

# SHAREHOLDER NEWS



**BankFirst**  
NATIONAL CORPORATION

NOVEMBER 2018

## Corporation becomes SEC registered

- Ticker symbol changes to 'BFC'
- Stock traded on NASDAQ
- Subsidiary changes name to Bank First, N.A.

Bank First National Corporation (NASDAQ: BFC), announced on October 23, 2018, that it has secured regulatory approval from the U.S. Securities and Exchange Commission (SEC) to become a fully reporting public company. In addition, the company has begun trading its stock on the NASDAQ Capital Market under the 'BFC' ticker symbol.

"Becoming an SEC registered company represents a major milestone for Bank First," stated Michael Molepske, President and Chief Executive Officer of Bank First National Corporation. "As a result of the hard work and dedication of our remarkable team of bankers, we have become one of the top performing banks in the State of Wisconsin, allowing us to create an incredible earnings growth story and providing superior shareholder returns. We continue to focus on growing our institution organically and through bank acquisitions. Bank First continues to search for community banks to acquire. Our listing on Nasdaq provides the institution with the financial credibility and necessary currency to assist us in that pursuit."

Along with registering with the SEC, the company's subsidiary, Bank First National, formally changed its name to Bank First, N.A. "Changing our name to Bank First (i.e. removing 'National') supports our strategic initiative to further differentiate ourselves from similarly named banks and strengthens our brand positioning in the marketplace with a name that is more distinctive and recognizable," stated Molepske.

## MESSAGE FROM THE CEO



MIKE MOLEPSKE

To our shareholders,

Since the last newsletter, you have seen many changes at the Bank in response to our continued growth and to further build the Bank First brand. Going forward, the Bank will be known simply as Bank First. Our legal name changed from Bank First National to Bank First, N.A. Our new name will allow us to continue to grow the Bank First brand and differentiate ourselves from other national banks. At our 2019 shareholders meeting, the Bank's management will propose changing the holding company name to Bank First Corporation, in keeping with our new Bank name. In preparation for this anticipated change, we have changed our stock ticker symbol from "BFNC" to "BFC".

As we work to build consistency in the Bank First brand, we will also be changing the Bank's website address to [www.BankFirstWI.bank](http://www.BankFirstWI.bank), removing "National" and changing our domain from ".com" to ".bank." You can find more information on these changes and the additional security the ".bank" domain provides to our customers on the last page of this newsletter.

We are also excited to announce that Bank First National Corporation became a fully public company effective October 23, 2018. Although our Bank stock was publicly traded for many years, we were still a private company. The purpose of this change is to provide Bank First the financial credibility and currency we need to continue to grow our existing Wisconsin markets through acquisitions of other community banks. The combination of many years of strong shareholder returns, growing to become one of the largest publicly traded banks headquartered in Wisconsin, and becoming a full SEC registrant gives Bank First a competitive advantage in our marketplace.

In conjunction with becoming a fully public company, Bank First was also approved to be traded on the Nasdaq Stock Market instead of over-the-counter through a series of market makers. Being Nasdaq-listed provides the market oversight and credibility demanded by many banks looking to sell their institutions. In addition, listing on the Nasdaq will allow additional institutional investors to purchase our stock, creating increased liquidity in our stock and visibility for the Bank. Moreover, disseminating financial and other information to brokerage companies becomes seamless. As a private company, our financial information listed on brokerage company websites was often stale and dated by many years.

These are just a few of the many changes taking place at Bank First as we strive to continue to deliver exceptional financial returns to you, our shareholders, and position the Bank for continued growth, both organically and through acquisitions.

Sincerely,

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

# THIRD QUARTER

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



Total assets for the Company were \$1.7 billion at September 30, 2018. Loans were \$1.4 billion, growing \$339 million on a year-over-year basis. Deposits were \$1.5 billion, growing \$345 million over that same time frame. The primary driver of this year-over-year growth was the Company's acquisition of Waupaca Bancorporation (Waupaca) during the fourth quarter of 2017. This will be the last quarter that the Waupaca acquisition has a significant impact on year-over-year comparisons of the Company's balance sheet.

Earnings per share for the nine months ended September 30, 2018, was \$2.90, an increase of nearly 49% compared to the same period in 2017. Year-to-date net income was \$19.4 million, compared to \$12.0 million for the same period during 2017. Net interest income before provision for loan losses increased by \$17.0 million over the first nine months of 2018 to \$47.6 million. Provisions for loan losses totaled \$2.2 million for the first nine months of 2018, up from \$0.6 million for the same period during 2017. This increase in provisions for loan losses is a result of the need to establish an allowance for loan losses on loans acquired from Waupaca as these loans mature and renew, causing them to become Bank First loans instead of acquired loans.

