2019 ANNUAL REPORT

with Proxy & Financial Statements

BankFirst
CORPORATION

BankFirst CORPORATION
402 N. 8th Street
P.O. Box 10
Manitowoc, Wisconsin 54221-0010
(920) 652-3100

April 16, 2020

Dear Shareholder:

You are cordially invited to attend the 2020 Annual Meeting of Shareholders (the "Annual Meeting") of Bank First Corporation (the "Corporation"), the holding company for Bank First, N.A., which will be held on Monday, June 8, 2020, at 4:00 p.m., Central Daylight Time, at Holy Family College – Franciscan Center for Music Education and Performance, located at 2406 S. Alverno Road, Manitowoc, Wisconsin 54220. Refreshments will be served following the meeting.

We are actively monitoring the coronavirus (COVID-19) pandemic. We are sensitive to the public health and travel concerns our shareholders may have and the protocols and restrictions imposed by the federal government and the state of Wisconsin. In the event that it is not possible or advisable to hold our Annual Meeting in person, we will announce alternative arrangements for the meeting as promptly as practicable, which may include holding the meeting solely by means of remote communication. Please monitor our Annual Meeting website at www.envisionreports.com/BFC for updated information. If you are planning to attend our meeting, please check the website one week prior to the meeting date. As always, we encourage you to vote your shares prior to the meeting date.

The attached Notice of Annual Meeting of Shareholders and Proxy Statement describe the formal business to be acted upon at the Annual Meeting. The Annual Report on Form 10-K for the year ended December 31, 2019 is also included. We expect directors and officers of the Corporation, as well as representatives of the Corporation's auditors, to be present at the Annual Meeting to respond to any shareholder questions.

It is important that your shares be represented and voted at the Annual Meeting. Even if you plan to attend the Annual Meeting, we urge you to complete and vote your proxy via mail, telephone or internet prior to the meeting. If you attend the Annual Meeting, you may vote your shares in person even if you have already submitted your proxy.

We hope that you will plan to attend our Annual Meeting on Monday, June 8, 2020. If you have any questions regarding any of the information provided herein, please do not hesitate to contact Mike Molepske directly at (920) 652-3202 or mmolepske@bankfirstwi.bank.

On behalf of our Board of Directors and Senior Management Team, thank you for your continued investment in Bank First Corporation. We look forward to seeing you at the Annual Meeting.

Sincerely,

Michael G. Ansay
Chair of the Board

Michael B. Molepske
President and Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on June 8, 2020

DATE: Monday, June 8, 2020

TIME: 4:00 p.m. Central Daylight Time

PLACE: Holy Family College – Franciscan Center for Music Education and Performance, 2406 S. Alverno Rd, Manitowoc, WI 54220

NOTICE IS HEREBY GIVEN that the 2020 Annual Meeting of Shareholders (the "Annual Meeting") of Bank First Corporation (the "Corporation") will be held on Monday, June 8, 2020, at 4:00 p.m., Central Daylight Time, at Holy Family College – Franciscan Center for Music Education and Performance, 2406 S. Alverno Road, Manitowoc, Wisconsin 54220, for the following purposes, all of which are described in greater detail in the accompanying Proxy Statement:

(1) To elect five (5) directors of the Corporation, each for three-year terms and in each case until their successors are elected and qualified;

(2) To ratify the appointment of Dixon Hughes Goodman, LLP as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2020;

(3) To approve the 2020 Equity Plan of Bank First Corporation; and

(4) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof. As of the date of this Proxy Statement, the Board of Directors is not aware of any other such business.

The Corporation's Board of Directors has fixed the close of business on March 30, 2020 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting or at any adjournments or postponements thereof. Only shareholders of record as of the close of business on such date will be entitled to notice of, and to vote at, the Annual Meeting or at any adjournments or postponements thereof. If there are insufficient votes for a quorum or to approve or ratify any of the foregoing proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies by the Corporation.

Our proxy materials, which include the accompanying Proxy Statement, proxy card and Annual Report on Form 10-K for the year ended December 31, 2019, are first being delivered to shareholders on or about April 16, 2020. Shareholders may also access the proxy materials electronically at www.bankfirstwi.bank.

By Order of the Board of Directors

Kelly M. Dvorak, Corporate Secretary
Manitowoc, Wisconsin
April 16, 2020

YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU OWN. EVEN IF YOU PLAN TO BE PRESENT AT THE MEETING, YOU ARE URGED TO PROMPTLY VOTE THE ENCLOSED PROXY. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE EITHER IN PERSON OR BY PROXY. ANY PROXY GIVEN MAY BE REVOKED BY YOU IN WRITING OR IN PERSON AT ANY TIME PRIOR TO THE EXERCISE THEREOF.

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BLANK

BANK FIRST CORPORATION

402 N. 8th Street
P.O. Box 10
Manitowoc, Wisconsin 54221-0010
(920) 652-3100

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

To Be Held on June 8, 2020

ABOUT THE ANNUAL MEETING

This Proxy Statement is provided by the Board of Directors of Bank First Corporation (the "Corporation") in connection with our 2020 Annual Meeting of Shareholders (the "Annual Meeting") and at any adjournment of the meeting. It describes the proposals to be voted on at the Annual Meeting and the voting process and includes certain other information. The combined 2019 Annual Report on Form 10-K for the year ended December 31, 2019, the Proxy Statement, and the proxy card are being mailed to our shareholders on or around April 16, 2020.

The Annual Meeting will be held at Holy Family College – Franciscan Center for Music Education and Performance, 2406 S. Alverno Road, Manitowoc, Wisconsin 54220, on Monday, June 8, 2020, at 4:00 p.m., Central Daylight Time, for the purposes set forth in the Notice of Annual Meeting of Shareholders.

Unless the context indicates otherwise, all references in this Proxy Statement to "we," "us," "our," "the Corporation," and "Bank First" refer to Bank First Corporation and its wholly-owned subsidiary, Bank First, N.A., and the "Bank" refers to Bank First, N.A.

