

# SHAREHOLDER NEWS



**BankFirst**  
NATIONAL CORPORATION

AUGUST 2018

## Bank First announces business banking hires in the Fox Valley

### Glenn Curran

recently joined Bank First as Senior Vice President – Business Banking.

Curran brings over seventeen years of experience in the banking industry, most recently with Associated Bank. In his new role with Bank First, Glenn will be responsible for the growth and continued development of the bank's Oshkosh market. Curran earned his Bachelor of Business Administration

degree in Finance and Marketing from the University of Wisconsin - Oshkosh. Active in the community, Curran serves as President and Founding Member of the Battle on Bago Foundation, an organization focused on supporting area youth and conservation efforts. He also serves on the Board of Directors for the Oshkosh Boys and Girls Club. In his spare time, Curran enjoys hunting, fishing, cooking, and spending time coaching youth sports. He resides in the Town of Oshkosh with his wife, Jane, and their two sons.



GLENN  
CURRAN



NATHAN  
KASTEIN

**Nathan Kastein** joined Bank First as Vice President – Business Banking. Prior to his tenure with Bank First, Kastein served as Vice President at Associated Bank. In his new role with Bank First, Nathan will be responsible

*-continued on back page-*

## MESSAGE FROM THE CEO



MIKE MOLEPSKE

To our shareholders,

As I write this letter, we are enjoying summer. For those of us that live in Wisconsin, we cherish spending these pleasant days outdoors. We all have outdoor activities we are passionate about. For me, it is spending time on the water with family and friends, barefoot water skiing and boating.

As the end of summer nears, we are focusing on numerous construction projects. These projects include building new offices in Oshkosh and Iola, renovating the lower level at our Manitowoc headquarters, and moving into our new office location at Acuity Insurance's corporate headquarters in Sheboygan.

In 2011, we opened our first Oshkosh location, planning to be there for two or three years. This location has served us well, and over the past seven years we have grown loans and deposits by \$142 million and \$70 million, respectively. This growth spurs the need for more office space and a larger customer service area, as well as a drive-thru service. So, I am pleased to announce we recently purchased a site for our new Oshkosh office at 1862 North Koeller Street. It is just east of Highway 41 and south of Oshkosh Avenue, adjacent to the site of Oshkosh Corporation's new headquarters. We hope to begin construction of our new Oshkosh office this November.

In addition, we have secured a parcel of land in Iola, southeast of our current location and immediately east of the Village's welcome center and the iconic Vidar statue. The new location will provide a better customer service experience for the communities of Iola and Scandinavia. We hope to begin construction early next year and our entire Iola team is excited to move to this new location.

Last month, we began a project at our Manitowoc headquarters to completely renovate the lower level and former mini-lobby. With our recent growth, we have outgrown our headquarters. This project will create more than 20 new offices and work stations while enhancing the work environment for our staff.

Next month, we will be moving our office inside Acuity Insurance to a new location and more than doubling its size. Located off I-43 in Sheboygan, Acuity's headquarters houses nearly 1,200 employees and is home to the "world's tallest symbol of freedom."

We will continue to invest in facilities and staff to enable Bank First to grow and provide you, our shareholders, with an exceptional return on your investment. We will keep you updated on our numerous construction projects in our upcoming newsletters. In the meantime, enjoy the rest of your summer and your favorite summertime activities.

Sincerely,

Michael B. Molepske,  
CEO and President  
(920) 652-3202

# SECOND QUARTER

**KEVIN LEMAHIEU**  
Chief Financial Officer  
(920) 652-3362



Total assets for the Corporation increased by 33.1% to \$1.74 billion at June 30, 2018, compared to \$1.31 billion at June 30, 2017. Loans grew by over \$358 million, representing a 33.3% increase in loans year-over-year. Deposits increased by nearly \$348 million during this same period, or 30.3%. In addition to the loans we hold on our balance sheet, we also service \$315 million in loans which have been sold on the secondary market as of June 30, 2018.

As noted in last quarter's newsletter, the primary cause of the large increase in assets, loans and deposits was the acquisition of Waupaca Bancorporation, Inc. (Waupaca) during the fourth quarter of 2017. Due to this acquisition, most comparisons to the prior year will show significant variances in both balance sheet and income statement categories until the end of 2018.

Earnings per share for the quarter ended June 30, 2018, was \$0.96. This represents an increase of 41.2% compared to earnings per share of \$0.68 during the second quarter of 2017. Net income was \$6.40 million for the quarter ended June 30, 2018, compared to \$4.21 million during the quarter ended June 30, 2017.

Net interest income increased by \$5.64 million, or 55.6%, to \$15.77 million for the quarter ended June 30, 2018. Approximately 13.9% of this increase was due to fair market value adjustments to the loans acquired from Waupaca, which accrete into interest income as the acquired loans move toward maturity. Another 33.0%, approximately, was due to the added scale of our loan portfolio as a part of

that transaction. The balance of the increase in net interest income is a result of the rising interest rate environment.

We recorded \$0.90 million in provisions for loan losses during the quarter ended June 30, 2018, up from \$0.17 million in the prior year quarter. The primary driver of the higher provision expense during 2018 was a need to establish an allowance for loan losses for the acquired Waupaca loans which are renewed upon maturity. This expense serves to counteract the aforementioned positive impact on net interest income. Through the first six months of 2018 recoveries of previously charged off loans has exceeded current year loan charge offs.

Non-interest income totaled \$2.97 million for the quarter ended June 30, 2018, matching non-interest income during the second quarter of 2017. We saw an increase of 24.8% in fee income resulting from operating branches in six additional markets, which was offset by lower quarterly revenues provided by our unconsolidated subsidiaries Ansay & Associates, LLC and UFS, LLC. Revenues from these subsidiaries are up 5.3% and 8.8% year-to-date, indicating that the lower contribution in the second quarter is a function of when revenue was recognized year-over-year.

Non-interest expense totaled \$10.01 million for the quarter ended June 30, 2018, up from \$6.64 million for the second quarter of 2017. Non-interest expense as a percentage of total gross revenue saw only a slight increase from 44.5% in the second quarter of 2017 to 44.8% during the second quarter of 2018, indicating that nearly all of this increase was due to the added scale of maintaining six additional branches as well as staffing and data processing costs that come along with the many new relationships we garnered through the acquisition.

Total shareholders' equity increased by 24.5% to \$165.20 million at June 30, 2018, compared to \$132.65 million at June 30, 2017.

## Quarterly Common Stock Cash Dividend

The Corporation's Board of Directors approved a quarterly cash dividend of \$0.16 per common share, payable on October 5, 2018, to shareholders of record as of September 21, 2018.

## BFNC Stock Repurchase Program

Bank First has a stock repurchase program under which the Corporation may repurchase shares of outstanding BFNC stock. Please contact Mike Molepske at (920) 652-3202 or Bridget Bonde at (920) 652-3222 for further information.

# FINANCIAL PERFORMANCE

## Consolidated Statements of Financial Condition

	<b>6/30/2018</b>	<b>6/30/2017</b>
	<i>(In Thousands)</i>	
<b>ASSETS</b>		
Cash, Cash Equivalents and Fed Funds Sold	\$ 45,304	\$ 34,198
Investment Securities	162,753	126,660
Other Investments at Cost	7,430	5,688
Loans, Net	1,421,457	1,065,328
Premises and Equipment	23,458	13,840
Other Assets	81,472	62,661
<b>Total Assets</b>	<b>\$ 1,741,874</b>	<b>\$ 1,308,375</b>
<b>LIABILITIES</b>		
Deposits	\$ 1,495,424	\$ 1,147,446
Securities Sold Under Repurchase Agreements	13,433	17,739
Borrowed Funds	55,500	2,500
Other Liabilities	12,317	7,827
<b>Total Liabilities</b>	<b>\$ 1,576,674</b>	<b>\$ 1,175,728</b>
<b>Total Shareholder Equity</b>	<b>165,200</b>	<b>132,647</b>
<b>Total Liabilities and Shareholder Equity</b>	<b>\$ 1,741,874</b>	<b>\$ 1,308,375</b>

## Consolidated Statements of Income

	<b>6/30/2018</b>	<b>6/30/2017</b>
	<i>(In Thousands, Except Per Share Data)</i>	
Total Interest Income	\$ 38,682	\$ 23,414
Total Interest Expense	6,632	3,437
Net Interest Income	32,050	19,977
Provision for Loan Losses	1,385	380
Net Interest Income After Provision for Loan Losses	30,665	19,597
Total Other Income	6,419	5,704
Total Operating Expenses	19,990	12,992
Income Before Provision for Income Taxes	17,094	12,309
Provision for Income Taxes	3,631	4,105
<b>Net Income</b>	<b>\$ 13,463</b>	<b>\$ 8,204</b>
<b>Earnings Per Share: Basic and Diluted</b>	<b>\$ 2.01</b>	<b>\$ 1.33</b>

## Key Financial Metrics

	<b>6/30/2018</b>	<b>6/30/2017</b>
YTD Return on Average Assets	1.50%	1.19%
YTD Return on Average Equity	16.61%	12.59%
Average Assets per Average FTE	\$ 7,376	\$ 8,033
Net Interest Margin (YTD)	3.95%	3.23%
Full Time Equivalent - period end	248	178
Dividend Payout Ratio	16%	24%
Dividends Per Share (YTD)	\$ 0.32	\$ 0.32
Shares Outstanding - period end	6,662,292	6,161,499

## - Fox Valley *(continued)*

for developing new and enhancing existing business banking relationships in the Fox Valley region. Kastein earned his Bachelor of Business Administration degree in Finance and Marketing from the University of Wisconsin – Oshkosh and his Masters of Business Administration degree from the University of Phoenix. Focused on community involvement, Nathan serves as Board Member and Treasurer of the Oshkosh Area United Way and is an Ambassador with the Oshkosh Chamber. In his spare time, Kastein enjoys golfing, boating, and spending time with family and friends. He resides in the Town of Oshkosh with his wife, Kelly, and their two children.

## New hire and promotion

**KEVIN MUCH** recently joined Bank First as Vice President – Credit Administration. Kevin brings over twenty years of commercial banking experience, most recently with Wisconsin Bank & Trust. In his new role with Bank First, Much will be responsible for managing the Credit Analyst department and supporting the Chief Credit Officer in an effort to maintain the bank's culture of high credit quality standards. Much earned his Bachelor of Science degree in Finance from the University of Wisconsin – LaCrosse. Dedicated to the community, Kevin volunteers with Junior Achievement as a classroom presenter, coaches youth basketball, and serves meals to those in need with Meals on Wheels. He resides in Sheboygan Falls with his wife, Lori, and their two children.

**STACEY BRAATZ** has been promoted to Retail Banking Officer. Stacey joined Bank First in 2007 as a teller and since then, has quickly



**MUCH**



**BRAATZ**

evolved into a key member of the Sheboygan retail banking team. In her new role, Stacey will be responsible for developing and enhancing the Sheboygan market's retail loan portfolio to meet the financial service needs of our customers. Stacey is passionate about giving back to the community and takes pride in her work volunteering at several area non-profit organizations, including Camp Y-Koda, her local church, the Salvation Army, and the local women's shelter. She resides in Sheboygan with her husband, Nathan, and their three children.

## Plans underway for a new Bank First office in Oshkosh

Pending final approvals from the City of Oshkosh, Bank First plans to break ground on a new office located southeast of Omro Road and Hwy. 41 in Oshkosh. The proposed 10,000 sq. ft. office will enable the team of relationship managers to better serve their growing customer base.

Bray Architects is the architectural firm for the new build, which is expected to begin in November and completed in late spring.



*A rendering from Bray Architects of the future Bank First office to be located at 1862 North Koeller Street, Oshkosh, southeast of Omro Road and Hwy. 41.*



Find us on Facebook

**APPLETON**  
4201 W. Wisconsin Avenue  
920-733-1927

**CHETEK**  
621 2nd Street  
715-924-4851

**KIEL**  
110 Fremont Street  
920-894-2215

**MISHICOT**  
110 Baugnet Street  
920-755-4200

**SEYMOUR**  
689 Woodland Plaza  
920-833-2515

**VALDERS**  
167 Lincoln Street  
920-775-4740

**ASHWAUBENON**  
2865 South Ridge Road  
920-499-0500

**CLINTONVILLE**  
135 S. Main Street  
715-823-3131

**MANITOWOC**  
402 N. 8th Street  
920-652-3100

**OSHKOSH**  
101 City Center  
920-237-5126

**SHEBOYGAN**  
2600 Kohler Memorial Dr.  
920-694-1900

**WAUPACA**  
111 Jefferson Street  
715-258-5511

**BELLEVUE**  
2747 Manitowoc Road  
920-469-0500

**IOLA**  
148 North Main Street  
715-445-3211

**MANITOWOC**  
2915 Custer Street  
920-652-3110

**PLYMOUTH**  
2700 Eastern Avenue  
920-893-1611

**TWO RIVERS**  
1703 Lake Street  
920-793-2274

**WEYAUWEGA**  
101 Main Street  
920-867-4611