Total non-interest income was \$9.0 million for the first nine months of 2018, compared to \$8.0 million for the prior year period, an increase of \$1.0 million. One of the primary drivers of this increase in non-interest income was stronger service charge and other fee income, which was up \$0.4 million as a result of adding six new offices and many new customer relationships through the acquisition of Waupaca. The Company also received \$0.5 million in rental income from commercial buildings that were acquired in that transaction which have tenants currently under lease agreements. While these buildings do provide noninterest income, it is not the intent of the Company to hold these properties long-term as it is not a part of the Company's "core banking" philosophy. Increased year-over-year profitability by both UFS, LLC and Ansay & Associates, unconsolidated subsidiaries of the Company, totaling \$0.3 million, was offset by a decline in gains on secondary market sales of mortgage loans of that same amount as the Company feels the impact of an industry-wide slowdown in mortgage originations.

Non-interest expense increased by \$9.7 million, or 48.9%, to

\$29.7 million for the nine months ended September 30, 2018. Once again the primary driver of this year-over-year increase was the acquisition of Waupaca, causing salaries and benefits to increase by \$5.1 million, occupancy expenses to increase by \$0.5 million, data processing costs to increase by \$0.6 million, losses on sales of other real estate owned to increase by \$0.4 million, and costs associated with problem loans and other real estate owned acquired in the transaction to increase by \$0.4 million. While, as mentioned earlier, this will be the last quarter that sees a significant impact of the Waupaca acquisition on balance sheet year-over-year comparisons, the income statement will experience these impacts for one more quarter as the Company closes out 2018. The Company did utilize the benefits of its increased profitability and lower corporate tax rates to invest in the communities it serves, causing charitable contributions to increase by \$0.5 million for the first nine months of 2018 compared to the year prior.

Total shareholders' equity increased by 25.3% to \$169.1 million at September 30, 2018, as compared with \$134.9 million at September 30, 2017. At its October meeting, the Company's Board of Directors approved a dividend increase of 25%, to \$0.20 per common share, to be paid to shareholders of record as of December 21, 2018. This increase not only reflects the Board's confidence in the Company's performance and future prospects, but it also indicates the progress made on paying down the debt incurred from the Waupaca acquisition. While on a per share basis \$0.20 may seem trivial, when applied to the outstanding share count as of September 30, 2018, this dividend amounts to a total return of capital of over \$1.3 million in one quarter. Going forward the Board will continue to assess the capital needs of the Company while balancing this with the desire of its shareholders for dividend returns.

## BFC Stock Repurchase Program

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

## Quarterly Common Stock Cash Dividend

The Corporation's Board of Directors approved a quarterly cash dividend of \$0.20 per common share, payable on January 7, 2019, to shareholders of record as of December 21, 2018. This represents a 25% increase in the Corporation's quarterly cash dividend compared to the previous quarter.

# FINANCIAL PERFORMANCE

## Consolidated Statements of Financial Condition

	<u>9/30/2018</u>	<u>9/30/2017</u>
	<i>(In Thousands)</i>	
<b>ASSETS</b>		
Cash, Cash Equivalents and Fed Funds Sold	\$ 35,316	\$ 34,240
Investment Securities	160,505	124,977
Other Investments at Cost	5,000	5,688
Loans, Net	1,430,481	1,091,845
Premises and Equipment	23,724	14,808
Other Assets	80,728	61,458
<b>Total Assets</b>	<b>\$ 1,735,754</b>	<b>\$ 1,333,016</b>
<b>LIABILITIES</b>		
Deposits	\$ 1,486,470	\$ 1,141,767
Securities Sold Under Repurchase Agreements	7,298	12,697
Borrowed Funds	59,500	35,000
Other Liabilities	13,353	8,619
<b>Total Liabilities</b>	<b>\$ 1,566,621</b>	<b>\$ 1,198,083</b>
<b>Total Shareholder Equity</b>	<b>169,133</b>	<b>134,933</b>
<b>Total Liabilities and Shareholder Equity</b>	<b>\$ 1,735,754</b>	<b>\$ 1,333,106</b>

## Consolidated Statements of Income

	<u>9/30/2018</u>	<u>9/30/2017</u>
	<i>(In Thousands, Except Per Share Data)</i>	
Total Interest Income	\$ 58,191	\$ 36,042
Total Interest Expense	10,605	5,434
Net Interest Income	47,586	30,608
Provision for Loan Losses	2,185	635
Net Interest Income After Provision for Loan Losses	45,401	29,973
Total Other Income	8,978	7,961
Total Operating Expenses	29,749	19,976
Income Before Provision for Income Taxes	24,630	17,958
Provision for Income Taxes	5,235	5,923
<b>Net Income</b>	<b>\$ 19,395</b>	<b>\$ 12,035</b>
<b>Earnings Per Share: Basic and Diluted</b>	<b>\$ 2.90</b>	<b>\$ 1.95</b>