Purpose of Meeting

Shareholders will be asked to vote on the following matters:

(1) To elect five (5) directors of the Corporation, each for three-year terms;

(2) To ratify the appointment of Dixon Hughes Goodman, LLP as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2020;

(3) To approve the 2020 Equity Plan of Bank First Corporation; and

(4) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof. As of the date of this Proxy Statement, the Board of Directors is not aware of any other such business.

In addition, management will report on the Corporation's performance for the fiscal year ended December 31, 2019 and will respond to questions from shareholders.

Voting Recommendation

Proposal	Board's Recommendation	Reasons for Recommendation	See page
1. Election of five directors	FOR	The Board and the Governance and Nominating Committee believe the five Board nominees possess the skills, experience, and knowledge to effectively monitor performance, provide oversight, and advise management on the Corporation's long-term strategy.	5
2. Ratification of Independent Registered Public Accounting Firm	FOR	Based on the Audit Committee's assessment of Dixon Hughes Goodman LLP's qualifications and performance, the Audit Committee believes the retention of Dixon Hughes Goodman LLP as the Corporation's independent registered public accounting firm for fiscal year ending December 31, 2020 is in the best interest of the Corporation.	26
3. Approve the 2020 Equity Plan of Bank First Corporation	FOR	The Board and the Compensation Committee believes the 2020 Equity Plan promotes the long-term growth and financial success of the Corporation by attracting and retaining employees and directors of outstanding ability; strengthening the Corporation's capability to develop, maintain, and direct a competent management team; providing an effective means for selected employees and non-employee directors to acquire and maintain ownership of Corporation stock; motivating employees to achieve long-range performance goals and objectives; and providing incentive compensation opportunities competitive with those of other major corporations.	27

VOTING INFORMATION

Record Date

Each share of the Corporation's common stock issued and outstanding as of the close of business on March 30, 2020 (the "Record Date") is entitled to receive notice of, and is further entitled to one vote on all matters to be voted upon at the Annual Meeting. If you were a shareholder of record on the Record Date, you are entitled to vote all the shares that you held on that date at the Annual Meeting or any postponements or adjournments thereof.

Outstanding Shares and Quorum

On the Record Date, there were 7,155,955 shares of common stock of the Corporation outstanding. A quorum of shareholders is necessary to hold a valid shareholder meeting. The presence, in person or by proxy, of the holders of at least a majority of the number of shares of outstanding common stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. Thus, the holders of common stock representing at least 3,577,978 votes will be required to establish a quorum. No shares of preferred or other capital stock were outstanding as of the Record Date. In the event there are not sufficient votes for a quorum or to approve or ratify any proposal at the time of the Annual Meeting, the Annual Meeting may be adjourned or postponed to permit the further solicitation of proxies.

Procedures for Voting by Proxy

Shareholders of Record; Shares Registered Directly in Your Name. Shareholders of record may vote their shares in person at the Annual Meeting, or submit a proxy to cause their shares to be represented and voted at the Annual Meeting. Shareholders of record may grant a proxy with respect to their shares by mail, telephone or Internet. Granting a proxy

by telephone or Internet will be available up to the date of the Annual Meeting. Voting instructions appear on your proxy card. If you grant a proxy by telephone or Internet, please have your proxy card available.

Beneficial Holders; Shares Registered in the Name of Broker; Bank or Other Agent. If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, commonly referred to as "street name," you should have received our proxy materials from that organization rather than from us. As a beneficial owner, you have the right to direct your broker, bank, or other agent on how to vote the shares in your account. You should follow the instructions provided by your broker, bank or other agent regarding how to vote your shares. To vote in person at the Annual Meeting, you must obtain a "legal proxy" from your broker, bank or other agent and follow the instructions from your broker, bank or other agent.

The proxy solicited hereby, if properly voted and not revoked prior to its use, will be voted in accordance with the directions contained therein. Votes will be counted at the Annual Meeting by the inspector of election appointed by the Corporation for the Annual Meeting.

If you are a shareholder of record and you return a signed and dated proxy card without marking any voting selections, your shares will be voted "**FOR**" the election of the director nominees named in this Proxy Statement, "**FOR**" the ratification of the Corporation's independent registered public accounting firm, and "**FOR**" the approval of the 2020 Equity Plan of Bank First Corporation. If any director nominee becomes unavailable for election for any reason prior to the vote at the Annual Meeting, the Board may reduce the number of directors to be elected or substitute another person as a nominee, in which case your proxy (one of the individuals named on your proxy card) will vote for the substitute nominee. If any other matter is properly presented at the Annual Meeting, your proxy will vote your shares as recommended by the Board or, if no recommendation is given, will vote your shares using his or her discretion.

If your shares are held by your broker, bank or other agent as your nominee, you are considered the "beneficial holder" of the shares held for you in what is known as "street name." You are not the "recordholder" of such shares. If this is the case, you will need to obtain a proxy card from the organization that holds your shares and follow the instructions included on that form regarding how to instruct your broker, bank or other agent to vote your shares. Brokers, banks or other agents that have not received voting instructions from their customers cannot vote on their customers' behalf with respect to proposals that are not "routine" but may vote their customers' shares with respect to proposals that are "routine." Shares that brokers, banks and other agents are not authorized to vote are referred to as "broker non-votes." The ratification of the Corporation's independent registered public accounting firm is a routine proposal, while the election of directors and approval of the Equity Plan are not "routine" proposals. Therefore, if you are a beneficial holder and if you submit a voting instruction form to your bank, broker or other nominee but do not specify how to vote your shares, your shares will be voted in the bank, broker or other nominee's discretion with respect to the ratification of the Corporation's independent registered public accounting firm, but such shares will not be voted with respect to the election of directors or approval of the Equity Plan.

Requirements for Shareholder Approval

In voting for the proposal to elect five directors (Proposal 1), you may vote in favor of all nominees or withhold your votes as to all or specific nominees. For the director nominees to be elected, a director nominee must receive more votes than any other nominee for the same seat on our Board of Directors, and must receive more votes cast in favor of that nominee than against the nominee. As a result, if you withhold your vote as to one or more nominees, it will have no effect on the outcome of the election unless you cast that vote for a competing nominee. As of the date of this Proxy Statement, we do not know of any competing nominees. Shareholders are not entitled to cumulative voting in the election of our directors. Accordingly, you may cast only one vote per share of our common stock for each nominee to the Board.

In voting on the proposal to approve the ratification of the Corporation's independent registered public accounting firm (Proposal 2), you may vote for or against the proposal or abstain. To ratify the appointment of Dixon Hughes Goodman, LLP as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2020, the proposal must receive more votes cast in favor of the proposal than cast against the proposal.

In voting on the proposal to approve the 2020 Equity Plan of Bank First Corporation (Proposal 3), you may vote for or against the proposal or abstain. For the 2020 Equity Plan to be approved, the proposal must receive more votes cast in favor of the proposal than cast against the proposal.

Abstentions and Broker Non-Votes

Abstentions (i.e., shares for which authority is withheld to vote for a matter) are included in the determination of shares present and voting for purposes of whether a quorum exists. For the election of directors, failure to vote, votes withheld, and abstentions will have no effect on the outcome of the vote because directors are elected by a plurality of the votes cast. For the ratification of the appointment of the Corporation's independent registered public accounting firm and for approval of the 2020 Equity Plan, failure to vote, votes withheld, and abstentions will have no effect on the outcome of the vote.

Proxies relating to "street name" shares that are voted by brokers or other third-party nominees on certain matters will be treated as shares present and voting for purposes of determining the presence or absence of a quorum. Broker non-votes will be considered present for the purpose of establishing a quorum, but will not be treated as shares entitled to vote on such matters. Broker non-votes will have no effect on the outcome of the election of directors and the ratification of the appointment of the Corporation's independent registered public accounting firm.

Solicitation and Revocation

The cost of soliciting proxies will be borne by the Corporation, and solicitation will be made principally by distribution via mail. Proxies also may be solicited by email, telephone, or other means of communication by certain directors, officers, and employees of the Corporation without additional compensation for their proxy solicitation efforts. The Corporation made arrangements with brokerage firms, banks, nominees and other fiduciaries to forward proxy solicitation materials to the beneficial owners of the Corporation's common stock.

A proxy may be revoked at any time before it is exercised by (i) filing a written notice of revocation with the Corporate Secretary of the Corporation (Corporate Secretary, Kelly M. Dvorak, Bank First Corporation, 402 N. 8th Street, P.O. Box 10, Manitowoc, Wisconsin 54221-0010); (ii) submitting a duly executed proxy bearing a later date which is received at any time prior to the Annual Meeting date; or (iii) appearing at the Annual Meeting and giving the Corporate Secretary notice of your intention to vote in person. If your shares are held by your broker, bank or other agent as your nominee, you should follow the instructions provided by your broker, bank or other agent.

Attending the Annual Meeting

If you wish to attend the Annual Meeting and vote your shares, you must bring photo identification. If you hold your shares through a bank, broker or other agent, you must also bring proof of your ownership of your shares, such as the voting instruction form or an account statement from your broker, bank or other agent. Without proof of ownership, you may not be allowed to vote at the meeting.

Shareholders who have questions about the matters to be voted on at the Annual Meeting or how to submit a proxy, or who desire additional copies of the Proxy Statement, the proxy card, or the Annual Report on Form 10-K for the year ended December 31, 2019 should contact Corporate Secretary Kelly Dvorak at Bank First Corporation, 402 N. 8th Street, P.O. Box 10, Manitowoc, Wisconsin 54221-0010 or by phone at (920) 652-3244 or by email at kdvorak@bankfirstwi.bank.

PROPOSAL 1 — ELECTION OF DIRECTORS

The Articles of Incorporation and Bylaws of the Corporation provide that the Board of Directors of the Corporation shall be divided into three classes which are as equal in number as possible and that the members of each class are to be elected for a term of three years and until their successors are elected and qualified. One class of directors is to be elected annually. A resolution of the Board of Directors of the Corporation adopted pursuant to the Corporation's Bylaws has established the number of directors at twelve (12).

There are five (5) nominees for election to the Board of Directors at the Annual Meeting, each to serve a three-year term. Each of the director nominees, with the exception of Robert W. Holmes, is also a member of the Board of Directors of the Bank, a wholly-owned subsidiary of the Corporation. Mr. Holmes will be nominated and elected to serve on the Board of Directors of the Bank after the successful completion of the merger with Timberwood Bank on May 15, 2020. Information regarding the business experience of each nominee is included below. No nominee is being proposed for election pursuant to any agreement or understanding between any person and the Corporation. We are not aware of any family relationships among any of the directors and/or executive officers of the Corporation.

Each proxy executed and returned by a shareholder will be voted FOR the election of the director nominees listed below unless otherwise directed. At this time, the Board of Directors expects that all nominees will be available to serve as directors. If any person named as nominee should be unable or unwilling to stand for election at the time of the Annual Meeting, the proxies will nominate and vote for any replacement nominee or nominees recommended by the Board of Directors.

NOMINEES FOR ELECTION AS DIRECTORS

The following is a summary of information with respect to the director nominees, including the name of each director nominee, his or her experience and qualifications, each of the positions and offices he or she holds with the Corporation, his or her term of office as a director, and all periods during which he or she has served as a director of the Corporation. If elected, the director nominees will hold office for a three-year term expiring in 2023.

DONALD R. BRISCH

Before his retirement in 2009, Mr. Brisch served as the President and Vice President of Operations for Rockwell Lime Co. in Manitowoc, a leading producer of dolomitic lime, chemical grade limestone, and crushed limestone aggregate products for the manufacturing, energy, and construction industries. Mr. Brisch joined Rockwell Lime Co. in 1975 as a General Laborer and was soon promoted to Plant Superintendent in 1976. In this role, Mr. Brisch provided oversight of all production activities, including the preparation of operation schedules and budgets as well as the coordination of resources necessary to ensure production was in line with cost and quality specifications. Mr. Brisch was appointed Vice President of Operations and President of Rockwell Lime Co. in 1982 and 1994, respectively. In these roles, Mr. Brisch led a strategic initiative to install new hydrating, packaging, and milling plants, expanding the organization's capabilities and competitive edge in the marketplace. Mr. Brisch led an effort to position the company for sale, and in 2006, Rockwell Lime Co. was successfully acquired by Carmeuse Lime & Stone, a family-owned business located in Belgium. Mr. Brisch is active in his community and has served a total of 16 years on the Board of Directors of Holy Family Memorial Hospital and Silver Lake College in Manitowoc. Mr. Brisch graduated from Saint Mary's University in 1974 with a Bachelor's degree in Natural Science. Mr. Brisch became a director of the Corporation and Bank in 2006. Mr. Brisch, as former President and Vice President of Operations for Rockwell Lime Co., adds strategic and operational depth to our Board of Directors.

MICHAEL P. DEMPSEY

Mr. Dempsey joined the Bank in June 2010 as Executive Vice President and Chief Operating Officer, and currently serves as the President of the Bank since 2015. In this role, he is responsible for driving the Bank to establish, achieve and surpass sales, profitability, and business goals. He also provides leadership and guidance to ensure the mission and core values of the organization are upheld. From 1994 to 2009, Mr. Dempsey served as Executive Vice President, Senior Credit Officer, and Regional President in a regional capacity at Associated Bank, and was a member of Associated Bank's Corporate Executive Loan Committee, Corporate Pricing Committee, and Corporate Key Leadership Committee. Prior to his tenure at Associated Bank, Mr. Dempsey dedicated seventeen years to Firstar Bank in a variety of capacities, including Senior Credit Officer and Senior Vice President and Manager of the Fox Valley Regional Trust Division. Mr. Dempsey currently serves on the Greater Oshkosh Economic Development Finance Committee, Oshkosh Chamber Economic Development Advisory Board, President of Waterfest, Inc., and is an active EAA AirVenture volunteer and member among many other Fox Valley community organizations. Mr. Dempsey graduated from the University of Wisconsin Oshkosh with a Bachelor of Science degree in Political Science and his Master's degree in Business Administration. Mr. Dempsey became a director of the Corporation and Bank in 2014, and also serves on the Bank's Senior Management Team. Our Board has determined that Mr. Dempsey is qualified to serve as a director based upon his position with the Bank and his many years of experience in banking.

ROBERT W. HOLMES

Mr. Holmes currently serves as Chair of the board of directors of Tomah Bancshares, Inc., which will be acquired by Bank First Corporation on May 15, 2020. Mr. Holmes has over forty years of experience in the financial service industry, dating back to 1975 when he founded and served as President and Chief Executive Officer of First Insurance Services. In 1983, First Insurance Services joined Wisconsin Savings Bank, and Mr. Holmes was appointed to serve as President and Chief Executive Officer of the combined organization as well as Chair of the board of directors. Mr. Holmes led an effort to position First Insurance Services and Wisconsin Savings Bank for sale, and in 1991, the combined organization was acquired by Heritage Mutual Insurance Company in Sheboygan, WI (operating today as Acuity Insurance). From 1991 to 1998, Mr. Holmes served as President and Chief Executive Officer as well as Chair of the board of directors of Westland Savings Bank and Westland Insurance Services in Tomah, WI. In 2003, Mr. Holmes founded Timberwood Bank and led the successful acquisition of Acuity Bank branches in 2007, growing total assets from $22 million to over $100 million. He continued growing the organization over the next 12 years, reaching $193 million in total assets. Outside the financial services industry, Mr. Holmes founded and served as a director of Advanced Bio Energy, a $25 million ethanol company. He has also started numerous real estate-based businesses over the years. Mr. Holmes was appointed by Governor Thompson to serve on the State Savings and Loan Review Board with the Wisconsin Department of Financial Institutions and continues to serve to this day. Active in the community, Mr. Holmes has served as President and Chair of the Tomah Memorial Hospital Board. He has served on the board of directors of Handishop Industries and the Tomah Public Library and has also served on the board of trustees for First Congregational Church in Tomah. Mr. Holmes received his Bachelor of Arts Degree from the University of Wisconsin, LaCrosse, in 1969. He also attended the University of Nebraska from 1970 — 1971. Upon successful completion of the merger between Bank First Corporation and Tomah Bancshares, Inc. on May 15, 2020, Mr. Holmes will be nominated to serve on the board of directors of the Bank. His nomination to serve as a Director of the Corporation as set forth in these materials is similarly contingent upon successful completion of the merger. With his extensive background in the banking industry as well as experience in acquisition structuring, regulatory guidance, and strategic and corporate planning, Mr. Holmes brings additional strength and depth to the Board of Directors.

STEPHEN E. JOHNSON

Mr. Johnson, retired, formerly served as Market President and Community Reinvestment Act ("CRA") Officer for Bank First from 2017 to 2018. Prior to joining Bank First, Mr. Johnson was Director of Compliance and Chair of the Board of First National Bank of Waupaca as well as Chair of the Board of Waupaca Bancorporation, Inc. ("WBC") from 2016 to 2017. Mr. Johnson played a significant role in the merger of Bank First and WBC in 2017. Preceding his move to the banking industry, Mr. Johnson was employed by Sentry Insurance A Mutual Company for over 35 years during which he served in various capacities to include Director's responsibilities in Operations Support and Underwriting Planning, Marketing Operations, Affinity Markets, and Consumer Products Underwriting. Mr. Johnson's community activities include serving as a member of the Boards of Directors of the Waupaca Area Community Foundation, the ThedaCare Foundation of Waupaca, the ThedaCare Family of Foundations, the Western Golf Association / Evans Scholars Foundation, and he is the President of the Board of Education for the School District of Waupaca. Mr. Johnson graduated from the University of Southern California in 1978 with a Bachelor of Arts degree in Psychology. He became a Director of the Bank in January 2019. Mr. Johnson's background in CRA, marketing, customer acquisition, and operations, along with strategic and corporate planning, brings additional strength and a diverse business perspective to the Board of Directors.

DAVID R. SACHSE

Mr. Sachse is President and Owner of Landmark Consultants, Inc., a consulting, research, and entrepreneurship business formed in 1993. In that role, he has been involved in eight successful entrepreneurial ventures. Additionally, Mr. Sachse serves as minority owner and/or advisor to five successful ventures in eastern Wisconsin, including Nutrients, Milwaukee Forge, Heresite, DRS Central, and Terra Compactor, where he provides financial and operational counsel to these companies. Mr. Sachse also currently serves as Chair of the Board of Directors of Landmark Group, Inc. and its wholly-owned subsidiary HTT, Inc., a company that designs and manufactures dies and metal stampings. At HTT, Inc., Mr. Sachse directed a strategic acquisition that resulted in significant growth in sales as well as numerous operational efficiencies and capabilities for the company. Mr. Sachse also served as President of Polar Ware/Stoelting from 2002 — 2012. Under his direction, the company became a leading manufacturer of stainless steel ice cream machines, cheese processing equipment, and industrial washers and dryers in North America, reporting over $90 million in annual sales. Mr. Sachse led an effort to position Polar Ware/Stoelting for sale, and in 2012, it was acquired by The Vollrath Company. Mr. Sachse currently serves on the board of directors for the Sheboygan County Economic Development Corporation and is an active member of the Sheboygan County Economics Club. Mr. Sachse also currently serves on the board of directors of Ansay & Associates, LLC, an independent insurance agency in Wisconsin. Mr. Sachse graduated from the University of Wisconsin, Milwaukee in 1977 with a Bachelor of Science in Marketing and Finance. Mr. Sachse became a director of the Corporation and Bank in June 2010. With his extensive background in financial planning and analysis, internal audit and compliance, and acquisition structuring, Mr. Sachse offers a diverse range of business skills to the Corporation.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS YOU VOTE "FOR" EACH OF THE ABOVE NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS.

DIRECTORS CONTINUING IN OFFICE

The following is a summary of information with respect to the continuing directors, including the name of each director, his or her experience and qualifications, each of the positions and offices he or she holds with the Corporation, his or her term of office as a director, and all periods during which he or she has served as a director of the Corporation.

Directors Whose Terms Expire in 2021

MARY-KAY BOURBULAS

Ms. Bourbulas was formerly a director on the board of Partnership Community Bancshares, Inc., which was acquired by Bank First Corporation, effective July 12, 2019. She is a co-owner, founder and manager of Handen Distillery, a grain to bottle craft distillery located in Cedarburg, Wisconsin. Prior to opening the distillery in 2017, Ms. Bourbulas provided asset-based workout consulting for secured assets and distressed loans from 2006 to 2015. She also has an extensive background in securities management, having begun her career at Stein Roe & Farnham, a former Chicago-based investment advisory firm, in 1985. She then spent fourteen years at Strong Capital Management, where she led the high-yield municipal department and credit team. Ms. Bourbulas holds a bachelor's degree in Economics from Northwestern University. She became a director of the Corporation and Bank in July 2019, succeeding Robert Wagner upon his retirement from the Board of Directors. Ms. Bourbulas' experience in evaluating and managing secured assets and troubled loans, coupled with her tenure in the investment services industry, brings valuable experience to the Board of Directors.

ROBERT D. GREGORSKI

Mr. Gregorski is the founder and principal of Gregorski Development, LLC, a commercial real estate development company based in Menasha, Wisconsin. Formed in 2002, the company's portfolio of properties has grown to include single tenant retail buildings, multi-tenant retail buildings, ground-leased properties, vacant commercial land, and multi-family residential property. In his role as a real estate developer, Mr. Gregorski is involved in all aspects of the sale, purchase, and development of commercial properties, including site identification and acquisition, entitlement, due diligence, financing, construction, and property management. He has formed strategic alliances with many contacts in the industry and focuses on maintaining the utmost integrity with every project. Previously, Mr. Gregorski served as a partner at Alpert & Gregorski, LLP, a personal injury law firm based in Manitowoc which served clients throughout northeast Wisconsin. Mr. Gregorski received his Bachelor of Arts Degree from the University of Wisconsin, Madison in 1984. He also received his Juris Doctor degree from the University of Wisconsin Law School in 1988. Mr. Gregorski became a director of the Corporation and Bank in October 2010. Mr. Gregorski brings to our Board of Directors extensive experience and expertise in real estate development. The knowledge garnered throughout his tenure with Gregorski Development, LLC positions him to be a valuable asset in a variety of contexts and committee roles, including analyzing the Bank's commercial real estate loan portfolio and assisting in site selection and development of new bank branches.

KATHERINE M. REYNOLDS

Ms. Reynolds is a partner in the law firm of Michael Best & Friedrich, LLP and has been practicing law for over 40 years. Her practice concentrates primarily on wealth planning and local government law, serving clients throughout northeast Wisconsin. As a member of her firm's Wealth Planning Special Practice Group, she provides strategic advice on wealth preservation for future generations by implementing her clients' plans for estate planning and probate matters, and trust creation and administration. In addition, Ms. Reynolds has experience representing villages, towns and sanitary districts in northeast Wisconsin, where her representation includes a full complement of municipal services and advice, including ordinance drafting and enforcement, contract negotiation and drafting, zoning and land use issues, and analysis and advice on conflict of interest and ethics matters. She has held a leadership position in her law firm by serving as the Chair of the firm's Elder and Disability Law Focus Group and as the Manitowoc office representative of the firm's Community Outreach Committee. Ms. Reynolds' community activities include serving as a member of the board of directors of the Manitowoc Symphony Orchestra, member and Chair of the Manitowoc County Ethics Committee, and member and Secretary of the St. Francis of Assisi Parish Finance Council. Ms. Reynolds received her Bachelor of Science, magna cum laude, from Saint Mary's College, Notre Dame, Indiana. She received her Juris Doctor degree from the University of Wisconsin. Ms. Reynolds is a member of the American Bar Association and State Bar of Wisconsin. Ms. Reynolds has been a director of the Corporation and Bank since 1992. Ms. Reynolds brings to our Board of Directors significant legal experience and expertise, having spent her entire professional career in private practice in Manitowoc County. Her legal background and experience and attention to detail add great value to our Board of Directors, most notably in her role as Chair of the Governance and Nominating Committee.

PETER J. VAN SISTINE

Mr. Van Sistine is a Senior Vice President at Q2 where his primary concentration is maintaining Q2's leadership position in Financial Experience and Digital Banking offerings. It is a combination of culture, leadership, as well as the best-in-breed product and team that motivated Mr. Van Sistine to join the Q2 family. Mr. Van Sistine has more than 40 years of experience in financial technology and services. Prior to Q2, he was Executive Vice President of Sales at FIS for 27 years. His relentless focus on growth, efficiency and profitability strategies assisted banks and credit unions in capitalizing on market opportunities to grow stronger and enhance the overall value of their institutions. Previously, he served as Senior Vice President of Metavante Corporation. He joined Metavante in 1991, as Vice President of Retail Strategy, designing and delivering sales and service technology solutions for financial services companies. Performing in many capacities, he later served as Senior Vice President of Business Development as well as the Senior Vice President of Marketing and Sales. Mr. Van Sistine began his career with a community financial institution that grew from three locations and $157 million in total assets, ultimately becoming the number one retail bank in Wisconsin with north of $5 billion in assets. Mr. Van Sistine also garnered a strong understanding of major financial technologies, including: CRM, Electronic Banking, Data Warehousing, and Executive Information Solutions. He has deep roots in community banking, having served in many capacities while at Valley Bank in Appleton, Wisconsin. Mr. Van Sistine attended both the University of Wisconsin and Northwestern University's J.L. Kellogg Graduate School of Management. He became a director of the Bank in September 2017 and was elected to the Corporation's Board of Directors in 2018. Mr. Van Sistine brings to the Board extensive experience and expertise in the financial technology sector as well as a strategic and visionary approach to leadership.

Directors Whose Terms Expire in 2022

MICHAEL G. ANSAY

As sitting Chair of the board of directors of the Company, Mr. Ansay is also the Chair and Chief Executive Officer of Ansay & Associates, LLC, a second-generation independent insurance agency providing integrated insurance, risk management, and benefit solutions to businesses, families, and individuals. In his current role, Mr. Ansay is responsible for developing long-term strategic plans and implementing the mission, vision, and values of the agency to deliver high quality, customer-focused solutions. Under Mr. Ansay's direction, Ansay & Associates, LLC is one of the fastest-growing companies in Wisconsin and has been recognized as one of the Best and Brightest companies to work for nationwide. Growing from one office to over 20, Ansay & Associates manages the insurance and risk needs of over 12,000 businesses and 35,000 individuals. Mr. Ansay is also a managing member of Ansay Development Corporation and Ansay International. Mr. Ansay currently serves on the board of directors for the Independent Insurance Agency of Wisconsin, the Bruce Krier Charitable Foundation, and an Advisory Board Member for Dais Technology. Mr. Ansay has also been appointed Honorary Consul of Luxembourg for Wisconsin by Luxembourg's Ministry of Foreign Affairs. Mr. Ansay graduated from Marquette University in 1976 with a Bachelor of Science in Finance. Mr. Ansay became a director of the Corporation and Bank in February 2010, was appointed Vice-Chair in February 2012, and assumed the role of Chair in January 2013. Our board of directors determined that Mr. Ansay is qualified to serve as a director and Chair of our board based on his extensive experience driving growth, crafting and implementing long-term strategic goals, and his proven ability to bring people together and develop a strong team of leaders.

MICHAEL B. MOLEPSKE

Mr. Molepske is currently the President and Chief Executive Officer of the Company and Chief Executive Officer of the Bank. In these roles, he is responsible for providing strategic leadership by working with the board of directors and the senior management team to establish long-term goals, growth strategies, and policies and procedures for the Company and the Bank. Mr. Molepske's primary objective is to ensure the Bank's affairs are carried out competently, ethically, in accordance with the law, and in the best interest of employees, customers, and shareholders. In 2005, Mr. Molepske joined the Bank as the Senior Loan Officer and Regional President. In this role, he was responsible for overseeing and maintaining the integrity of the Bank's loan portfolio by ensuring proper compliance with all lending policies and procedures. In 2008 and 2010, respectively, Mr. Molepske was appointed to his current roles as Chief Executive Officer and President of the Company. From 1988 to 2005, Mr. Molepske served as a Credit Analyst, Business Banker, Senior Loan Officer, and Market President at Associated Bank, where he was responsible for overseeing the Lakeshore Region's commercial banking, private banking, credit administration, and treasury management functions. Mr. Molepske currently serves on the board of directors for RCS Foundation, Rahr-West Museum Foundation, and is Vice President of the board of directors for the American Barefoot Club, a division of USA Water Ski. He serves as Chair of the board of directors for the Bank's data processing subsidiary, UFS, LLC, as well as a Secretary for the board of directors of Ansay & Associates, LLC. He is also a director and President of TVG Holdings, Inc., the Bank's wholly-owned subsidiary that holds the Bank's investment in Ansay & Associates, LLC. Mr. Molepske also serves as President of Veritas Asset Holdings, LLC, the Company's troubled asset liquidation subsidiary. Additionally, he serves on the Federal Reserve Chicago District's Community Depository Institutions Advisory Council. Mr. Molepske graduated from the University of Wisconsin, Madison with Bachelor of Science degrees in Finance and Management Information Systems. He later earned his Masters of Business Administration from the University of Wisconsin, Milwaukee. Mr. Molepske became a director of the Corporation and Bank in 2008. He is also a member of the Bank's Senior Management Team. Our board believes Mr. Molepske is qualified to serve as a director as Mr. Molepske is a proven leader with the vision and ability to successfully execute the Bank's strategic initiatives. His attention to detail and extensive knowledge of the financial sector enables him to anticipate change and quickly adapt in a highly dynamic industry, and under his leadership, Bank First has experienced exceptional growth, strong asset quality, and profitability.

JUDY L. HEUN

Mrs. Heun is the Vice President and Controller for Kohler Company's Kitchen & Bath North America sector, a position she has held since 2017. In this role, she is accountable for the financial results of a multi-billion dollar international company. She also advises and directs the company leadership of the financial implications of various investments. Prior to that, she served as the Director of Corporate Administrative Accounting for the Kohler Company from 2001 to 2017. She is an accomplished leader with 30 years of experience in various aspects of finance and operations with a professional skillset in planning, forecasting, accounting, internal controls, and continuous improvement. She is invested in the Plymouth community with active involvement in her church and local soccer program, recently serving on both the school and soccer boards. She served as the finance committee chair for the St. John the Baptist school board for six years, and served as a board member, treasurer, and team manager of the Plymouth Soccer Club. Mrs. Heun graduated from the University of Wisconsin-Milwaukee in 1988 with a Bachelor of Business Administration degree in Finance. She earned her Master's degree in Business Administration from Marquette University in 1997. Mrs. Heun became a director of the Corporation and Bank in April 2019. Mrs. Heun brings a demonstrated history of strong financial discipline to the Corporation, as well as a wealth of experience in the areas of financial planning, forecasting, costing, and all other financial accounting processes.

EXECUTIVE OFFICERS

EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

The following is a summary of information with respect to the executive officers of the Corporation who are not directors, including the name of each individual, his or her experience and qualifications, and the details of the position he or she holds with the Corporation.

KEVIN M. LEMAHIEU

Mr. LeMahieu joined the Corporation and the Bank in August 2014 as Chief Financial Officer. In this role, he oversees the Bank's finance and reporting functions. Mr. LeMahieu brings to the Corporation significant financial expertise, having served his entire professional career in the public accounting and finance fields. During his nine-year tenure with Beene Garter LLP from 1995 to 2004, Mr. LeMahieu was responsible for managing audit and review teams on engagements for clients in a variety of industries. He was also a member of the efficiency task force, a group responsible for analyzing the firm's audit and review approach and recommending solutions to maximize departmental efficiency. From 2004 to 2014, Mr. LeMahieu served in the capacities of Assurance Services Senior Manager and Director with CliftonLarsonAllen LLP, where he was responsible for managing audit and review teams on engagements for clients, working primarily with financial institutions. He also consulted with clients to provide cost and profit analysis, strategic merger guidance, accounting pronouncement interpretation, and internal control system guidance. Mr. LeMahieu graduated from Calvin College with a Bachelor of Science degree in Accountancy. He currently is a member of the Sheboygan County Economics Club, Wisconsin Bankers Association, American Institute of Certified Public Accountants and Wisconsin Institute of Certified Public Accountants. He earned his Certified Public Accountant designation in 1996 and is currently licensed in Wisconsin.

OFFICERS OF THE BOARD OF DIRECTORS

Chair: Michael G. Ansay
President and Chief Executive Officer: Michael B. Molepske
Chief Financial Officer: Kevin M. LeMahieu
Executive Officer and President of the Bank: Michael P. Dempsey
Corporate Secretary and General Counsel: Kelly M. Dvorak

During the previous 10 years, no director, person nominated to become a director, or executive officer of the Corporation was the subject of any legal proceeding that is material to an evaluation of the ability or integrity of any such person.

CORPORATE GOVERNANCE

Board Leadership Structure

The Corporation is committed to strong Board leadership. Currently, the roles of Chair of the Board and Chief Executive Officer are held by different individuals. Mr. Ansay serves as Chair of the Board, and Mr. Molepske serves as Chief Executive Officer and President. It is the Corporation's view that structuring the Board leadership in this way allows for the most effective communication between the Board and Senior Management, as well as consistent leadership and cohesive strategic planning. From time to time, the Board leadership structure will be re-evaluated to ensure that it continues to be the most effective approach in serving the Corporation's goals.

Role of Board in the Oversight of Risk

The Board takes an active role in overseeing all areas of risk to the Corporation, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk, and operational risk. This oversight is done through various Board committees, all of whom report directly to the Board. Our Board approves policies that set operational standards and risk limits at the Bank, and any changes to the Bank's risk management program require approval by the Bank's board of directors. Management is responsible for the implementation, integrity and maintenance of our risk management systems ensuring the directives are implemented and administered in compliance with the approved policy.

Cybersecurity and Information Security Risk Oversight

Our Board recognizes the importance of maintaining the trust and confidence of our customers, clients, and employees, and devotes significant time and attention to oversight of cybersecurity and information security risk. In particular, our Board and Senior Management each receives regular reporting on cybersecurity and information security risk, as well as presentations throughout the year on cybersecurity and information security topics. Our Governance and Nominating Committee also annually reviews and approves our Information Security Policy. The Board receives quarterly updates on cybersecurity and information security risk.

Board Self-Evaluation

The Board undertakes an evaluation process on an annual basis, using an evaluation platform designed by an independent third party. Each director evaluates his or her own performance, as well as the performance of his or her fellow directors. The evaluations are reviewed by the Chair of the Board, and the aggregated results are shared and discussed by the Board as a whole. The evaluation process improves the overall effectiveness of the Board by identifying its strengths, as well as areas for which additional training may be needed. In 2020, each committee of the Board will also engage in a self-assessment, in order to evaluate each committee's performance and to identify any areas of improvement.

Director Independence

The Board has evaluated the independence of its directors in accordance with the NASDAQ rules and applicable rules and regulations of the Securities and Exchange Commission ("SEC"). Our corporate governance guidelines and principles and the NASDAQ rules require that a majority of the Board be composed of directors who meet the requirements for independence established by these standards. Based on those standards, the Board has determined that Ms. Bourbulas, Mr. Brisch, Ms. Heun, Mr. Holmes, Ms. Reynolds, Mr. Sachse, and Mr. Van Sistine do not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and that each of those directors is independent as that term is defined by the NASDAQ rules and applicable rules and regulations of the SEC. The Board has also determined that Mr. Ansay, Mr. Dempsey, Mr. Gregorski, Mr. Johnson, and Mr. Molepske do have relationships that may give the appearance of interfering with the exercise of independent judgment in carrying out the responsibilities of a director, and that each of those directors is not independent as the term is defined by the NASDAQ rules and applicable rules and regulations of the SEC. Mr. Dempsey and Mr. Molepske are not independent because they are executive officers of the Corporation and Bank. Mr. Ansay is not independent because he is the Chief Executive Officer of Ansay & Associates, LLC, an affiliate of the Bank. Mr. Johnson is not independent as he was an employee of the Bank within the last three years. Mr. Gregorski is not independent because he currently owns, or has owned within the last three years, properties used as Bank branches for which the Bank made lease payments in excess of $120,000 annually. The Board has further determined that each director who serves on the Audit, Compensation and Retirement, and Governance and Nominating Committees satisfies the independence requirements for such committees in accordance with the NASDAQ rules and applicable rules and regulations of the SEC.

Director qualifications

We believe that our directors should have the highest professional and personal ethics and values, consistent with our longstanding values and standards. They should have broad experience at the policy-making level in business, government or civic organizations. They should be committed to enhancing shareholder value and have sufficient time to carry out their duties, including providing insight and practical wisdom based on their own unique experience. Each director must represent the interests of all shareholders. When considering potential director candidates, our Board of Directors also considers the candidate's independence, character, judgment, diversity, age, skills, including financial literacy, and experience in the context of our needs and those of our Board of Directors. While we have no formal policy regarding the diversity of our Board of Directors, our Board of Directors may consider a broad range of factors relating to the qualifications and background of director nominees, which may include personal characteristics. Our Board of Directors' priority in selecting board members is the identification of persons who will further the interests of our shareholders through his or her record of professional and personal experiences and expertise relevant to our growth strategy.

Code of Business Conduct and Ethics

The Corporation has adopted a Code of Business Conduct and Ethics, which applies to all directors, officers, and employees. The Code of Business Conduct and Ethics is posted on the Bank's website, www.bankfirstwi.bank, under the Investor Relations tab. All directors, officers, and employees of the Corporation are also subject to an Insider Trading Policy, governing trading of the Corporation's securities. This policy can also be found under the Investor Relations tab of the Bank's website.

COMMITTEES OF THE BOARD OF DIRECTORS

The Corporation has standing Audit, Compensation and Retirement, Executive, and Governance and Nominating Committees of the Board of Directors. Each committee operates under a written charter adopted by the Board of Directors. You may review each of these charters under "Corporate Profile — Governance Documents" on the Investor Relations section of the Bank's website at www.bankfirstwi.bank.

Meeting Attendance

The Board of Directors holds regularly scheduled quarterly meetings for the Corporation Board and monthly meetings for the Bank Board. Both boards also hold annual organizational meetings and annual shareholder meetings. The Audit Committee meets on a quarterly basis. The Compensation and Retirement Committee and Executive Committee meet at least twice yearly. The Governance and Nominating Committee meets approximately on a monthly basis.

In 2019, the Board of Directors held eight (8) meetings, and all incumbent directors attended at least 75% of the aggregate number of Board meetings and meetings of the committees on which they served. In addition, the incumbent directors who were serving as directors at such time attended last year's Annual Meeting of Shareholders. We expect, but do not require, directors to attend the Annual Meeting.

Board Committee Composition

		Director		Committee Memberships*			
Name	Age	Since	Independent	AC	CC	GN	EC
Michael G. Ansay	66	2010	No				
Mary-Kay H. Bourbulas	56	2019(1)	Yes			M	M
Donald R. Brisch	68	2006	Yes	M	C	M	C
Michael P. Dempsey	67	2014	No				
Robert D. Gregorski	58	2010	No				
Judy L. Heun	54	2019	Yes	M			M
Robert W. Holmes	72	NEW(2)	Yes	M			M
Stephen E. Johnson	64	NEW(3)	No				
Michael B. Molepske	59	2009	No				
Katherine M. Reynolds	69	1992	Yes		M	C	M
David R. Sachse	66	2010	Yes	C			M
Peter J. Van Sistine	63	2018	Yes		M		M

(1) Mary-Kay H. Bourbulas was elected to succeed Robert J. Wagner on the Corporation Board and the Bank Board on August 1, 2019, upon his retirement. Pursuant to the Bylaws of the Corporation, Ms. Bourbulas will serve out his term before being re-nominated in 2021.

(2) Mr. Holmes' nomination to serve as a Director of the Corporation as set forth in these materials is contingent upon successful completion of the merger of Tomah Bancshares, Inc. with and into the Corporation. Mr. Holmes will serve on the Audit Committee if he is elected to the Board at the Annual Meeting.

(3) Mr. Johnson became a Director of the Bank in January 2019.

AC: Audit Committee
CC: Compensation & Retirement Committee
GN: Governance & Nominating Committee
EC: Executive Committee
C Chair
M Member

* All voting members of the above-listed committees are independent directors. Kelly M. Dvorak serves as the non-voting Corporate Secretary for each committee.

Audit Committee

The purpose of the Audit Committee is to assist the Board of Directors in overseeing the quality and integrity of the Corporation's financial statements; the Corporation's compliance with legal and regulatory requirements; the independent registered public accounting firm's qualifications and independence; the performance of the Corporation's internal audit function and independent registered public accounting firm; and other financial matters. Among other things, the Audit Committee has the authority to:

- retain, evaluate and, as necessary, terminate the Corporation's independent registered public accounting firm;*
- review and approve the scope of the annual internal and external audits;
- review and pre-approve the engagement of our independent registered public accounting firm to perform non-audit services and the related fees;*
- meet independently with our internal auditors, independent registered public accounting firm, and Senior Management;
- review the integrity of our financial reporting process;

- review our financial statements and disclosures; and
- review disclosures from our independent registered public accounting firm regarding compliance with the independence standards of the American Institute of Certified Public Accountants, SEC, and appropriate banking regulations.

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* Matters with respect to which the Audit Committee has sole authority to act.

The Audit Committee is authorized to obtain advice and assistance from, and receive appropriate funding from the Corporation for, independent outside legal, accounting, and other professional advisors as the Audit Committee deems appropriate to fulfill its responsibilities.

Our Audit Committee is comprised of Mr. Donald R. Brisch, