314	150	22,680
ALL ending balance individually evaluated for impairment	—	—	8	—	—	—	—	—	8
ALL ending balance collectively evaluated for impairment	\$ 4,071	\$ 5,204	\$ 3,369	\$ 2,028	\$ 1,592	\$ 5,944	\$ 314	\$ 150	\$ 22,672
Loans outstanding - December 31, 2022	\$ 492,563	\$ 717,401	\$ 391,133	\$ 290,650	\$ 200,022	\$ 739,339	\$ 44,796	\$ 18,905	\$ 2,894,809
Loans ending balance individually evaluated for impairment	284	2,487	514	—	—	201	—	—	3,486
Loans ending balance collectively evaluated for impairment	\$ 492,279	\$ 714,914	\$ 390,619	\$ 290,650	\$ 200,022	\$ 739,138	\$ 44,796	\$ 18,905	\$ 2,891,323

In addition to the ACL-Loans, the Company has established an ACL-Unfunded Commitments, classified in other liabilities on the consolidated balance sheets. This allowance is maintained to absorb losses arising from unfunded loan commitments related to fixed and variable rate commitments to extend credit, and is determined quarterly based on methodology similar to the methodology for determining the ACL-Loans. This quarterly assessment includes consideration of the likelihood that funding of these commitments will eventually occur. The Company has identified the unfunded portion of certain lines of credit, credit card arrangements and letters of credit as unconditionally cancellable credit exposures, meaning the Company can cancel the unfunded commitment at any time. No credit loss estimate is recorded for off-balance sheet credit exposures that are unconditionally cancelable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement. The ACL - Unfunded Commitments was \$3,849,000 and \$0 at December 31, 2023 and 2022, respectively. See Note 20 for further information on commitments.

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The provision for credit losses is determined by the Company as the amount to be added to the ACL loss accounts for various types of financial instruments including loans, investment securities, and off-balance sheet credit exposures after net charge-offs have been deducted to bring the ACL to a level that, in management's judgment, is necessary to absorb expected credit losses over the lives of the respective financial instruments.

The following table presents the components of the provision for credit losses (dollar amounts in thousands):

	Year Ended	
	December 31, 2023	December 31, 2022
Provision for credit losses on:		
Loans	\$ 4,292	\$ 2,200
Unfunded Commitments	390	—
Total provision for credit losses	\$ 4,682	\$ 2,200

A summary of past due loans as of December 31, 2023 are as follows (dollar amounts in thousands):

	30-89 Days Past Due Accruing	90 Days or more Past Due and Accruing	Non- Accrual	Total	Non-Accrual with no specifically allocated ACL
Commercial/industrial	\$ 4,303	\$ 106	\$ 1,344	\$ 5,753	\$ 365
Commercial real estate - owner occupied	180	252	3,877	4,309	343
Commercial real estate - non-owner occupied	14	—	—	14	—
Multi-family	—	—	—	—	—
Construction and development	—	—	—	—	—
Residential 1-4 family	871	507	429	1,807	394
Consumer	68	28	12	108	11
Other	—	—	—	—	—
	<u>\$ 5,436</u>	<u>\$ 893</u>	<u>\$ 5,662</u>	<u>\$ 11,991</u>	<u>\$ 1,113</u>

A summary of past due loans as of December 31, 2022 are as follows (dollar amounts in thousands):

	30-89 Days Past Due Accruing	90 Days or more Past Due and Accruing	Non-Accrual	Total
Commercial/industrial	\$ 192	\$ —	\$ 418	\$ 610
Commercial real estate - owner occupied	1,301	—	2,688	3,989
Commercial real estate - non-owner occupied	—	—	—	—
Multi-family	—	—	—	—
Construction and development	237	—	17	254
Residential 1-4 family	774	268	505	1,547
Consumer	19	5	—	24
Other	—	—	—	—
	<u>\$ 2,523</u>	<u>\$ 273</u>	<u>\$ 3,628</u>	<u>\$ 6,424</u>

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A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the balance sheet date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral.

The following table presents collateral dependent loans by portfolio segment and collateral type, including those loans with and without a related allowance allocation (dollar amounts in thousands). A significant portion of the loan balances in this table and essentially all of the allowance allocations relate to PCD loans which were acquired from Hometown. Real estate collateral primarily consists of operating facilities of the underlying borrowers. Other business assets collateral primarily consists of receivables and inventory of the underlying borrowers.

As of December 31, 2023	Collateral Type			Without an Allowance	With an Allowance	Allowance Allocation
	Real Estate	Other Business Assets	Total			
Commercial/industrial	\$ —	\$ 5,320	\$ 5,320	\$ 47	\$ 5,273	\$ 1,089
Commercial real estate - owner occupied	8,131	—	8,131	794	7,337	3,156
Commercial real estate - non-owner occupied	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—
Construction and development	—	—	—	—	—	—
Residential 1-4 family	35	—	35	35	—	—
Consumer	—	—	—	—	—	—
Other	—	—	—	—	—	—
<b>Total Loans</b>	<b>\$ 8,166</b>	<b>\$ 5,320</b>	<b>\$ 13,486</b>	<b>\$ 876</b>	<b>\$ 12,610</b>	<b>\$ 4,245</b>

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Prior to the adoption of ASU 2016-13, the allowance included specific reserves for certain individually evaluated impaired loans. Specific reserves reflected estimated losses on impaired loans from management's analysis developed through specific credit allocations. The following table shows a summary of impaired loans individually evaluated as of December 31, 2022 (dollar amounts in thousands):

	Commercial Real Estate - Commercial Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non - Owner Occupied	Multi- Family	Construction and Development	Residential 1-4 Family	Consumer	Other	Total
<b>With an allowance recorded:</b>									
Recorded investment	\$ —	\$ —	\$ 18	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 18
Unpaid principal balance	—	—	18	—	—	—	—	—	18
Related allowance	—	—	8	—	—	—	—	—	8
<b>With no related allowance recorded:</b>									
Recorded investment	\$ 284	\$ 2,487	\$ 497	\$ —	\$ —	\$ 200	\$ —	\$ —	\$ 3,468
Unpaid principal balance	284	2,487	497	—	—	200	—	—	3,468
Related allowance	—	—	—	—	—	—	—	—	—
<b>Total:</b>									
Recorded investment	\$ 284	\$ 2,487	\$ 515	\$ —	\$ —	\$ 200	\$ —	\$ —	\$ 3,486
Unpaid principal balance	284	2,487	515	—	—	200	—	—	3,486
Related allowance	—	—	8	—	—	—	—	—	8
Average recorded investment	\$ 361	\$ 3,726	\$ 1,017	\$ —	\$ —	\$ 237	\$ —	\$ —	\$ 5,341

The Company utilizes a numerical risk rating system for commercial relationships. All other types of relationships (ex: residential, consumer, other) are assigned a "Pass" rating, unless they have fallen 90 days past due or more, at which time they receive a rating of 7. The Company uses split ratings for government guaranties on loans. The portion of a loan that is supported by a government guaranty is included with other Pass credits.

The determination of a commercial loan risk rating begins with completion of a matrix, which assigns scores based on the strength of the borrower's debt service coverage, collateral coverage, balance sheet leverage, industry outlook, and customer concentration. A weighted average is taken of these individual scores to arrive at the overall rating. This rating is subject to adjustment by the loan officer based on facts and circumstances pertaining to the borrower. Risk ratings are subject to independent review.

Commercial borrowers with ratings between 1 and 5 are considered Pass credits, with 1 being most acceptable and 5 being just above the minimum level of acceptance. Commercial borrowers rated 6 have potential weaknesses which may jeopardize repayment ability. Borrowers rated 7 have a well-defined weakness or weaknesses such as the inability to demonstrate significant cash flow for debt service based on analysis of the company's financial information. These loans remain on accrual status provided full collection of principal and interest is reasonably expected. Otherwise they are deemed impaired and placed on nonaccrual status. Borrowers rated 8 are the same as 7 rated credits with one exception: collection or liquidation in full is not probable.

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The following table presents total loans by risk ratings and year of origination. Loans acquired from other previously acquired institutions have been included in the table based upon the actual origination date (dollar amounts in thousands).

As of December 31, 2023	Amortized Cost Basis by Origination Year								Revolving to Term	Total
	2023	2022	2021	2020	2019	Prior	Revolving			
<b>Commercial/industrial</b>										
Grades 1-4	\$ 59,526	\$ 133,469	\$ 62,894	\$ 54,552	\$ 10,380	\$ 20,575	\$ 78,439	\$ -	\$ 419,835	
Grade 5	6,127	5,367	11,641	4,208	1,180	3,039	21,420	\$ -	\$ 52,982	
Grade 6	671	93	61	206	-	-	627	\$ -	1,658	
Grade 7	365	271	5,756	2,351	30	1,687	3,563	\$ -	14,023	
Grade 8	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$ 66,689</b>	<b>\$ 139,200</b>	<b>\$ 80,352</b>	<b>\$ 61,317</b>	<b>\$ 11,590</b>	<b>\$ 25,301</b>	<b>\$ 104,049</b>	<b>\$ -</b>	<b>\$ 488,498</b>	
<b>Current-period gross charge-offs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Commercial real estate - owner occupied</b>										
Grades 1-4	\$ 55,239	\$ 105,187	\$ 167,124	\$ 108,680	\$ 47,115	\$ 178,586	\$ 33,220	\$ -	\$ 695,151	
Grade 5	7,586	24,734	24,890	12,955	11,168	26,179	21,519	\$ -	129,031	
Grade 6	-	1,161	1,694	110	867	6,552	699	\$ -	11,083	
Grade 7	3,143	9,988	10,061	2,313	14,775	15,777	2,655	\$ -	58,712	
Grade 8	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$ 65,968</b>	<b>\$ 141,070</b>	<b>\$ 203,769</b>	<b>\$ 124,058</b>	<b>\$ 73,925</b>	<b>\$ 227,094</b>	<b>\$ 58,093</b>	<b>\$ -</b>	<b>\$ 893,977</b>	
<b>Current-period gross charge-offs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Commercial real estate - non-owner occupied</b>										
Grades 1-4	\$ 54,774	\$ 72,336	\$ 127,450	\$ 53,341	\$ 45,898	\$ 84,129	\$ 9,870	\$ -	\$ 447,798	
Grade 5	944	4,819	2,872	3,516	97	10,081	-	\$ -	22,329	
Grade 6	-	-	-	-	-	-	-	-	-	
Grade 7	-	-	64	366	2,722	550	-	-	3,702	
Grade 8	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$ 55,718</b>	<b>\$ 77,155</b>	<b>\$ 130,388</b>	<b>\$ 57,223</b>	<b>\$ 48,717</b>	<b>\$ 94,760</b>	<b>\$ 9,870</b>	<b>\$ -</b>	<b>\$ 473,829</b>	
<b>Current-period gross charge-offs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Multi-family</b>										
Grades 1-4	\$ 25,099	\$ 28,144	\$ 103,804	\$ 74,083	\$ 25,640	\$ 61,589	\$ 2,149	\$ -	\$ 320,508	
Grade 5	672	1,092	10,660	-	-	27	-	\$ -	12,451	
Grade 6	-	-	-	-	-	-	-	-	-	
Grade 7	-	-	-	-	-	-	-	-	-	
Grade 8	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$ 25,771</b>	<b>\$ 29,236</b>	<b>\$ 114,464</b>	<b>\$ 74,083</b>	<b>\$ 25,640</b>	<b>\$ 61,616</b>	<b>\$ 2,149</b>	<b>\$ -</b>	<b>\$ 332,959</b>	
<b>Current-period gross charge-offs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Construction and development</b>										
Grades 1-4	\$ 65,134	\$ 67,396	\$ 35,017	\$ 5,013	\$ 1,853	\$ 4,281	\$ 779	\$ -	\$ 179,473	
Grade 5	11,796	1,190	6,060	743	-	84	808	\$ -	20,681	
Grade 6	-	-	-	-	-	-	-	-	-	
Grade 7	707	-	-	172	-	790	-	\$ -	1,669	
Grade 8	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$ 77,637</b>	<b>\$ 68,586</b>	<b>\$ 41,077</b>	<b>\$ 5,928</b>	<b>\$ 1,853</b>	<b>\$ 5,155</b>	<b>\$ 1,587</b>	<b>\$ -</b>	<b>\$ 201,823</b>	
<b>Current-period gross charge-offs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Residential 1-4 family</b>										
Grades 1-4	\$ 102,529	\$ 199,295	\$ 197,713	\$ 160,489	\$ 44,411	\$ 77,644	\$ 80,659	\$ -	\$ 862,740	
Grade 5	3,816	4,819	6,269	119	612	2,465	604	\$ -	18,704	
Grade 6	158	319	810	-	-	180	249	\$ -	1,716	
Grade 7	316	366	29	1,022	400	2,947	172	\$ -	5,252	
Grade 8	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$ 106,819</b>	<b>\$ 204,799</b>	<b>\$ 204,821</b>	<b>\$ 161,630</b>	<b>\$ 45,423</b>	<b>\$ 83,236</b>	<b>\$ 81,684</b>	<b>\$ -</b>	<b>\$ 888,412</b>	
<b>Current-period gross charge-offs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Consumer</b>										
Grades 1-4	\$ 23,711	\$ 12,497	\$ 6,570	\$ 4,498	\$ 1,194	\$ 1,326	\$ 925	\$ -	\$ 50,721	
Grade 5	-	-	-	-	-	-	-	-	-	
Grade 6	-	-	-	-	-	-	-	-	-	
Grade 7	-	-	-	-	-	20	-	\$ -	20	
Grade 8	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$ 23,711</b>	<b>\$ 12,497</b>	<b>\$ 6,570</b>	<b>\$ 4,498</b>	<b>\$ 1,194</b>	<b>\$ 1,346</b>	<b>\$ 925</b>	<b>\$ -</b>	<b>\$ 50,741</b>	
<b>Current-period gross charge-offs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4</b>	<b>\$ -</b>	<b>\$ 4</b>	
<b>Other</b>										
Grades 1-4	\$ 347	\$ 663	\$ 551	\$ 1,076	\$ 38	\$ 9,697	\$ 2,520	\$ -	\$ 14,892	
Grade 5	-	-	-	-	-	-	88	\$ -	88	
Grade 6	-	-	-	-	-	-	-	-	-	
Grade 7	-	-	-	-	-	-	-	-	-	
Grade 8	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>\$ 347</b>	<b>\$ 663</b>	<b>\$ 551</b>	<b>\$ 1,076</b>	<b>\$ 38</b>	<b>\$ 9,697</b>	<b>\$ 2,608</b>	<b>\$ -</b>	<b>\$ 14,980</b>	
<b>Current-period gross charge-offs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 84</b>	<b>\$ -</b>	<b>\$ 84</b>	
<b>Total Loans</b>	<b>\$ 422,660</b>	<b>\$ 673,206</b>	<b>\$ 781,990</b>	<b>\$ 489,813</b>	<b>\$ 208,380</b>	<b>\$ 508,205</b>	<b>\$ 260,965</b>	<b>\$ -</b>	<b>\$ 3,345,219</b>	
<b>Total current-period gross charge-offs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 88</b>	<b>\$ -</b>	<b>\$ 88</b>	

The breakdown of loans by risk rating as of December 31, 2022 is as follows (dollar amounts in thousands):

	<b>Pass (1-5)</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>Total</b>
Commercial/industrial	\$ 474,699	\$ 3,708	\$ 14,156	\$ —	\$ 492,563
Commercial real estate - owner occupied	666,424	8,031	42,946	—	717,401
Commercial real estate - non-owner occupied	386,816	—	4,317	—	391,133
Commercial real estate - multi-family	290,650	—	—	—	290,650
Construction and development	198,895	—	1,127	—	200,022
Residential 1-4 family	735,971	151	3,217	—	739,339
Consumer	44,794	—	2	—	44,796
Other	18,905	—	—	—	18,905
	<b>\$ 2,817,154</b>	<b>\$ 11,890</b>	<b>\$ 65,765</b>	<b>\$ —</b>	<b>\$ 2,894,809</b>

On January 1, 2023, the Company adopted ASU 2022-02, which eliminated the accounting guidance for TDRs by creditors and enhanced the disclosure requirements for certain loan modifications to borrowers experiencing financial difficulty. Loans that were both experiencing financial difficulty and were modified during the year ended December 31, 2023, were insignificant to these consolidated financial statements. The Company also had no new TDRs during the year ended December 31, 2022.

The following tables present loans acquired with deteriorated credit quality and the change in the accretable and non-accretable components of the related discounts prior to the adoption of ASU 2016-13 (dollar amounts in thousands).

	<b>December 31, 2022</b>	
	<b>Recorded Investment</b>	<b>Unpaid Principal Balance</b>
Commercial & Industrial	\$ 712	\$ 1,091
Commercial real estate - owner occupied	2,539	2,843
Commercial real estate - non-owner occupied	—	—
Commercial real estate - multi-family	—	—
Construction and development	—	—
Residential 1-4 family	824	1,045
Consumer	—	—
Other	—	—
	<b>\$ 4,075</b>	<b>\$ 4,979</b>

The following table represents the change in the accretable and non-accretable components of discounts on loans acquired with deteriorated credit quality (dollar amounts in thousands):

	<b>December 31, 2022</b>	
	<b>Accretable discount</b>	<b>Non-accretable discount</b>
Balance at beginning of period	\$ 813	\$ 149
Acquired balance, net	292	211
Reclassifications between accretable and non-accretable	135	(135)
Accretion to loan interest income	(561)	—
Balance at end of period	<b>\$ 679</b>	<b>\$ 225</b>

**Note 5 Related Party Matters**

Directors, executive officers, and principal shareholders of the Company, including their families and firms in which they are principal owners, are considered to be related parties. Loans to officers, directors, and shareholders owning 10% or more of the Company, that we are aware of, were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectability or present other unfavorable features.

A summary of loans to directors, executive officers, principal shareholders, and their affiliates for the years ended December 31 is as follows (dollar amounts in thousands):

	2023	2022
Balances at beginning	\$ 70,151	\$ 73,498
New loans and advances	24,495	46,528
Repayments	(30,754)	(49,875)
Balance at end	<u><u>\$ 63,892</u></u>	<u><u>\$ 70,151</u></u>

Deposits from directors, executive officers, principal shareholders, and their affiliates totaled approximately \$ 19,073,000 and \$27,524,000 as of December 31, 2023 and 2022, respectively.

**Note 6 Mortgage Servicing Rights**

Loans serviced for others are not included in the accompanying consolidated balance sheets. MSRs are recognized as separate assets when loans sold in the secondary market are sold with servicing retained. The Company utilizes a third-party consulting firm to determine an accurate assessment of the mortgage servicing rights fair value. The third-party firm collects relevant data points from numerous sources. Some of these data points relate directly to the pricing level or relative value of the mortgage servicing while other data points relate to the assumptions used to derive fair value. In addition, the valuation evaluates specific collateral types, and current and historical performance of the collateral in question. The valuation process focuses on the non-distressed secondary servicing market, common industry practices and current regulatory standards. The primary determinants of the fair value of mortgage servicing rights are servicing fee percentage, ancillary income, expected loan life or prepayment speeds, discount rates, costs to service, delinquency rates, foreclosure losses and recourse obligations. The valuation data also contains interest rate shock analyses for monitoring fair value changes in differing interest rate environments.

Following is an analysis of activity in servicing rights assets that are measured at fair value (dollar amounts in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Fair value at beginning of period	\$ 9,582	\$ 5,016
Servicing asset additions	879	771
Loan payments and payoffs	(1,624)	(918)
Changes in valuation inputs and assumptions used in the valuation model	<u>1,140</u>	<u>3,012</u>
Amount recognized through earnings	395	2,865
MSR asset acquired	3,691	1,701
Fair value at end of period	<u><u>\$ 13,668</u></u>	<u><u>\$ 9,582</u></u>
Unpaid principal balance of loans serviced for others	\$ 1,175,709	\$ 866,941
Mortgage servicing rights as a percent of loans serviced for others	1.16	1.11

During the years ended December 31, 2023 and 2022, the Company utilized economic assumptions in measuring the initial value of MSRs for loans sold whereby servicing is retained by the Company. The economic assumptions used at December 31, 2023 and 2022 included constant prepayment speed of 7.5 and 7.5 months and a discount rate of 10.19% and 10.21%, respectively. The constant prepayment speeds are obtained from publicly available sources for each of the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation loan programs that the Company originates under.

The assumptions used by the Company are hypothetical and supported by a third-party valuation. The Company's methodology for estimating the fair value of MSRs is highly sensitive to changes in assumptions.

The carrying value of the mortgage servicing rights approximates fair market value at December 31, 2023 and 2022.

**Note 7 Premises and Equipment**

An analysis of premises and equipment at December 31 follows (dollar amounts in thousands):

	2023	2022
Land and land improvements	\$ 13,594	\$ 9,539
Buildings and building improvements	60,790	50,215
Furniture and equipment	7,169	6,495
Totals	81,553	66,249
Less accumulated depreciation	13,245	11,383
Right-of-use lease asset (see Note 21)	1,583	1,582
Premises and equipment, net	<u>\$ 69,891</u>	<u>\$ 56,448</u>

Included in buildings and improvements at December 31, 2023 and 2022, is \$ 5,743,000 and \$190,000, respectively, in construction in progress. These amounts relate to branch locations which were under construction. These balances begin accumulating depreciation upon being placed in service.

Depreciation and amortization of premises and equipment charged to operating expense totaled approximately \$ 2,073,000, \$1,657,000, and \$1,778,000 for the years ended December 31, 2023, 2022, and 2021, respectively.

**Note 8 Other Real Estate Owned**

Changes in OREO for the years ended December 31 were as follows (dollar amounts in thousands):

	2023	2022
Beginning of year	\$ 2,520	\$ 150
Transfers in	2,623	1,139
Assets Acquired	1,390	1,405
(Loss) gain on sale of OREO and valuation allowance	(2,133)	146
Sales	(1,827)	(320)
End of year	<u>\$ 2,573</u>	<u>\$ 2,520</u>

Activity in the valuation allowance for the years ended December 31 was as follows (dollar amounts in thousands):

	2023	2022	2021
Beginning of year	\$ —	\$ 187	\$ 112
Additions charged to expense	1,591	24	217
Valuation relieved due to sale of OREO	—	(211)	(142)
End of year	<u>\$ 1,591</u>	<u>\$ —</u>	<u>\$ 187</u>

**Note 9 Investment in Minority-owned Subsidiaries**

TVG, the insurance subsidiary of the Bank, maintained a 40.0% investment in Ansay at December 31, 2023 and 2022. Ansay is an independent insurance agency that has operated in southeastern Wisconsin since 1946, managing the insurance and risk needs of commercial and personal insurance clients in Wisconsin and the Midwest. As of December 31, 2023 and 2022, Ansay had total assets of \$86,853,000 and \$87,271,000 and liabilities of \$41,398,000 and \$44,178,000, respectively. The Company's investment in Ansay, which is accounted for using the equity method, was \$32,926,000 and \$31,928,000 at December 31, 2023 and 2022, respectively. The Company recognized undistributed earnings of approximately \$2,922,000, \$2,558,000 and \$2,587,000 and received dividends of \$1,924,000, \$1,960,000 and \$1,840,000 from its investment in Ansay during the years ended December 31, 2023, 2022 and 2021, respectively.

As of December 31, 2023 and 2022, Ansay had term loans with the Bank totaling approximately \$ 19,731,000 and \$19,838,000, respectively. Ansay also has available revolving lines of credit totaling \$18,000,000 with the Company, under which there were no outstanding balances as of December 31, 2023 or 2022.

Ansay maintained deposits at the Bank totaling \$ 11,498,000 and \$10,797,000 as of December 31, 2023 and 2022, respectively.

The CEO of Ansay, Michael G. Ansay, served as a member of the Board of the Company until retiring on January 15, 2024. As a related party, during 2023, 2022 and 2021 the Company received insurance consulting services and purchased director and officer fidelity bond and commercial insurance coverage through Ansay spending approximately \$417,000, \$357,000 and \$329,000, respectively.

The Company's proportionate share of earnings of Ansay flow through to its tax return. Deferred income taxes of approximately \$944,000 and \$1,125,000 were provided to account for the difference in the tax and book basis of assets and liabilities held at Ansay as of December 31, 2023 and 2022, respectively.

The Company had a 49.8% membership interest in UFS which it sold on October 1, 2023, resulting in a \$ 38,904,000 gain on sale. Prior to this sale, the investment was accounted for on the equity method. The Company's undistributed earnings from its investment in UFS prior to sale were approximately \$2,265,000, \$3,055,000, and \$2,556,000 for the years ended December 31, 2023, 2022 and 2021, respectively. Data processing service fees paid by the Company to UFS were approximately \$5,545,000, \$4,348,000, and \$3,754,000 for the years ended December 31, 2023, 2022 and 2021, respectively. The business operations of UFS consist of providing data processing and other information technology services to the Company and other financial institutions. As of December 31, 2022 UFS had total assets of \$31,309,000 and liabilities of \$6,680,000. The Company's investment in UFS was \$12,252,000 at December 31, 2022.

The Company's proportionate share of earnings of UFS flow through to its tax return. Deferred income taxes of approximately \$1,509,000 were provided to account for the difference in the tax and book basis of assets and liabilities held at UFS at December 31, 2022. During 2023, 2022 and 2021, the Company received \$1,747,000, \$2,408,000, and \$2,646,000 in dividends from UFS, respectively.

#### **Note 10 Core Deposit Intangibles**

The gross carrying amount and accumulated amortization of core deposit intangibles for the years ended December 31 are as follows (dollar amounts in thousands):

	2023		2022	
	Gross Carrying Amount	Intangible Accumulated Amortization	Gross Carrying Amount	Intangible Accumulated Amortization
Core deposit intangible	\$ 40,240	\$ 13,244	\$ 23,979	\$ 7,150

Amortization expense was \$6,324,000, \$2,318,000 and \$1,405,000 for the years ended December 31, 2023, 2022 and 2021, respectively.

The following table shows the estimated future amortization expense of core deposit intangibles. The projections of amortization expense are based on existing asset balances as of December 31, 2023 (dollar amounts in thousands):

	Core Deposit Intangible
2024	\$ 5,793
2025	5,003
2026	4,297
2027	3,590
2028	2,884
Thereafter	5,429
Total	\$ 26,996

**Note 11 Goodwill**

Goodwill was \$175,106,000 and \$110,206,000 at December 31, 2023 and 2022, respectively. In addition to minor refinement of goodwill during the year, \$64,911,000 in goodwill originally recorded from the acquisition of Hometown was the primary cause of the increase in goodwill during 2023.

**Note 12 Deposits**

The composition of deposits at December 31 is as follows (dollar amounts in thousands):

	<b>2023</b>	<b>2022</b>
Noninterest-bearing demand deposits	\$ 1,050,735	\$ 934,092
Interest-bearing demand deposits	204,760	344,560
Savings deposits	1,595,395	1,357,571
Time deposits	581,283	417,285
Brokered certificates of deposit	747	6,721
<b>Total deposits</b>	<b>\$ 3,432,920</b>	<b>\$ 3,060,229</b>

Time deposits of \$250,000 or more were approximately \$ 70,195,000 and \$47,192,000 at December 31, 2023 and 2022, respectively.

The scheduled maturities of time deposits at December 31, 2023, are summarized as follows (dollar amounts in thousands):

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>Thereafter</b>	<b>Total</b>
	\$ 511,866	47,987	6,999	2,560	3,277	9,341	\$ 582,030

**Note 13 Securities Sold Under Repurchase Agreements**

Securities sold under repurchase agreements have contractual maturities up to one year from the transaction date with variable and fixed rate terms. The agreements to repurchase securities require that the Company (seller) repurchase identical securities as those that are sold. The securities underlying the agreements were under the Company's control.

Information concerning securities sold under repurchase agreements at December 31 consists of the following (dollar amounts in thousands):

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Outstanding balance at the end of the year	\$ 75,747	\$ 97,196	\$ 41,122
Weighted average interest rate at the end of the year	5.31 %	4.31 %	0.02 %
Average balance during the year	\$ 36,833	\$ 25,749	\$ 34,637
Average interest rate during the year	4.92 %	2.11 %	0.03 %
Maximum month end balance during the year	\$ 75,747	\$ 97,196	\$ 57,915

**Note 14 Notes Payable**

There were \$35,508,000 and \$1,915,000 of advances outstanding from the FHLB at December 31, 2023 and 2022, respectively. From time to time the Bank utilized short-term FHLB advances to fund liquidity during these years. The advances, rate, and maturities of FHLB advances as of December 31 were as follows:

	<b>Maturity</b>	<b>Rate</b>	<b>2023</b> (dollars in thousands)	<b>2022</b>
Fixed rate, fixed term	06/01/2023	1.79 %	—	807
Fixed rate, fixed term	11/21/2023	3.06 %	—	600
Fixed rate, fixed term	03/23/2026	4.02 %	10,000	—
Fixed rate, fixed term	05/26/2026	1.95 %	5,000	—
Fixed rate, fixed term	03/23/2027	3.91 %	10,000	—
Fixed rate, fixed term	03/23/2028	3.85 %	10,000	—
Fixed rate, fixed term	04/22/2030	0.00 %	508	508
			35,508	1,915
Purchase accounting adjustment			(238)	14
<b>Total notes payable</b>			<b>\$ 35,270</b>	<b>\$ 1,929</b>

Future maturities of borrowings were as follows (dollars in thousands):

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
1 year or less	\$ —	\$ 1,407
1 to 2 years	—	—
2 to 3 years	15,000	—
3 to 4 years	10,000	—
4 to 5 years	10,000	—
Over 5 years	508	508
	<b>\$ 35,508</b>	<b>\$ 1,915</b>

At December 31, 2023 and 2022, respectively, total loans available to be pledged as collateral on FHLB borrowings were approximately \$1,492,916,000 and \$1,152,655,000 and, of that total, \$841,765,000 and \$668,328,000 qualified as eligible collateral. The Bank owned \$5,056,000 and \$4,645,000 of FHLB stock at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the Bank had available liquidity of \$806,180,000 and \$666,424,000 for future draws, respectively. FHLB stock is included in other investments at December 31, 2023 and 2022. This stock is recorded at cost, which approximates fair value.

The Company maintains a \$7,500,000 line of credit with a commercial bank, which was entered into on May 15, 2022. There were no outstanding balances on this note at December 31, 2023 or 2022. Any future borrowings will require monthly payments of interest at a variable rate, and will be due in full on May 15, 2024.

**Note 15 Subordinated Debt**

During September 2017, the Company entered into subordinated note agreements with three separate commercial banks under which it borrowed \$11,500,000. These notes were all issued with 10-year maturities, carried interest at a variable rate payable quarterly, were callable on or after the sixth anniversary of the issuance dates, and qualified for Tier 2 capital for regulatory purposes. These notes were repaid in full during October 2023.

During July 2020, the Company entered into subordinated note agreements with two separate commercial banks. The Company had through December 31, 2020, to borrow funds up to a maximum availability of \$6,000,000 under each agreement, or \$12,000,000 total. These notes were issued with 10-year maturities, carry interest at a fixed rate of 5.0% through June 30, 2025, and at a variable rate thereafter, payable quarterly. These notes are callable on or after January 1, 2026 and qualify for Tier 2 capital for regulatory purposes. The Company had outstanding balances of \$6,000,000 under these agreements at December 31, 2023 and 2022.

During August 2022, the Company entered into subordinated note agreements with an individual. The Company had outstanding balances of \$6,000,000 under these agreements as of December 31, 2023 and 2022. These notes were issued with 10-year maturities, carry interest at a fixed rate of 5.25% through August 6, 2027, and at a variable rate thereafter, payable quarterly. These notes are callable on or after August 6, 2027 and qualify for Tier 2 capital for regulatory purposes.

As a result of the acquisition of Hometown during February 2023, the Company acquired all of the common securities of Hometown's wholly-owned subsidiaries, Hometown Bancorp, Ltd. Capital Trust I ("Trust I") and Hometown Bancorp, Ltd. Capital Trust II ("Trust II"). The Company also assumed adjustable rate junior subordinated debentures issued to these trusts. The junior subordinated debentures issued to Trust I and Trust II totaled \$4,124,000 and \$8,248,000, respectively, carried interest at floating rates resetting on each quarterly payment date, and were due on January 7, 2034 and December 15, 2036, respectively. Applicable discounts originally totaling \$1,464,000 were recorded to carry the assumed debentures at their then estimated fair value and were being accreted to interest expense over the remaining life of the debentures. Both junior subordinated debentures were redeemable by the Company, subject to prior approval by the Federal Reserve Bank, on any quarterly payment date. The junior subordinated debentures represented the sole asset of Trust I and Trust II. The trusts were not included in the Company's consolidated financial statements. The net effect of all agreements assumed with respect to Trust I and Trust II is that the Company, through payments on its debentures, was liable for the distributions and other payments required on the trusts' preferred securities. Trust I and Trust II also provided the Company with \$12,000,000 in Tier 1 capital for regulatory capital purposes. The Company redeemed the junior subordinated debenture related to Trust II during December 2023, resulting in Trust II's dissolution. The Company redeemed the junior subordinated debenture related to Trust I on January 8, 2024, resulting in Trust I's dissolution. As a result of the redemption of the junior subordinated debenture related to Trust II and notification of the Company's intent to redeem the junior subordinated debenture of Trust I prior to December 31, 2023, the Company amortized the remaining original fair value discounts into interest expense during 2023.

**Note 16 Income Taxes**

The components of the provision for income taxes for the years ended December 31 are as follows (dollar amounts in thousands):

	2023	2022	2021
Current tax expense:			
Federal	\$ 20,158	\$ 10,328	\$ 9,898
State	3,399	4,960	4,626
Deferred tax benefit:			
Federal	(1,234)	(617)	(1)
State	(490)	(252)	—
Change in valuation allowance	2,447	—	—
Total provision for income taxes	<u>\$ 24,280</u>	<u>\$ 14,419</u>	<u>\$ 14,523</u>

A summary of the sources of differences between income taxes at the federal statutory rate and the provision for income taxes for the years ended December 31 follows (dollar amounts in thousands):

	2023	2022	2021
Tax expense at statutory rate	\$ 20,747	\$ 12,523	\$ 12,593
Increase (decrease) in taxes resulting from:			
Tax-exempt interest	(995)	(1,079)	(1,074)
State taxes (net of federal benefit)	2,685	3,719	3,666
Cash surrender value of life insurance	(322)	(194)	(161)
ESOP dividend	(88)	(77)	(98)
Nondeductible expenses associated with acquisition	61	189	—
Change in valuation allowance	2,447	—	—
Other	(255)	(662)	(403)
Total provision for income taxes	<u>\$ 24,280</u>	<u>\$ 14,419</u>	<u>\$ 14,523</u>

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Deferred taxes are included in other liabilities of the balance sheet. The major components of the net deferred tax asset (liability) as of December 31 are presented below (dollar amounts in thousands):

	2023	2022
Deferred tax assets:		
Deferred compensation	\$ 15	\$ 43
Premises and equipment	357	439
Allowance for credit losses	12,856	6,178
Accrued vacation and severance	80	6
Other real estate owned	262	—
Purchase accounting	3,855	2,152
Unrealized loss on securities available for sale	3,375	5,757
Net operating loss carry forward	592	—
Other	494	1,384
Total deferred tax assets	<u>21,886</u>	<u>15,959</u>
Deferred tax liabilities:		
Investment in acquisition and discount accretion	(1,557)	(624)
Mortgage servicing rights	(3,703)	(2,610)
Other investments	(101)	(84)
Prepaid expenses	—	—
Investment in minority owned subsidiaries	(944)	(2,635)
Goodwill and other intangibles	(6,591)	(5,341)
Total deferred tax liabilities	<u>(12,896)</u>	<u>(11,294)</u>
Valuation allowance	(2,447)	—
Net deferred tax asset (liability)	<u>\$ 6,543</u>	<u>\$ 4,665</u>

In assessing the ability of the Company to realize the benefit of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, availability of operating loss carrybacks, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which deferred tax assets are deductible, management believes it is more likely than not the Company will generate sufficient federally taxable income to realize the benefits of these deductible differences at December 31, 2023. Due to legislation during 2023 related to exempting interest income on significant portions of the Company's loan portfolio to taxability in the state of Wisconsin, however, management estimates that future state taxable income will be insufficient to fully realize the benefits of these deductible differences, resulting in a valuation allowance of \$2,447,000 on the net deferred tax asset related to state income taxes at December 31, 2023.

Tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. When applicable, interest and penalties on uncertain tax positions are calculated based on the guidance from the relevant tax authority and included in income tax expense. At December 31, 2023 and 2022, there was no liability for uncertain tax positions. Federal income tax returns for 4 years ended December 31, 2020 through 2023 remain open and subject to review by applicable tax authorities. State income tax returns for 5 years ended December 31, 2019 through 2023 remain open and subject to review by applicable tax authorities.

**Note 17 Employee Benefit Plans****Employee Stock Ownership Plan**

The Company has a defined contribution profit sharing 401(k) plan which includes the provisions for an employee stock ownership plan ("ESOP"). The plan is available to all employees over 18 years of age after completion of three months of service. Employees participating in the plan may elect to defer a minimum of 2% of compensation up to the limits specified by law. All participants of the 401(k) plan are eligible for the ESOP and may allocate their contributions to purchase shares of the Company's stock. As of December 31, 2023 and 2022, the plan held 272,132 and 322,020 shares, respectively. These shares are included in the calculation of the Company's earnings per share. The Company may make discretionary contributions up to the limits established by IRS regulations. The discretionary match was 35% of participant contributions up to 10% of the employee's salary in 2023, 2022, and 2021. The Company made additional discretionary contributions to the plan of \$801,000, \$591,000, \$600,000 in 2023, 2022 and 2021, respectively. Total expense associated with the plans was approximately \$1,596,000, \$1,197,000 and \$1,169,000 in 2023, 2022 and 2021, respectively.

**Share-based Compensation**

The Company has made restricted share grants during 2023, 2022 and 2021 pursuant to the Bank First Corporation 2020 Equity Plan. The purpose of the Plan is to provide financial incentives for selected employees and for the non-employee Directors of the Company, thereby promoting the long-term growth and financial success of the Company. The Company stock to be offered under the Plan pursuant to Stock Appreciation Rights, performance unit awards, and restricted stock and unrestricted Company stock awards must be Company stock previously issued and outstanding and reacquired by the Company. The number of shares of Company stock that may be issued pursuant to awards under the 2020 Plan shall not exceed, in the aggregate, 700,000. As of December 31, 2023, 76,373 shares of Company stock has been awarded under the 2020 Plan. Compensation expense for restricted stock is based on the fair value of the awards of Bank First Corporation common stock at the time of grant. The value of restricted stock grants that are expected to vest is amortized into expense over the vesting periods of the respective grants. For the years ended December 31, 2023, 2022 and 2021, compensation expense of \$2,142,000, \$1,662,000 and \$1,393,000, respectively, was recognized related to restricted stock awards.

As of December 31, 2023, there was \$1,993,000 of unrecognized compensation cost related to non-vested restricted stock awards granted under the plan. That cost is expected to be recognized over a weighted average period of 1.33 years. The aggregate grant date fair value of restricted stock awards that vested during 2023 was approximately \$1,655,000.

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	Shares	Weighted- Average Grant- Date Fair Value	Shares	Weighted- Average Grant- Date Fair Value
<b>Restricted Stock</b>				
Outstanding at beginning of year	59,272	\$ 65.85	58,611	\$ 61.44
Granted	25,506	80.15	25,451	69.73
Vested	(25,762)	64.25	(20,785)	60.52
Forfeited or cancelled	(820)	67.02	(4,005)	60.50
Outstanding at end of year	<u>58,196</u>	\$ 72.28	<u>59,272</u>	\$ 65.85

**Deferred Compensation Plan**

The Company has a deferred compensation agreement with one of its former executive officers. The benefits were payable beginning June 30, 2009, the date of termination of employment with the Company via retirement. The estimated annual cash benefit payment upon retirement at the age of 70 under the salary continuation plan is \$108,011. The payoff is for the participant's lifetime and is guaranteed to the participant or their surviving beneficiary for a minimum of 15 years. Related expense for this agreement was approximately \$5,000, \$10,000, and \$15,000 for the years ended December 31, 2023, 2022 and 2021, respectively. The vested present value of future payments of approximately \$53,000 and \$156,000 at December 31, 2023 and 2022, respectively, is included in other liabilities. During 2023 and 2022 the discount rate used to present value the future payments of this obligation was 4.95%.

**Note 18 Stockholders' Equity and Regulatory Matters**

The Bank, as a national bank, is subject to the dividend restrictions set forth by the Office of the Comptroller of the Currency. Under such restrictions, the Bank may not, without the prior approval of the Office of the Comptroller of the Currency, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years. The dividends that the Bank could declare without the prior approval of the Office of the Comptroller of the Currency as of December 31, 2023 totaled approximately \$128,790,000. The payment of dividends may be further limited because of the need for the Bank to maintain capital ratios satisfactory to applicable regulatory agencies.

Banks and certain bank holding companies are subject to regulatory capital requirements administered by federal banking agencies.

Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Under regulatory guidance for non-advanced approaches institutions, the Bank and Company are required to maintain minimum amounts and ratios of common equity Tier 1 capital to risk-weighted assets, including an additional conservation buffer determined by banking regulators. As of December 31, 2023 and 2022, this buffer was 2.50%. As of December 31, 2023 and 2022, the Bank and Company met all capital adequacy requirements to which they are subject.

Actual and required capital amounts and ratios are presented below (dollar amounts in thousands):

	Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>December 31, 2023</b>								
Total capital (to risk-weighted assets):								
Company	\$ 484,398	13.99 %	\$ 276,904	8.00 %	\$ 363,437	10.50 %	NA	NA
Bank	\$ 446,634	12.91 %	\$ 276,726	8.00 %	\$ 363,202	10.50 %	\$ 345,907	10.00 %
Tier 1 capital (to risk-weighted assets):								
Company	\$ 437,979	12.65 %	\$ 207,678	6.00 %	\$ 294,211	8.50 %	NA	NA
Bank	\$ 412,215	11.92 %	\$ 207,544	6.00 %	\$ 294,021	8.50 %	\$ 276,726	8.00 %
Common Equity Tier 1 capital (to risk-weighted assets):								
Company	\$ 433,979	12.54 %	\$ 155,759	4.50 %	\$ 242,291	7.00 %	NA	NA
Bank	\$ 412,215	11.92 %	\$ 155,658	4.50 %	\$ 242,135	7.00 %	\$ 224,840	6.50 %
Tier 1 capital (to average assets):								
Company	\$ 437,979	11.05 %	\$ 158,581	4.00 %	\$ 158,581	4.00 %	NA	NA
Bank	\$ 412,215	10.40 %	\$ 158,585	4.00 %	\$ 158,585	4.00 %	\$ 198,231	5.00 %
<b>December 31, 2022</b>								
Total capital (to risk-weighted assets):								
Company	\$ 387,814	12.23 %	\$ 253,689	8.00 %	\$ 332,967	10.50 %	NA	NA
Bank	\$ 372,312	11.75 %	\$ 253,504	8.00 %	\$ 332,724	10.50 %	\$ 316,880	10.00 %
Tier 1 capital (to risk-weighted assets):								
Company	\$ 341,634	10.77 %	\$ 190,627	6.00 %	\$ 269,545	8.50 %	NA	NA
Bank	\$ 349,632	11.03 %	\$ 190,128	6.00 %	\$ 269,348	8.50 %	\$ 253,504	8.00 %
Common Equity Tier 1 capital (to risk-weighted assets):								
Company	\$ 341,634	10.77 %	\$ 142,700	4.50 %	\$ 221,978	7.00 %	NA	NA
Bank	\$ 349,632	11.03 %	\$ 142,596	4.50 %	\$ 221,816	7.00 %	\$ 205,972	6.50 %
Tier 1 capital (to average assets):								
Company	\$ 341,634	9.69 %	\$ 140,992	4.00 %	\$ 140,992	4.00 %	NA	NA
Bank	\$ 349,632	9.93 %	\$ 140,887	4.00 %	\$ 140,887	4.00 %	\$ 176,108	5.00 %

**Note 19 Segment Information**

The Company, through the branch network of its subsidiary, the Bank, provides a full range of consumer and commercial financial institution services to individuals and businesses in Wisconsin. These services include credit cards; secured and unsecured consumer, commercial, and real estate loans; demand, time, and savings deposits; and ATM processing. The Company also offers a full-line of insurance services through its equity investment in Ansay.

While the Company's chief decision makers monitor the revenue streams of various Company products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the Company's financial institution operations are considered by management to be aggregated in one reportable operating segment.

**Note 20 Commitments and Contingencies**

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements and for fixed rate commitments also considers the difference between current levels of interest rates and committed rates. The notional amount of rate lock commitments at December 31, 2023 and 2022, respectively, was \$5,854,000 and \$3,736,000.

The Bank is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss is represented by the contractual or notional amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Since some of the commitments are expected to expire without being drawn upon and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

The following commitments were outstanding at December 31 (dollar amounts in thousands):

	<b>Notional Amount</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Commitments to extend credit:		
Fixed	\$ 92,113	\$ 120,906
Variable	707,285	539,658
Credit card arrangements	21,213	17,364
Letters of credit	9,785	10,343

Commitments to extend credit are agreements to lend to a customer at fixed or variable rates as long as there is no violation of any condition established in the contract. Commitments have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable; inventory; property, plant, and equipment; real estate; and stocks and bonds.

Letters of credit include \$9,785,000 of standby letters of credit and no direct pay letters of credit. Standby letters of credit are conditional lending commitments issued by the Company to guaranty the performance of a customer to a third party. Direct pay letters of credit generally are issued to support the marketing of industrial development revenue and housing bonds and provide that all debt service payments will be paid by drawing on the letter of credit. The letter of credit draws are then repaid by draws from the customer's bank account. Generally, all standby letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting these commitments. The majority of the Company's loans, commitments, and letters of credit have been granted to customers in the Company's market area. The concentrations of credit by type are set forth in Note 4. Standby letters of credit were granted primarily to commercial borrowers. Management believes the diversity of the local economy will prevent significant losses in the event of an economic downturn.

**Note 21 Leases**

In accordance with GAAP, leases where the Company is the lessee are recognized on-balance sheet through a right-of-use ("ROU") model that requires recognition of a ROU lease asset and liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Company leases certain properties under operating leases that resulted in the recognition of ROU lease assets of approximately \$1,583,000 and \$1,582,000 and corresponding lease liabilities of similar value on the Company's Consolidated Balance Sheets as of December 31, 2023 and 2022, respectively.

GAAP provides a number of optional practical expedients in transition. The Company has elected the "package of practical expedients," which permits the Company not to reassess under the new standard the prior conclusions about lease identification, lease classification and initial direct costs. The Company also elected the use of the hindsight, a practical expedient which permits the use of information available after lease inception to determine the lease term via the knowledge of renewal options exercised not available as of the lease's inception. The Company elected the short-term lease recognition exemption for all leases that qualify, meaning those with terms under twelve months. ROU assets or lease liabilities are not to be recognized for short-term leases. The Company also elected the practical expedient to not separate lease and non-lease components for all leases, the majority of which consist of real estate common area maintenance expenses. However, since these non-lease items are subject to change, they are treated and disclosed as variable payments in the quantitative disclosures below.

**Lessee Leases**

The Company's lessee leases are operating leases, and consist of leased real estate for branches. Options to extend and renew leases are generally exercised under normal circumstances. Advance notification is required prior to termination, and any noticing period is often limited to the months prior to renewal. Rent escalations are generally specified by a payment schedule, or are subject to a defined formula. The Company also elected the practical expedient to not separate lease and non-lease components for all leases, the majority of which consist of real estate common area maintenance expenses. Generally, leases do not include guaranteed residual values, but instead typically specify that the leased premises are to be returned in satisfactory condition with the Company liable for damages.

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For operating leases, the lease liability and ROU asset (before adjustments) are recorded at the present value of future lease payments. The Company is electing to utilize the Wall Street Journal Prime Rate on the date of lease commencement as the lease interest rate.

(dollars in thousands)	Year Ended	
	December 31, 2023	December 31, 2022
Amortization of ROU Assets - Operating Leases	\$ (2)	\$ (1)
Interest on Lease Liabilities - Operating Leases	87	96
Operating Lease Cost (Cost resulting from lease payments)	85	95
Weighted Average Lease Term (Years) - Operating Leases	30.00	31.00
Weighted Average Discount Rate - Operating Leases	5.50 %	5.50 %

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total operating lease liabilities is as follows (dollar amounts in thousands):

	December 31, 2023
Operating lease payments due:	
Within one year	\$ 85
After one but within two years	86
After two but within three years	94
After three but within four years	94
After four years but within five years	94
After five years	3,043
Total undiscounted cash flows	3,496
Discount on cash flows	(1,913)
Total operating lease liabilities	\$ 1,583

**Note 22 Fair Value of Financial Instruments**

Accounting guidance establishes a fair value hierarchy to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

- Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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Information regarding the fair value of assets measured at fair value on a recurring basis is as follows (dollar amounts in thousands):

	<b>Instruments Measured At Fair Value</b>		<b>Markets for Identical Assets (Level 1)</b>		<b>Other Observable Inputs (Level 2)</b>		<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2023</b>							
<b>Assets</b>							
Securities available for sale							
Obligations of U.S. Government sponsored agencies	\$ 28,294	\$ —	\$ 28,294	\$ —			
Obligations of states and political subdivisions	58,246	—	58,246	—			
Mortgage-backed securities	36,130	—	36,130	—			
Corporate notes	19,038	—	19,038	—			
Certificates of deposit	489	—	489	—			
Mortgage servicing rights	13,668	—	13,668	—			
<b>December 31, 2022</b>							
<b>Assets</b>							
Securities available for sale							
U.S. Treasury securities	\$ 142,097	\$ —	\$ 142,097	\$ —			
Obligations of U.S. Government sponsored agencies	21,749	—	21,749	—			
Obligations of states and political subdivisions	83,186	—	83,186	—			
Mortgage-backed securities	36,637	—	36,637	—			
Corporate notes	19,994	—	19,994	—			
Certificates of deposit	974	—	974	—			
Mortgage servicing rights	9,582	—	9,582	—			

There were no assets measured on a recurring basis using significant unobservable inputs (Level 3) during these periods.

Information regarding the fair value of assets measured at fair value on a non-recurring basis is as follows (dollar amounts in thousands):

	<b>Assets Measured At Fair Value</b>		<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>		<b>Significant Other Observable Inputs (Level 2)</b>		<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2023</b>							
OREO	\$ 2,573	\$ —	\$ —	\$ —	\$ —	\$ 2,573	
Loans individually evaluated, net of reserve	9,242	—	—	—	—	9,242	
	<u>\$ 11,815</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,815</u>	
<b>December 31, 2022</b>							
OREO	\$ 2,520	\$ —	\$ —	\$ —	\$ —	\$ 2,520	
Impaired Loans, net of impairment reserve	3,478	—	—	—	—	3,478	
	<u>\$ 5,998</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,998</u>	

The following is a description of the valuation methodologies used by the Company for the items noted in the table above, including the general classification of such instruments in the fair value hierarchy. For individually evaluated impaired loans, the amount of impairment is based upon the present value of expected future cash flows discounted at the loan's effective interest rate, the estimated fair value of the underlying collateral for collateral-dependent loans, or the estimated liquidity of the note. For OREO, the fair value is based upon the estimated fair value of the underlying collateral adjusted for the expected costs to sell. The following table shows significant unobservable inputs used in the fair value measurement of Level 3 assets:

	Valuation Technique	Unobservable Inputs	Range of Discounts	Weighted Average Discount
<b>As of December 31, 2023</b>				
Other real estate owned	Third party appraisals, sales contracts or brokered price options	Collateral discounts and estimated costs to sell	3% - 71 %	38 %
Loans individually evaluated	Third party appraisals and discounted cash flows	Collateral discounts and discount rates	0% - 53 %	31 %
<b>As of December 31, 2022</b>				
Other real estate owned	Third party appraisals, sales contracts or brokered price options	Collateral discounts and estimated costs to sell	0 %	0 %
Impaired loans	Third party appraisals and discounted cash flows	Collateral discounts and discount rates	0% - 71 %	26 %

The carrying value and estimated fair value of financial instruments at December 31 follows (dollar amounts in thousands):

	December 31, 2023	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>						
Cash and cash equivalents	\$ 247,468	\$ 247,468	\$ —	\$ —	\$ —	\$ 247,468
Securities held to maturity	103,324	99,475	4,151	—	—	103,626
Loans held for sale	3,012	—	—	3,012	—	3,012
Loans, net	3,299,365	—	—	3,168,749	3,168,749	3,168,749
Other investments	21,366	—	—	21,366	—	21,366
Mortgage servicing rights	13,668	—	13,668	—	—	13,668
<b>Financial liabilities:</b>						
Deposits	\$ 3,432,920	\$ —	\$ —	\$ 3,153,512	\$ 3,153,512	\$ 3,153,512
Securities sold under repurchase agreements	75,747	—	75,747	—	—	75,747
Notes payable	35,270	—	35,270	—	—	35,270
Subordinated notes	12,000	—	12,000	—	—	12,000
Junior subordinated debentures	4,124	—	4,124	—	—	4,124

December 31, 2022	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	\$ 119,351	\$ 119,351	\$ —	\$ —	\$ 119,351
Securities held to maturity	45,097	38,577	5,193	—	43,770
Loans held for sale	648	—	—	648	648
Loans, net	2,871,298	—	—	2,832,454	2,832,454
Other investments	16,495	—	—	16,495	16,495
Mortgage servicing rights	9,582	—	9,582	—	9,582
Financial liabilities:					
Deposits	\$ 3,060,229	—	—	2,732,007	2,732,007
Securities sold under repurchase agreements	97,196	—	97,196	—	97,196
Notes payable	1,929	—	1,929	—	1,929
Subordinated notes	23,500	—	23,500	—	23,500

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts nor is it recorded as an intangible asset on the consolidated balance sheet. Significant assets and liabilities that are not considered financial assets and liabilities include premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

**Note 23 Parent Company Only Financial Statements**

Balance Sheets

	December 31	
	2023	2022
	(In Thousands)	
<b>Assets</b>		
Cash and cash equivalents	\$ 37,360	\$ 14,760
Securities	1,935	1,851
Investment in Bank	598,033	461,101
Investment in Veritas (Dissolved during 2023)	—	39
Other assets	272	462
<b>TOTAL ASSETS</b>	<b>\$ 637,600</b>	<b>\$ 478,213</b>
<b>Liabilities and Stockholders' Equity</b>		
Liabilities		
Subordinated notes	\$ 12,000	\$ 23,500
Junior subordinated notes	4,124	—
Other liabilities	1,678	1,610
<b>Total liabilities</b>	<b>17,802</b>	<b>25,110</b>
Stockholders' equity:		
Common stock	115	101
Additional paid-in capital	333,815	218,263
Retained earnings	348,001	295,496
Treasury stock, at cost	(53,387)	(45,191)
Accumulated other comprehensive income (loss)	(8,746)	(15,566)
<b>Total stockholders' equity</b>	<b>619,798</b>	<b>453,103</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 637,600</b>	<b>\$ 478,213</b>

Statements of Income

	Years Ended December 31		
	2023	2022	2021
	(In Thousands)		
<b>Income:</b>			
Dividends received from Bank	\$ 68,573	\$ 22,281	\$ 22,361
Equity in undistributed earnings of subsidiaries	10,271	25,258	24,687
Other income	—	9	—
<b>Total income</b>	<b>78,844</b>	<b>47,548</b>	<b>47,048</b>
Other expenses	5,951	3,204	2,205
Benefit for income taxes	(1,621)	(870)	(601)
<b>Net income</b>	<b>\$ 74,514</b>	<b>\$ 45,214</b>	<b>\$ 45,444</b>

Statements of Cash Flows

	Years Ended December 31,		
	2023	2022 (In thousands)	2021
<b>Cash flow from operating activities:</b>			
Net income	\$ 74,514	\$ 45,214	\$ 45,444
Adjustments to reconcile net income to net cash used in operating activities:			
Stock compensation	2,142	1,662	1,393
Equity in earnings of subsidiaries (includes dividends)	(78,844)	(47,539)	(47,048)
Changes in other assets and liabilities:			
Other assets	403	(772)	1
Other liabilities	(623)	(2,054)	(660)
Net cash used in operating activities	<u>(2,408)</u>	<u>(3,489)</u>	<u>(870)</u>
<b>Cash flows from investing activities, net of effects of business combination:</b>			
Dividends received from Bank	69,982	22,355	22,360
Dividends received from Veritas	37	—	—
Net cash used in business combination	(4,554)	5,159	—
Proceeds from other investments	248	—	—
Net cash provided by investing activities	<u>65,713</u>	<u>27,514</u>	<u>22,360</u>
<b>Cash flows from financing activities, net of effects of business combination:</b>			
Repayment of junior subordinated debentures	(8,248)	—	—
Repayment of subordinate notes	(11,500)	—	—
Proceeds from subordinated notes	—	6,000	—
Cash dividends paid	(11,106)	(7,248)	(8,733)
Issuance of common stock	195	114	114
Repurchase of common stock	(10,046)	(14,314)	(8,272)
Net cash used in financing activities	<u>(40,705)</u>	<u>(15,448)</u>	<u>(16,891)</u>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning	22,600	8,577	4,599
Cash and cash equivalents at end	<u>\$ 37,360</u>	<u>\$ 14,760</u>	<u>\$ 6,183</u>

**Note 24 Earnings Per Common Share**

See Note 1 for the Company's accounting policy regarding per share computations. Earnings per common share, earnings per share assuming dilution, and related information are summarized as follows:

(in thousands, except per share data)	Years ended December 31,		
	2023	2022	2021
<b>Basic</b>			
Net income available to common shareholders	\$ 74,514	\$ 45,214	\$ 45,444
Less: Earnings allocated to participating securities	(425)	(330)	(351)
Net income allocated to common shareholders	<u>\$ 74,089</u>	<u>\$ 44,884</u>	<u>\$ 45,093</u>
Weighted average common shares outstanding including participating securities	10,231,569	8,104,117	7,680,896
Less: Participating securities	(58,359)	(59,211)	(59,264)
Average shares	<u>10,173,210</u>	<u>8,044,906</u>	<u>7,621,632</u>
Basic earnings per common shares	<u>\$ 7.28</u>	<u>\$ 5.58</u>	<u>\$ 5.92</u>
<b>Diluted</b>			
Net income available to common shareholders	\$ 74,514	\$ 45,214	\$ 45,444
Weighted average common shares outstanding for basic earnings per common share	10,173,210	8,044,906	7,621,632
Add: Dilutive effects of stock based compensation awards	25,783	24,354	21,535
Average shares and dilutive potential common shares	<u>10,198,993</u>	<u>8,069,260</u>	<u>7,643,167</u>
Diluted earnings per common share	<u>\$ 7.28</u>	<u>\$ 5.58</u>	<u>\$ 5.92</u>

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**  
None

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

An evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act) as of December 31, 2023 was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and other members of the Company's senior management. The Company's Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2023, the Company's disclosure controls and procedures were effective for ensuring that information the Company is required to disclose in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's senior management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Management's Annual Report on Internal Control over Financial Reporting**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of the financial statements. No matter how well designed, internal control over financial reporting has inherent limitations, including the possibility that a control can be circumvented or overridden, and misstatements due to error or fraud may occur and not be detected. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). As permitted by SEC guidance, management excluded from its assessment the operations of Hometown Bancorp, Ltd., which the Company acquired on February 10, 2023, as described in "Note 2 – Acquisitions" of the Notes to the Consolidated Financial Statements included in item 8 in this report. The fair value of assets acquired from Hometown Bancorp, Ltd. at the acquisition date represented 14.6% of the consolidated total assets of the Company as of December 31, 2023.

Based on this assessment management has determined that, as of December 31, 2023, the Company's internal control over financial reporting is effective based on the specified criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023, has been audited by FORVIS, LLP, an independent registered public accounting firm, as stated in their report herein – "Report of Independent Registered Accounting Firm."

**Changes in Internal Controls over Financial Reporting**

There was no change in our internal control over financial reporting that occurred during the fourth quarter ended December 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. The Company is continually monitoring and assessing changes in processes and activities to determine any potential impact on the design and operating effectiveness of internal controls over financial reporting.

#### **Limitations on the Effectiveness of Controls**

The Company's management recognizes that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, errors and instances of fraud, if any, within the Company have been detected.

#### **ITEM 9B. OTHER INFORMATION**

##### **Rule 10b5-1 Trading Arrangements**

The following table describes, for the quarter ended December 31, 2023, each trading arrangement for the sale or purchase of our securities adopted, terminated or for which the amount, pricing or timing provisions were modified by our directors and officers (as defined in Rule 16a-1(f) of the Exchange Act) that is either (1) a contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) (a "Rule 10b5-1 trading arrangement") or (2) a "non-Rule 10b5-1 trading arrangement" (as defined in Item 408(c) of Regulation S-K):

Name (Title)	Action Taken (Date)	Type	Nature	Duration	Aggregate Number of Shares to be Purchased or Sold
Stephen E. Johnson (director)	Adoption (Oct. 24, 2023)	Non-Rule 10b5-1	Sales	Oct. 24, 2023	2,000 shares of common stock

#### **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required in Part III, Item 10 will be under the headings "Proposal 1—Election of Directors," "Executive Officers," "Corporate Governance," "Committees of the Board of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement for the 2024 Annual Meeting of Shareholders, incorporated herein by reference.

#### ITEM 11. EXECUTIVE COMPENSATION

The information required in Part III, Item 11 will be under the headings "Director Compensation," "Named Executive Officer Compensation" and "Committees of the Board of Directors" in the Company's definitive proxy statement for the 2024 Annual Meeting of Shareholders, incorporated herein by reference.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

##### Equity Compensation Plan Information

The following table provides information as of December 31, 2023 with respect to shares of common stock that may be issued under the Company's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	0	\$ 0	623,554
Total at December 31, 2023	0	\$ 0	623,554

(1) On June 8, 2020, the Company's shareholders approved the Company's 2020 Equity Plan, authorizing up to 700,000 shares of stock to be awarded as long-term incentive compensation to employees and non-employee directors over a period of ten (10) years.

The remaining information required in Part III, Item 12 will be under the heading "Common Stock Ownership of Certain Beneficial Owners and Management" in the Company's definitive proxy statement for the 2024 Annual Meeting of Shareholders, incorporated herein by reference.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required in Part III, Item 13 will be under the headings "Certain Relationships and Related-Party Transactions" and "Corporate Governance" in the Company's definitive proxy statement for the 2024 Annual Meeting of Shareholders, incorporated herein by reference.

#### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required in Part III, Item 14 will be under the heading "Information Regarding the Company's Independent Registered Public Accounting Firm" in the Company's definitive proxy statement for the 2024 Annual Meeting of Shareholders, incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### (a) 1. Financial Statements

The following consolidated financial statements of Bank First and our subsidiaries and related reports of our independent registered public accounting firm are incorporated in this Item 15 by reference from Part II - Item 8. Financial Statements and Supplementary Data of this Report.

- Consolidated balance sheets as of December 31, 2023 and 2022
- Consolidated statements of income for the years ended December 31, 2023, 2022 and 2021
- Consolidated statements of comprehensive income for the years ended December 31, 2023, 2022 and 2021
- Consolidated statements of changes in shareholders' equity for the years ended December 31, 2023, 2022 and 2021
- Consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021
- Notes to Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm

#### 2. Financial Statement Schedules

None are applicable because the required information has been incorporated in the consolidated financial statements and notes thereto of Bank First and our subsidiaries which are incorporated in this Annual Report by reference.

#### 3. Exhibits

The following exhibits are filed or furnished herewith or are incorporated herein by reference to other documents previously filed with the SEC.

### EXHIBIT INDEX

Exhibit No.	Description
2.1	<a href="#">Agreement and Plan of Merger, dated July 25, 2022, by and between Bank First Corporation and Hometown Bancshares, Ltd. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on July 26, 2022 and incorporated herein by reference).</a>
2.2	<a href="#">Agreement and Plan of Merger, dated January 18, 2022, by and between Bank First Corporation and Denmark Bancshares, Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on January 19, 2022 and incorporated herein by reference).</a>
3.1	<a href="#">Restated Articles of Incorporation of Bank First Corporation (filed as Exhibit 3.1 to the Company's Registration Statement on Form 10-12B/A (File No. 001-38676) filed with the SEC on October 17, 2018 and incorporated herein by reference).</a>
3.2	<a href="#">Amended and Restated Bylaws of Bank First Corporation (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on July 24, 2023 and incorporated herein by reference).</a>
4.1	<a href="#">Form of Certificate of Common Stock of Bank First Corporation (filed as Exhibit 4.1 to the Company's Registration Statement on Form 10-12B (File No. 001-38676) filed with the SEC on September 24, 2018 and incorporated herein by reference).</a>
4.2	Description of Registered Securities.
10.1	<a href="#">Bank First Corporation 2011 Equity Plan (filed as Exhibit 10.1 to the Company's Registration Statement on Form 10-12B (File No. 001-38676) filed with the SEC on September 24, 2018 and incorporated herein by reference).*</a>
10.2	<a href="#">Amendments to Bank First National Corporation 2011 Equity Plan (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 001-38676) filed with the SEC on February 22, 2019 and incorporated herein by reference).*</a>

Exhibit No.	Description
10.3	<a href="#">Bank First Corporation 2020 Equity Plan, as amended (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K filed with the SEC on March 12, 2021 and incorporated herein by reference).*</a>
10.4	<a href="#">Form of Restricted Stock Award Agreement for Named Executive Officers (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on March 4, 2021 and incorporated herein by reference).*</a>
10.5	<a href="#">Form of Restricted Stock Award Agreement for Non-Employee Directors (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the SEC on March 4, 2021 and incorporated herein by reference).*</a>
10.6	<a href="#">Change in Control Agreement dated April 12, 2022 between Bank First Corporation and Michael B. Molepske (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2023 and incorporated herein by reference).*</a>
10.7	<a href="#">Change in Control Agreement dated April 12, 2022 between Bank First Corporation and Kevin M. LeMahieu (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2023 and incorporated herein by reference).*</a>
10.8	<a href="#">Change in Control Agreement dated April 12, 2022 between Bank First Corporation and Jason V. Krepline (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2023 and incorporated herein by reference).*</a>
10.9	<a href="#">Change in Control Agreement dated April 11, 2022 between Bank First Corporation and Joan A. Woldt (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2023 and incorporated herein by reference).*</a>
10.10	<a href="#">Change in Control Agreement dated February 10, 2023 between Bank First Corporation and Timothy J. McFarlane (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2023 and incorporated herein by reference).*</a>
10.11	Change in Control Agreement dated May 16, 2023 between Bank First Corporation and Kelly M. Dvorak*
10.12	Separation Agreement and General Release dated November 15, 2023 between Bank First Corporation and Joan Woldt*
21	Subsidiaries of Bank First Corporation.
23.1	Consent of Independent Registered Public Accounting Firm (FORVIS, LLP).
24	<a href="#">Power of Attorney contained on the signature pages of this 2022 Annual Report on Form 10-K and incorporated herein by reference.</a>
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97	Bank First Corporation Compensation Clawback Policy
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document)

\* Compensatory plan or arrangement.

**ITEM 16. FORM 10-K SUMMARY**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, Bank First Corporation has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**BANK FIRST CORPORATION**

February 29, 2024

By: /s/ Michael B. Molepske  
Michael B. Molepske  
Chief Executive Officer  
(Principal Executive Officer)

February 29, 2024

By: /s/ Kevin M. LeMahieu  
Kevin M. LeMahieu  
Chief Financial Officer  
(Principal Financial Officer and  
Principal Accounting Officer)

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael B. Molepske and Kevin M. LeMahieu and each of them, his or her true and lawful attorney(s)-in-fact and agent(s), with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments to this report and to file the same, with all exhibits and schedules thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney(s)-in-fact and agent(s) full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney(s)-in-fact and agent (s), or their substitute(s), may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons in the capacities and on the dates indicated.

<u>/s/ Mary-Kay H. Bourbulas</u>	Director	February 29, 2024
Mary-Kay H. Bourbulas		
<u>/s/ Robert D. Gregorski</u>	Director	February 29, 2024
Robert D. Gregorski		
<u>/s/ Judy L. Heun</u>	Director	February 29, 2024
Judy L. Heun		
<u>/s/ Stephen E. Johnson</u>	Director	February 29, 2024
Stephen E. Johnson		
<u>/s/Laura E. Kohler</u>	Director	February 29, 2024
Laura E. Kohler		
<u>/s/Phillip R. Maples</u>	Director	February 29, 2024
Phillip R. Maples		
<u>/s/Timothy J. McFarlane</u>	Director	February 29, 2024
Timothy J. McFarlane		
<u>/s/ Michael B. Molepske</u>	Director	February 29, 2024
Michael B. Molepske		
<u>/s/ David R. Sachse</u>	Director	February 29, 2024
David R. Sachse		
<u>/s/ Peter J. Van Sistine</u>	Director	February 29, 2024
Peter J. Van Sistine		

**BANK FIRST CORPORATION**  
**DESCRIPTION OF REGISTERED SECURITIES**

**Common Stock**

The Company's authorized capital stock consists of 25,000,000 shares, of which 20,000,000 are Common Stock, par value \$0.01 per share, and of which 5,000,000 are Preferred Stock, par value \$0.01 per share. As of December 31, 2023, there were 11,515,130 shares of Common Stock issued, and 10,365,131 shares of Common Stock outstanding. No shares of Preferred Stock were issued or outstanding as of December 31, 2023. All of our outstanding shares of Common Stock are fully paid and non-assessable. Computershare, Inc. is the registrar and transfer agent for our Common Stock. Our Common Stock is traded on the Nasdaq Capital Market under the symbol "BFC."

**Dividend Rights**

Subject to any prior rights of holders of Preferred Stock then outstanding, the holders of the Common Stock will be entitled to dividends when, as and if declared by the Company's Board of Directors out of funds legally available therefor. Funds for the payment of dividends by the Company are expected to be obtained primarily from dividends of the Bank. There can be no assurance that the Company will have funds available for dividends, or that if they are available, that dividends will be declared by the Company's Board of Directors.

**Voting Rights**

Except as otherwise provided in the Restated Articles of Incorporation of the Company, all voting rights are vested in the holders of Common Stock. Each share of Common Stock is entitled to one vote on all matters submitted to a vote of shareholders, including election of directors. The Company's Board of Directors is classified into three classes, each class to be as nearly equal in number as possible. Shareholders of the Company do not have cumulative voting rights. Any director may be removed from office by the affirmative vote of 80% of the outstanding shares entitled to vote, and any vacancy created thereby may be filled by the affirmative vote of 80% of the outstanding shares entitled to vote. An amendment to Articles V, VII, VIII, IX, or X of the Restated Articles of Incorporation also requires the affirmative vote of at least 80% of the outstanding shares of stock entitled to vote on the amendment.

**Preemptive Rights**

Holders of our common stock do not have preference, conversion, exchange or preemptive rights. Our common stock has no sinking fund or redemption provisions.

**Liquidation Rights**

Subject to any rights of any Preferred Stock then outstanding, holders of Common Stock are entitled to share on a pro rata basis in the net assets of the Company which remain after satisfaction of all liabilities.

**Certain Effects of Authorized but Unissued Stock**

The availability for issuance of a substantial number of shares of Common Stock and Preferred Stock at the discretion of the Board of Directors will provide the Company with the flexibility to take advantage of

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opportunities to issue such stock in order to obtain capital, as consideration for possible acquisitions and for other purposes (including, without limitation, the issuance of additional shares through stock splits and stock dividends in appropriate circumstances). There are, at present, no plans, understandings, agreements or arrangements concerning the issuance of additional shares of the Company capital stock, except for the shares of Common Stock reserved for issuance under the Company's stock compensation plans.

Uncommitted authorized but unissued shares of Common Stock may be issued from time to time to such persons and for such consideration as the Board of Directors of the Company may determine and holders of the then outstanding shares of Common Stock may or may not be given the opportunity to vote thereon, depending upon the nature of any such transactions, applicable law and the judgment of the Board of Directors of the Company regarding the submission of such issuance to the Company's shareholders. As noted, the Company's shareholders will have no preemptive rights to subscribe to newly issued shares.

Moreover, it will be possible that additional shares of Common Stock would be issued for the purpose of making an acquisition by an unwanted suitor of a controlling interest in the Company more difficult, time consuming or costly or would otherwise discourage an attempt to acquire control of the Company. Under such circumstances, the availability of authorized and unissued shares of Common Stock may make it more difficult for shareholders to obtain a premium for their shares. Such authorized and unissued shares could be used to create voting or other impediments or to frustrate a person seeking to obtain control of the Company by means of a merger, tender offer, proxy contest or other means. Such shares could be privately placed with purchasers who might cooperate with the Board of Directors of the Company in opposing such an attempt by a third party to gain control of the Company. The issuance of new shares of Common Stock could also be used to dilute ownership of a person or entity seeking to obtain control of the Company. Although the Company does not currently contemplate taking any such action, shares of Company capital stock could be issued for the purposes and effects described above, and the Board of Directors reserves its rights (if consistent with its fiduciary responsibilities) to issue such stock for such purposes.

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## CHANGE OF CONTROL AGREEMENT

**THIS CHANGE OF CONTROL AGREEMENT** ("Agreement") is entered into as of the last date stated on the final page of this Agreement, by and between Bank First Corporation, including its successors and assigns (the "Company"), and Kelly M. Dvorak ("Executive") (collectively the "parties").

### AGREEMENT:

1. **Definitions.** As used in this Agreement, the following terms shall have the respective meanings set forth below:
  - a) "Cause" means the termination of Executive's employment because of:
    - (i) the commission of any material act of dishonesty or disloyalty involving the Company;
    - (ii) Executive's commission of a crime that substantially relates to Executive's position with the Company that has a material adverse effect on the Company;
    - (iii) the willful engagement by Executive in conduct that is materially injurious to the Company; or
    - (iv) any breach by Executive of any non-disclosure, non-competition, non-solicitation, or confidentiality agreement that Executive may have with the Company.
  - b) "CIC" means Change of Control.
  - c) "CIC Date" means the date on which the CIC Event is consummated.
  - d) "CIC Event" means a change of control of the Company whereby:
    - (i) any corporation, person, or other entity, including a group, becomes the beneficial owner of 51% or more of the combined voting power of the Company's then outstanding securities;
    - (ii) due to the consummation of a merger, reorganization or consolidation of the Company, the shareholders of the Company immediately prior to the merger, reorganization or consolidation no longer own 51% or more of the combined voting power of the merged, reorganized or consolidated company;
    - (iii) due to the sale, transfer, or other disposition of all or substantially all of the assets of the Company, the shareholders of the Company immediately prior to the sale, transfer or other disposition of assets no longer own 51% or more

of the combined voting power of the entity to which assets were sold or transferred;

- (iv) a plan of liquidation of the Company is consummated; or
- (v) within any two (2) year period, a majority of the Company's Board of Director positions are no longer held by the same directors, other than as a result of any settlement of a proxy contest or attempt to avoid a proxy contest.

e) "CIC Period" means the time period beginning on the CIC Date and ending on the first anniversary thereof.

f) "Date of Termination" means the date on which Executive has a separation of service with the Company.

g) "Good Reason" means any of the following:

- (i) a material reduction in Executive's base salary or long-term incentive compensation;
- (ii) a material reduction in Executive's authority, duties, or responsibilities;
- (iii) Executive is required to be based at any office or location that is more than twenty-five (25) miles from the location where Executive was principally employed immediately preceding the CIC Date; or
- (iv) a material breach of this Agreement by the Company.

Executive's right to terminate employment for Good Reason shall not be affected by Executive's incapacities due to mental or physical illness and Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any event or condition constituting Good Reason; provided, however, that Executive must provide at least ninety (90) days prior written notice of termination of employment. Good Reason shall not be deemed to exist under this Agreement unless Executive gives Executive's notice of termination, as provided in Section 11, to the Company within sixty (60) days following Executive's knowledge of an event constituting Good Reason, and the Company does not materially correct or cure such event(s) or act(s), if curable, within thirty (30) days. The Company may, in its sole discretion, immediately relieve Executive of any further job responsibilities and release Executive earlier than the date of termination stated in the notice of termination.

h) "Restricted Area" means within twenty-five (25) miles from the location where Executive was principally employed immediately preceding the Date of Termination.

- i) "Restricted Industry" means (i) retail or commercial banks and (ii) credit unions.
- j) "Restricted Period" means eighteen (18) months.

2. Obligations of Executive. During Executive's employment with the Company, Executive shall devote Executive's best efforts and attention, on a full-time basis, to the performance of the duties required of Executive as an employee of the Company. Executive shall provide such services using such care and attention as would be taken by a competent and prudent person in a like position of employment under similar circumstances. Executive shall have such authority and responsibility reasonably commensurate with Executive's job title as may be assigned to Executive from time-to-time by the Company in its sole discretion. Executive agrees to be bound by and comply with all policies, procedures, rules and regulations of the Company, including but not limited to those set forth in any compliance policy adopted by the Company or set forth in its employee handbook or manual, as may be amended by the Company in its sole discretion. Executive further agrees that Executive shall at all times during Executive's employment with the Company act in compliance with all federal, state and local laws, regulations and ordinances.

3. Termination During the CIC Period. The Company may terminate Executive during the CIC Period, with or without cause. Executive may terminate Executive's employment during the CIC Period for Good Reason or without Good Reason.

4. Obligations of the Company Upon Termination of the Executive During the CIC Period If the Company terminates Executive without Cause, or Executive terminates Executive's employment for Good Reason during the CIC Period, the Company shall pay to Executive the following:

- a) A lump sum cash payment equal to two times Executive's base salary in effect on the Date of Termination; plus
- b) A cash bonus equaling the average of the previous three years' bonus amounts; plus
- c) Reimbursement of health insurance continuation coverage premiums for a period of two (2) years, or until Executive becomes eligible for Medicare, whichever comes first.

The payments described in (a) and (b) will be paid to Executive in a single lump sum within twenty (20) business days following receipt by the Company of the Release contemplated by Section 12 hereof and the expiration of any applicable review, revocation, and/or waiting periods; provided that, if the thirty (30) day period Executive has in which to execute the Release, as set forth in Section 12, spans two calendar years, the payments shall not be made prior to the first day of the second calendar year. Reimbursement of the health insurance continuation coverage premiums will be made in monthly installments.

5. Termination for Cause or for Other Than Good Reason. If Executive is terminated by the Company for Cause, or if Executive terminates Executive's employment for something other than Good Reason, then:

- a) the Agreement shall terminate without further obligation by the Company, other than to pay to Executive all salary and benefits owed to Executive prior to the Date of Termination; and
- b) Executive shall not, during the Restricted Period, directly or indirectly, (i) prepare to engage, or engage, in competition with the Company within the Restricted Area related to the Industry or (ii) acquire direct or indirect interest, or an option to acquire such an interest, in a company engaged in competition with the Company in the Restricted Area (other than an interest of not more than five percent (5%) of the outstanding stock of any company which is publicly traded on a national stock exchange or the over-the-counter market).

Executive acknowledges that a breach or threatened breach by Executive of this Section 5 of this Agreement will give rise to irreparable injury to the Company and that money damages will not be adequate relief for such injury and, accordingly, Executive agrees that the Company shall be entitled to obtain equitable relief, including, but not limited to, specific performance, temporary restraining orders, preliminary injunctions and/or permanent injunctions, without having to post any bond or other security, to restrain or prohibit such breach or threatened breach, in addition to any other legal remedies which may be available, including the recovery of money damages.

6. Restricted Stock. All unvested stock awards would automatically vest on the CIC Date.

7. Withholding Taxes. The Company may withhold from all payments due to Executive (or Executive's beneficiary or estate) hereunder all taxes or deductions that, by applicable federal, state, local or other law, the Company is required to withhold therefrom.

8. Reimbursement of Expenses. The parties shall bear their own costs and attorneys' fees incurred in connection with the preparation and execution of the Agreement. In any action that is brought to enforce or interpret this Agreement, the substantially prevailing party shall be entitled to recover its or Executive's reasonable attorneys' and paralegal fees and expenses incurred in connection therewith, unless otherwise prohibited by law. In any such action, Executive waives all claims or defenses that the Company has an adequate remedy at law, and Executive shall not urge, in any such action or proceeding, the claim or defense that such a remedy at law exists.

9. Scope of Agreement/At-Will Employment. Nothing in this Agreement shall be deemed to entitle Executive to continued employment with the Company. Executive acknowledges that Executive is an at-will employee of the Company, meaning that either Executive or the Company can terminate the employment relationship at any time, with or without cause, and that this Agreement shall not change or affect Executive's at-will status with the Company. If Executive's employment with the Company shall terminate prior to a CIC,

Executive shall have no further rights under this Agreement (except as otherwise provided hereunder); provided, however, that any termination of Executive's employment during the CIC Period shall be subject to all of the provisions of this Agreement.

10. Successors; Binding Agreement. The rights and obligations of Executive hereunder are not assignable or delegable, and any prohibited assignment or delegation will be null and void. The Company may, without the prior consent of Executive, assign this Agreement to any successor of the Company, or in connection with any merger, consolidation, share exchange, combination, sale of stock or assets or similar transaction. The provisions hereof shall inure to the benefit of and be binding upon the successors and assigns of the Company.

11. Notice.

a) For purposes of this Agreement, all notices and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered by overnight courier on the next business day after deposit with the courier service, or if mailed, three business days after mailing if sent by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive: Kelly M. Dvorak  
1404 Angels Path  
De Pere, WI 54115

If to the Company: **Bank First Corporation**  
**Michael B. Molepske**  
**Chief Executive Officer**  
**402 N. 8th St.**  
**Manitowoc, WI 54221**

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

b) A written notice of Executive's date of termination by the Company or Executive, as the case may be, to the other, shall (i) indicate the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) specify the Date of Termination. The failure by Executive or the Company to set forth in such notice any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Company hereunder or preclude Executive or the Company from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

12. Full Settlement; Resolution of Disputes. The Company's obligation to make any severance payments provided for in this Agreement and otherwise to perform its obligations hereunder shall be in lieu of and in full settlement of all other severance payments to Executive under any other severance or employment agreement between Executive and the Company, and any severance plan of the Company. Furthermore, the Company's obligation to make any severance payments provided for in this Agreement under Section 4, is expressly conditioned and contingent upon Executive releasing the Company, and its successors and assigns, from any and all claims, to the fullest extent legally permissible. Such release shall be substantially in the form attached hereto as Exhibit A and must be executed by Executive and become effective within thirty (30) days of Executive's receipt of the Release in order for Executive to be entitled to any severance payments hereunder. The Company, as used in this Agreement, includes its respective predecessors, successors, assigns, and each of their directors, officers, managers, supervisors, employees, representatives, agents, insurers and attorneys and all persons acting, through, under or in concert with any of them.

The Company's obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against Executive or others.

In no event shall Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not Executive obtains other employment.

13. Governing Law. The interpretation, construction, performance and enforcement of this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Wisconsin without regard to the principle of conflicts of laws.

14. Jurisdiction; Venue. The parties hereto irrevocably consent to the jurisdiction and venue of the state court for the State of Wisconsin located in Manitowoc County, Wisconsin, or the Federal District Court for the Eastern District of Wisconsin, and agree that all actions, proceedings, litigation, disputes, or claims relating to or arising out of this Agreement shall be brought and tried only in such courts.

15. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

16. Miscellaneous. No provision of this Agreement may be modified or waived unless such modification or waiver is agreed to in writing and signed by Executive and by a duly authorized senior officer of the Company. No waiver by any party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. The failure of any party to insist in anyone or more instances upon performance of any of the provisions of this Agreement, or to pursue any rights under this Agreement, shall not be construed as a waiver of any such provisions or relinquishment of any rights under this Agreement, or affect the validity

of the Agreement or any part of the Agreement, or the right to enforce each and every provision of the Agreement in accordance with its terms. Except as otherwise specifically provided herein, the rights of, and benefits payable to, Executive, Executive's estate or Executive's beneficiaries pursuant to this Agreement are in addition to any rights of, or benefits payable to, Executive, Executive's estate or Executive's beneficiaries under any other employee benefit plan or compensation program of the Company.

17. No Reliance. The Company and Executive hereby acknowledge and agree that each (i) has read this Agreement in its entirety prior to executing it, (ii) understands the provisions and effects of this Agreement, (iii) has consulted with such attorneys, accountants, and financial and other advisors as the Company or Executive has deemed appropriate in connection with their respective execution of this Agreement, (iv) has executed this Agreement voluntarily, (v) no promise, inducement or agreement, not herein expressed, has been made to Executive, and (vi) the terms of this Agreement are contractual and not mere recitals.

**EXECUTIVE HEREBY UNDERSTANDS, ACKNOWLEDGES, AND AGREES THAT THIS AGREEMENT HAS BEEN PREPARED BY COUNSEL TO THE COMPANY AND THAT EXECUTIVE HAS NOT RECEIVED ANY ADVICE, COUNSEL, OR RECOMMENDATION WITH RESPECT TO THIS AGREEMENT FROM THE COMPANY OR ITS COUNSEL AND THAT IN EXECUTING THIS AGREEMENT EXECUTIVE DOES NOT RELY AND HAS NOT RELIED UPON ANY REPRESENTATION OR STATEMENT BY THE COMPANY OR ITS AGENTS, OTHER THAN THE STATEMENTS WHICH ARE CONTAINED WITHIN THIS AGREEMENT. EXECUTIVE HAS BEEN AFFIRMATIVELY ADVISED TO SEEK LEGAL COUNSEL OF EXECUTIVE'S OWN CHOOSING BEFORE SIGNING THIS AGREEMENT.**

18. No Admissions. This Agreement shall not in any way be construed as an admission by the Company or its agents of any acts of discrimination or other improper conduct whatsoever against Executive or any other person, and the Company specifically disclaims any liability to or discrimination against Executive or any other person on the part of the Company and its employees and agents.

19. Section Headings. Section headings are inserted in this Agreement for convenience only and shall not affect any construction or interpretation of this Agreement.

20. Section 409(A). It is intended that any severance payment that may be due under this Agreement will not cause a violation of Section 409(A) of the Internal Revenue Service Code. Thus, notwithstanding anything in this Agreement to the contrary, if any provision in this Agreement or any severance payment would result in the imposition of an applicable tax under Section 409(A), that Agreement provision or severance payment will be reformed to avoid imposition of the applicable Section 409(A) tax. If an amount is to be paid under this Agreement in two or more installments, each installment shall be treated as a separate payment for purposes of Section 409(A).

21. Disclaimer. Nothing in this Agreement shall be construed to prohibit Executive from reporting conduct to, providing truthful information to, or participating in any investigation

or proceeding brought or conducted by, any federal or state government agency or self-regulatory organization.

22. Non-Disparagement. At any time during Executive's employment with the Company and following the termination of Executive's employment, regardless of the reason for the termination or the manner in which Executive's employment terminates, Executive agrees that Executive will not make any oral or written statements that disparage or damage the Company, or its business, services, shareholders, owners, officers, directors, board members, employees, or any dealings of any kind between Executive and the Company, to any other person or entity. Furthermore, Executive agrees that Executive will not make any oral or written statements or remarks that may disparage or damage the Company's customers, vendors, or suppliers, which the Company did business with or had contractual dealings with during the course of Executive's employment with the Company, including any of their shareholders, directors, officers, employees, owners and executives, or otherwise take any action which could reasonably be expected to adversely affect the personal, professional or business reputation of those entities or persons. For purposes of this Agreement, "disparage" shall mean any negative, false, or misleading statement, whether written or oral, about those entities or persons, its or their work product, or business operations.

**[SIGNATURE PAGE TO FOLLOW]**

**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by a duly authorized officer and Executive has executed this Agreement, in each case as of the day and year set forth on this page.

**BANK FIRST CORPORATION**

By: /s/Michael B. Molepske

Printed Name: Michael B. Molepske

Title: Chief Executive Officer

Date: May 16, 2023

**EXECUTIVE**

By: /s/Kelly M. Dvorak

Printed Name: Kelly M. Dvorak

Title: Chief Legal Counsel

Date: May 16, 2023

## EXHIBIT A

### RELEASE OF CLAIMS

#### [DO NOT SIGN UNLESS AND UNTIL CHANGE IN CONTROL AND TERMINATION]

**FOR VALUABLE CONSIDERATION**, including the payment to the undersignedExecutive of certain termination or severance benefits pursuant to that certain Change of Control Agreement previously executed by and between Executive and Bank First Corporation, including its successors and assigns (the "Company"), Executive hereby freely and voluntarily makes this Release of Claims ("Release").

1. Subject to the carve-out provisions set forth below,Executive, for Executive's own behalf and on behalf of Executive's heirs, personal representatives, executors, administrators, agents, and assigns, hereby forever and fully releases, acquits, and discharges the Company and each of its subsidiaries, affiliates, and divisions, officers, directors, shareholders, managers, agents, representatives, employees, attorneys, insurers, successors and assigns (collectively the "Released Parties"), of and from any and all claims, actions, suits, debts, expenses, accounts, covenants, contracts, agreements, promises, obligations, warranties, trespasses, torts, injuries, losses, damages, attorneys' fees, court costs, demands or other liability or relief of any nature whatsoever arising prior to the execution of the Release, whether known or unknown, foreseen or unforeseen, fixed or contingent, brought at law, in equity, or before any administrative agency or department, that Executive ever had or now has, including but not limited to all matters arising out of or in any way relating to Executive's employment by the Company or the termination ofExecutive's employment. No rights or claims arising after the execution of this Release are waived hereby.

The above release provision includes, but is not limited to, those claims arising under (a) 42 U.S.C. §1981, (b) Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, 42 U.S.C. §2000e, et. seq., (c) the Age Discrimination in Employment Act of 1967 ("ADEA"), (d) the Older Workers Benefit Protection Act ("OWBPA"), (e) the Americans with Disabilities Act, as amended by the Americans with Disabilities Act Amendments Act, (f) the Family and Medical Leave Act, (g) Wisconsin's Fair Employment statutes and other statutes protecting civil rights, (h) Wisconsin's wage and hour statutes, (i) the Fair Labor Standards Act, (j) the Employee Retirement Income Security Act ("ERISA"), except to the extent unrelated to Executive's separation from employment to enforce any right to vested benefits, (k) any other federal, state, or local statutes or ordinances, (l) any and all tort or contract claims, including but not limited to breach of contract, breach of good faith and fair dealing, infliction of emotional distress, or wrongful termination or discharge, (m) and any and all claims which could have been alleged or pleaded in any litigation or other legal proceeding between Executive and any of the Released Parties by reason of, arising out of or in any way relating to Executive's employment by the Company or the termination ofExecutive's employment.

Nothing contained in this Release, including the release set forth above, is intended to or shall preclude or prohibit Executive from filing a claim or charge with the Equal Employment

Opportunity Commission (EEOC) or a corresponding state or local administrative body, or any other federal, state, or local governmental agency charged with enforcement of any law. Executive retains the right to participate in any such action; however, Executive shall not be entitled to any individual relief (monetary, equitable, or otherwise) as a result of any such claim, action, or charge. Furthermore, Executive retains the right to communicate with any governmental authority and such communication can be initiated by Executive or in response to the governmental authority and is not limited by any obligation Executive has under this Release or the Change of Control Agreement, including any nondisclosure or confidentiality provisions.

2. In the event Executive is forty (40) years of age or older, Executive understands that Executive is covered by the provisions of the ADEA and OWBPA. Accordingly, Executive has been given a period of at least twenty-one (21) days, within which to consider and execute the Release ("Review Period), and instructed to consult with an attorney before signing. Executive may use as much or as little of the Review Period as Executive desires. Executive's signature on the Release constitutes a waiver of any days remaining in the Review Period. Furthermore, Executive has been advised that after Executive signs this Release, Executive has an additional seven (7) days within which to revoke the Release. The Release shall become final and binding on the eighth day after Executive signs the Release, provided that Executive does not timely revoke the Release ("Effective Date"). Executive may timely revoke Executive signature of the Release if Executive provides written notice by 5:00 PM on or before the seventh day after signing the Release, provided that Executive's written notice is either: (1) hand-delivered to and received by Kelly M. Dvorak, General Counsel and Corporate Secretary, Bank First Corporation, 402 N. 8th St., Manitowoc, WI 54221; or (2) delivered by receipted overnight delivery service to Kelly M. Dvorak, General Counsel and Corporate Secretary, Bank First Corporation, 402 N. 8th St., Manitowoc, WI 54221.

3. This Release cannot be modified, amended or changed, without the written consent of the Company.

4. The invalidity or unenforceability of any provision or provisions in the Release shall not affect the validity or enforceability of any other provision of the Release, which shall remain in full force and effect.

5. The laws of the State of Wisconsin shall govern the validity, interpretation, construction, performance and enforcement of the Release regardless of where Executive resides. Executive agrees that any action related to the Release shall be brought and tried in either state court for the State of Wisconsin located in Manitowoc County, Wisconsin, or the Federal District Court for the Eastern District of Wisconsin, as appropriate. Executive hereby: (a) agrees that venue shall be in such courts; (b) irrevocably consents to service of process and to the jurisdiction and venue of such courts; and (c) irrevocably waives any claim of inconvenient forum if any such suit, claim, proceeding, litigation, dispute, or claim has been brought, filed, or made in any such court.

6. In the event any of the Released Parties assert the Release as a defense to an action brought by or on behalf of Executive, and the Released Parties prevail, the Released Parties shall be entitled to recover its or their reasonable attorneys' and paralegal fees, costs and expenses, unless otherwise prohibited under federal or state law. This provision does not apply to any action

or claim Executive may assert under the ADEA, or any other federal or state statute or law that prohibits the recovery of such fees, costs and expenses by the Released Parties.

7. Executive represents that Executive has read this Release, fully understands each and every provision of this Release; and has voluntarily, of Executive's own accord, executed this Release. Executive acknowledges that in consideration of accepting the termination or severance payments, Executive is releasing certain legal claims. Executive has been affirmatively advised to seek legal counsel of Executive's own choosing before signing the Release. Executive acknowledges that Executive has carefully read and fully understands the provisions of the Release and that Executive has executed this Release based upon advice of Executive's attorney. Executive further acknowledges that the Release has been executed solely in reliance upon Executive's own knowledge, belief and judgment, and not upon any representations by the Company, or any individual or party associated with the Company. Executive further declares and represents that no promise, inducement or agreement, not herein expressed, has been made to Executive, and that the terms of the Release are contractual and not mere recitals.

**EXECUTIVE ACKNOWLEDGES AND AGREES THAT EXECUTIVE HAS CAREFULLY READ THE ENTIRE RELEASE BEFORE SIGNING BELOW.**

**IN WITNESS WHEREOF**, Executive has executed this Release on the date stated below.

**EXECUTIVE**

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Kelly M. Dvorak

Date

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## SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release ("Release") is entered into on the last date set forth opposite the signatures below by Joan Woldt, an adult resident of the State of Wisconsin, ("Employee") and Bank First, N.A., a national banking association, ("Employer").

WHEREAS, the Employer has decided to end its employment relationship with the Employee and, in recognition of her past services to it, is willing to extend substantial benefits to her if she chooses to enter into this Release.

In consideration of the payments, covenants and releases described below, and in consideration of other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged, Employer and Employee agree as follows:

- 1. Recital Included.** The above recital is incorporated herein and made a part hereof.
- 2. Separation Date.** Employee's employment with the Employer for all purposes was effective at 5:00 p.m. on December 31, 2023 (the "Separation Date").
- 3. Health Insurance Continuation Rights.** Whether or not Employee chooses to enter into this Release, Employee will receive by separate letter information regarding Employee's rights regarding continuation of health insurance under the Consolidate Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), and to the extent that Employee has such rights, nothing in this Release will change or impair those rights.
- 4. Accrued Personal Time Off.** Whether or not Employee chooses to enter into this Release, Employer will pay Employee earned but unused Personal Time Off as of the Separation Date.
- 5. Severance Payments.** In consideration of Employee's acceptance of this Release and Employee's fulfillment of its terms, Employer agrees to pay Employee the equivalent of 52 weeks of Employee's current salary, for a total of **\$342,784.08** ("Severance"). The Severance shall be payable in equal installments on Employer's regular payroll dates during the year following the Employer's initial payment of Severance, with the first installment being paid on the first regular payroll date following Revocation Period, as set forth in Section 20(f) ("Severance Period"). All Severance payments will be subject to applicable taxes and withholdings but shall not be deemed compensation for purposes of any of Employer's qualified retirement or benefit plans or other benefits programs. The payments of Severance do not entitle Employee to any retirement plan contributions by Employer for Employee's benefit or account, or for vesting purposes under any Employer qualified retirement or benefit plan. Employee acknowledges that Employee would not be entitled to receive this Severance without accepting the terms of this Release.
- 6. Funding of COBRA.** In consideration of Employee's acceptance of this Release and Employee's fulfillment of its terms, Employer will pay, on Employee's behalf, the applicable COBRA premium payment for all medical, dental and vision benefits which Employee and

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Employee's dependents were receiving on the Separation Date, less that portion of the premium that Employee would have paid if Employee was an active employee ("COBRA Payments"). These COBRA Payments will continue until the earlier of (i) Employee's failure to pay her portion of the costs of any of this COBRA coverage, (ii) the termination of Employee's COBRA rights for any reason, or (iii) December 31, 2024. Thereafter, Employee will have the option of continuing COBRA coverage, but the Employee will then be responsible for the full cost of all the COBRA premiums. Employer's obligation to provide the COBRA Payments is contingent upon Employee timely electing COBRA continuation coverage and completing and submitting all required COBRA paperwork. All other benefits and insurance presently provided by Employer including, but not limited to, 401(k) plan participation, disability insurance, and life insurance, will terminate on the Separation Date.

**7. Rights Under Equity Plan.** Employee is a participant in the Bank First Corporation 2020 Equity Plan (the "Plan"), subject to the provisions of the Employee's March 1, 2023 Restricted Stock Award Agreement ("Award Agreement"). Employer agrees that, notwithstanding Employee's termination of employment with it, Employee's grant of its restricted stock under the Award Agreement will continue to vest in accordance with its terms and the terms of the Plan, as set forth in Exhibit A. Employee acknowledges and agrees that the terms and conditions of the Plan and the Restricted Stock Award Agreement shall continue in full force and effect according to their respective terms.

**8. Release of All Claims and Covenant Not to Sue**

**a. General Release of Claims.** The parties agree that this Release is a full and final settlement of all claims related to Employee's employment with Employer and the conclusion of that employment. As a material inducement to Employer to enter into this Release, Employee hereby irrevocably and unconditionally releases, acquits and forever discharges Employer and its current and past directors, officers, employees, agents, attorneys, and all persons acting by, through, or in concert with any of them, together with their successors and assigns (hereinafter collectively referred to as "Releasees"), from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts, and expenses, including attorneys' fees and costs actually incurred, of any nature whatsoever, known or unknown, suspected or unsuspected, which exist as of the date Employee signs this Release. This Release applies to all Employee's rights arising out of any contracts, express or implied, any of Employer's policies or programs, any covenant of good faith and fair dealing, express or implied, or any tort, or any legal restrictions on Employer's right to terminate Employee, or any other constitutional, statutory or regulatory provision, or any federal, state, local or other governmental statute, regulation or ordinance, including the **Age Discrimination in Employment Act**, the Family and Medical Leave Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Wisconsin Family and Medical Leave Act, and the Wisconsin Fair Employment Act.

**b. Covenant Not to Sue.** Employee hereby represents that she has not filed any claim or administrative complaint or charge with any governmental body against any of the Releasees. Except as expressly set forth in the subsections of this Section 8, Employee further AGREES NOT TO FILE A LAWSUIT or other legal claim or charge or assert against any of the

Releasees any claim released by this Release. Notwithstanding the preceding sentence, Employee is in no way barred from filing a claim or charge with, or testifying, assisting, or participating in an investigation, hearing, or proceeding conducted by a federal, state, or local agency.

**c. Related Representations and Acknowledgements.** This Release is intended to and does settle and resolve all claims of any nature that Employee might have against Employer arising out of their employment relationship or the termination of employment or relating to any other matter, except as set forth in subsections of this Section 8. By signing this Release, Employee acknowledges that Employee is doing so knowingly and voluntarily, that Employee understands that Employee may be releasing claims Employee may not know about, and that Employee is waiving all rights Employee may have had under any law that is intended to protect her from waiving unknown claims. This Release shall not in any way be construed as an admission by Employer or any of the Releasees of wrongdoing or liability or that Employee has any rights against Employer or any of the Releasees. Employee represents and agrees that Employee has not transferred or assigned, to any person or entity, any claim that Employee is releasing in this Release.

**d. Exceptions to General Release.** Nothing in this Release is intended as, or shall be deemed or operate as, a release by Employee of (i) any rights of Employee under this Release; (ii) any vested benefits under any Employer-sponsored benefit plans; (iii) any rights under COBRA or similar state law; (iv) any recovery to which Employee may be entitled pursuant to workers' compensation and unemployment insurance laws; (v) Employee's right to challenge the validity of Employee's release of claims under the ADEA; (vi) any rights or claims under federal, state, or local law that cannot, as a matter of law, be waived by private agreement; and (vii) any claims arising after the date on which Employee executes this Release.

**e. Related Employee Protected Rights.** Employee understands that nothing contained in this Release limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Employee further understands that this Release does not limit Employee's ability to communicate or share information with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies. However, based on Employee's release of claims set forth in this Release, Employee understands that Employee is releasing all claims and causes of action that Employee might personally pursue or that might be pursued in Employee's name and, to the extent permitted by applicable law, Employee's right to recover monetary damages or obtain injunctive relief that is personal to Employee in connection with such claims and causes of action.

**9. Return of Employer Property.** Employee represents and warrants that Employee has returned to Employer all documents, materials, equipment, keys, recordings, client contact information, other customer-related information, sales information, workforce information, production information, computer data, and other material and information relating to Employer or the business of the Employer ("Company Property"), and that Employee has not retained or provided to anyone else any copies, excerpts, transcripts, descriptions, portions, abstracts, or other representations of Company Property. To the extent that Employee has any Company Property in

electronic form (including, but not limited to, Employer-related e-mail), Employee represents and warrants that, after returning such electronic Company Property as described in this Section 9, Employee represents that she has permanently deleted such Company Property from all non-Employer-owned computers, mobile devices, electronic media, cloud storage, or other media devices or equipment. Employee further represents and warrants that Employee has not provided and will not provide any Company Property to any third party, including any documents, equipment or other tangible property, but with the exception of non-confidential materials generally distributed by Employer to customers or the general public.

**10. Non-Disparagement.** Employee agrees that she will not at any time make any statements in any form which could be construed by a reasonable person as being derogatory or disparaging of any of the Releasees. Employee represents that since the Separation Date, Employee has not made any such derogatory or disparaging remarks concerning any of the Releasees. Nothing in this Section 10 is intended to refer to or in any way limit any of the protected rights described in Section 8(e) of this Release, or to prevent Employee from providing truthful testimony in response to a valid subpoena, court order, or request from any Government Agencies. Employee also agrees to direct all reference checks that she may request from Employer to Sharol Schroeder, SVP-Human Resources.

**11. Enforcement/Remedies.** In addition to all other remedies available to Employer under this Release or otherwise available to it under law, if Employee breaches this Release, Employee shall forfeit all rights to Severance Payments and, upon written demand by Employer, Employee shall immediately repay any Severance Payments received by Employee prior to the breach. The parties agree that damages will be an inadequate remedy for breaches of any of the restrictive covenants contained in this Release and, in addition to damages and any other available relief, a court shall be empowered to grant injunctive relief to enforce those provisions of this Release. Should either party breach any provision of this Release, that party shall be obligated to reimburse the non-breaching party for all reasonable attorney fees and all costs incurred in connection with that breach.

**12. Cooperation.** Employee agrees to cooperate with Employer on matters of which Employee may have knowledge or information. "Cooperation" includes, but is not limited to, providing Employer with any information Employee possesses concerning any matter, claim or cause of action, concerning Employer or its related businesses, without compensation owing to Employee.

**13. Confidentiality of Release.** Employee shall not disclose the terms of this Release to any third party without the written consent of Employer, except for the purpose of enforcing this Release, or to Employee's attorney or accountant for legal or tax advice, or to Employee's significant other.

**14. Severability.** Each provision contained in this Release is divisible and severable. If any such provision is held invalid by any court, agency or tribunal, that will not impair the validity of any other such provision of this Release, which shall remain in full force and effect.

**15. Choice of Law.** This Release shall be interpreted in accordance with the laws of the State of Wisconsin.

**16. Complete Agreement.** The parties understand and agree that this Release is final, and along with the Plan and the Restricted Stock Award Agreement, which remain in full force and effect in accordance with their respective terms, constitutes the entire understanding between the parties concerning Employee's employment with Employer and termination of that relationship and supersedes all prior agreements between the parties with respect to the subject matter hereof.

**17. Successors and Assigns.** This Release shall be binding upon and inure to the benefit of the parties' successors and assigns.

**18. Employee acknowledges that:**

**a.** This Release includes a knowing and voluntary waiver and release of all claims under the Age Discrimination in Employment Act ("ADEA") and Older Workers Benefit Protection Act, which arose on or before Employee entered into this Release;

**b.** Employee has read this Release, understands its contents and agrees to its terms and conditions of Employee's own free will;

**c.** Employee has been advised by Employer to consult with an attorney prior to signing this document;

**d.** Employee understands that this Release includes a final general release, as more fully described above;

**e.** Employee may enter into this Release within twenty-one (21) days of receipt of this document by executing it below and returning it to Employer at Bank First., P.O. Box 10, 402 N. 8<sup>th</sup> Street, Manitowoc, WI 54221, Attn: Sharol Schroeder, or by email to [sschroeder@bankfirst.com](mailto:sschroeder@bankfirst.com), on or before the twenty-first (21<sup>st</sup>) day.

**f.** Employee has seven (7) days after signing this Release to revoke acceptance of it, by sending written notice revoking such acceptance to Employer at Bank First, P.O. Box 10, 402 N. 8<sup>th</sup> Street, Manitowoc, WI 54221, Attn: Sharol Schroeder, or by email to [sschroeder@bankfirst.com](mailto:sschroeder@bankfirst.com) (the "Revocation Period"). The revocation must be in writing and received by Employer within seven (7) days of the date Employee accepted as described in the immediately preceding subparagraph; and

**g.** Absent timely revocation, this Release will become effective or enforceable upon the expiration of the seven (7) day revocation period referenced above (the "Effective Date").

IN WITNESS WHEREOF, the parties have executed this Release as of the date set forth below.

**Employee**

/s/Joan Woldt  
Joan Woldt

Joan Woldt  
Printed Name

11/15/2023  
Date

**Bank First, N.A.**

/s/Tim McFarlane  
Tim McFarlane, President

Tim McFarlane  
Printed Name

11/14/2023  
Date

## LIST OF SUBSIDIARIES

Ownership Percentage	Name	Incorporation
100%	Bank First, N.A.	National
	100% Bank First Investments, Inc.	Wisconsin
	100% TVG Holdings, Inc.	Wisconsin
	40% Ansay & Associates, LLC	Wisconsin
	100% BFC Title, LLC	Wisconsin

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## **Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 333-228989, 333-229958 and 333-237110) and Form S-3 (No. 333-239124) of Bank First Corporation and Subsidiaries of our reports dated February 29, 2024, with respect to the consolidated financial statements of Bank First Corporation and Subsidiaries and the effectiveness of internal control over financial reporting, included in this Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ FORVIS, LLP

**Atlanta, Georgia**  
**February 29, 2024**

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**BANK FIRST CORPORATION**  
**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES**  
**EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael B. Molepske, certify that:

1. I have reviewed this Annual Report on Form 10-K of Bank First Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2024

By: /s/Michael B. Molepske

Michael B. Molepske  
 Chief Executive Officer

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**BANK FIRST CORPORATION**  
**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES**  
**EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin M. LeMahieu, certify that:

1. I have reviewed this Annual Report on Form 10-K of Bank First Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2024

By: /s/Kevin M. LeMahieu

Kevin M. LeMahieu  
 Chief Financial Officer

**BANK FIRST CORPORATION  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, Michael B. Molepske, the Chief Executive Officer of Bank First Corporation (the "Company"), and Kevin M. LeMahieu, the Chief Financial Officer of the Company, hereby certify that, to the best of their knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2023 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 29, 2024

By: /s/Michael B. Molepske  
Michael B. Molepske  
Chief Executive Officer

Date: February 29, 2024

By: /s/Kevin M. LeMahieu  
Kevin M. LeMahieu  
Chief Financial Officer

This certification "accompanies" the Form 10-K to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K, irrespective of any general incorporation contained in such filing.)

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## COMPENSATION CLAWBACK POLICY

**Approved by G&N Committee: January 11, 2024**

**Approved by Board: January 16, 2024**

**Amended and Restated Effective October 2, 2023**

The purpose of this Policy is to ensure that incentive compensation is paid based on accurate financial and operating data, and the correct calculation of performance against incentive targets. In the event of a restatement of the financial or operating results of the Bank, the Bank shall commence seeking recovery of incentive compensation that would not otherwise have been paid if the correct performance data had been used to determine the amount payable. The Compensation Committee (the "Committee") shall have full authority to interpret and enforce this Policy.

This Policy was originally approved by the G&N Committee on March 2, 2023, and by the Board on March 21, 2023 (the "Original Policy"). The Policy was amended and restated effective October 2, 2023, to comply with Listing Rule 5608 of the corporate governance rules of The NASDAQ Stock Market (the "Listing Rule"). This Policy replaces the Original Policy, but the Original Policy shall continue to apply to any incentive compensation received prior to October 2, 2023.

### **Employees Covered**

The Policy applies to anyone who is, or was at any time, during the "applicable period" (as defined below), one of the following officers: (i) Chief Executive Officer; (ii) Chief Financial Officer; (iii) President; and (iv) any other officer who is designated a "Named Executive Officer," as determined in accordance with Item 402(a)(3) or Item 402(m)(2) of Regulation S-K under the Securities Exchange Act of 1934. This Policy also applies to all members of Senior Management and all other employees who receive incentive compensation (collectively, "Covered Employees").

### **Incentive Compensation**

For the purposes of this Policy, "incentive compensation" shall have the meaning set forth in the Listing Rule, which includes but is not limited to, performance bonuses and incentive awards (including stock appreciation rights, restricted and unrestricted Company stock, and performance units) paid, granted, vested, or accrued under any Bank or Company plan or agreement, in the form of cash or BFC common stock that is based on financial information required to be reported under SEC regulations.

### **Restatement of Financial or Operating Results; Calculation of Overpayment**

If the Bank is required to prepare an accounting restatement of the reported financial or operating results of the Bank due to material non-compliance with financial reporting requirements (unless due to a change in a policy or applicable law), then the Company shall recover reasonably promptly from a Covered Employee the difference between (i) any incentive compensation paid or accrued during the three fiscal years preceding the date on which the Bank is required to prepare the restatement (the "applicable period") based on the belief that the Bank had met or exceeded performance targets that would not have been met had the data

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been accurate, and (ii) the incentive compensation that would have been paid, granted, or vested to the Covered Employee, had the actual payment, granting or vesting been calculated based on the accurate data or restated results, as applicable (the "Overpayment").

#### **Types of Recovery**

If the Committee determines that recovery of the Overpayment is required under this Policy, the Bank shall have the right to demand that the Covered Employee reimburse the Bank for the Overpayment. To the extent the Covered Employee does not make reimbursement of the Overpayment, the Bank shall have the right to sue for repayment and enforce the repayment through the reduction or cancellation of outstanding and future incentive compensation. To the extent any vested shares have been sold by the Covered Employee, the Bank shall have (i) the right to demand disgorgement of any profits made from such sale, or (ii) the right to cancel any other outstanding stock-based awards with a value equivalent to the Overpayment, as determined by the Committee.

#### **Committee Determination**

Any determination by the Committee with respect to this Policy shall be final, conclusive and binding on all interested parties.

#### **Applicability**

This Policy applies to all incentive compensation granted, paid, or credited on or after October 2, 2023, except to the extent prohibited by applicable law or other legal obligation.

#### **Other Laws**

This Policy is in addition to (and not in lieu of) any right of repayment, forfeiture or right of offset against any Covered Employee that is required pursuant to any statutory repayment requirement, any remedy available to the Bank pursuant to Section 12.6 of the 2020 Equity Plan, and any other remedies available at law.