## Key Financial Metrics

	<u>9/30/2018</u>	<u>9/30/2017</u>
YTD Return on Average Assets	1.45%	1.15%
YTD Return on Average Equity	15.77%	12.19%
Average Assets per Average FTE	\$ 7,224	\$ 7,998
Net Interest Margin (YTD)	3.90%	3.27%
Full Time Equivalent - period end	253	175
Dividend Payout Ratio	17%	25%
Dividends Per Share (YTD)	\$ 0.48	\$ 0.48
Shares Outstanding - period end	6,659,021	6,143,576

## New web address unveiled - BankFirstWI.bank offers more security

On November 15, 2018, Bank First changed its web address from  <https://www.bankfirstwi.bank> BankFirstNational.com to BankFirstWI.bank. The new web address more closely aligns with the Bank's new legal name, Bank First, N.A., and conveys its commitment to community banking in Wisconsin. Additionally, the ".bank" extension provides enhanced security measures and meets strict verification requirements that will reduce the risk of cyber threats.

A .bank web address provides greater protection against phishing, the #1 cyberattack and starting point of most breaches. As a verified domain (exclusive to the banking community) .bank is a more secure space for online banking and communication. A web or email address ending in .bank quickly and easily confirms for customers and employees that they are communicating and transacting with Bank First, and not a phished or spoofed site.

A .bank address is a visual cue anyone can look for and recognize, an online stamp of trust that will give customers confidence when accessing their online banking accounts.

## Bank First named one of the "Best Banks to Work For"

Bank First has again been named one of the "Best Banks to Work For" by American Banker and Best Companies Group. The program identifies, recognizes and honors U.S. banks for outstanding employee satisfaction.

Determining the Best Banks to Work For involves a two-step process. The first step involves an evaluation of participating companies' workplace policies, practices, and demographics. In the second step, employee surveys are conducted to directly assess the experiences and attitudes of individual employees with respect to their workplace. The combined scores determine the top banks and the final ranking.

Best Companies Group managed the overall registration and survey process and also analyzed the data and used their expertise to determine the final ranking. The program is open to commercial banks, thrifts, savings banks and other chartered retail financial institutions with at least 50 employees in the United States.

## New hires and promotion announced at Bank First

**JOHN PAUL** recently joined the Bank First team as Enterprise Risk Officer. Mr. Paul will be responsible for ensuring Bank First maintains optimum compliance with Federal and State laws, rules and regulations as well as internal policies and procedures. John is a member of both the Wisconsin and Iowa Bar Associations. He earned his Bachelor of Business Administration degree in Finance from the University of Iowa and his Juris Doctorate from Drake University School of Law. John and his wife recently relocated to the Manitowoc area from Central Illinois. They have two adult children who reside in Wisconsin.

**JOSHUA NEEB** has also joined the Bank First team as Senior Vice President – Business Banking Lead. Mr. Neeb has over sixteen years of experience in the banking industry, most recently serving as Market President at Associated Bank. In his new role, Joshua will be responsible for the growth and development of the bank's Southern Region as well as providing mentorship to the business bankers and support staff in this market. Focused on community involvement, Neeb is a member of the Sheboygan Economic Club and recently served on the Board of Directors of Oostburg Christian School. He also serves as an assistant youth baseball coach and teacher for Junior Achievement.

Neeb earned his Bachelor's degree from Northwestern College, where he majored in finance and accounting. He resides in Oostburg with his wife and their four children.

**SHANNON KLAHN** has been promoted to Marketing Communications Officer. Klahn joined the bank in 2014 as a Business Analyst and entered the Marketing department in mid-2017. In her role, Shannon is responsible for creating, implementing, and executing programs and campaigns that effectively describe and promote the organization while upholding Bank First's brand position in the marketplace. Klahn earned her Bachelor of Business Administration degree from the University of Wisconsin – Madison and her Master of Business Administration degree from the University of Wisconsin – Milwaukee. With a focus on community involvement, she serves on the Board of Directors of Family Service Association of Sheboygan and Advocacy Programs of Sheboygan. She also serves on the Board of Directors of the American Barefoot Club, a division of U.S.A. Waterski, as Executive Director of the Midwest Region. In her free time, Shannon enjoys running, biking, barefoot waterskiing, and spending time with family and friends. She resides in Sheboygan with her husband, Derek.



**JOHN PAUL**



**JOSHUA NEEB**



**SHANNON KLAHN**



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 Baugniet 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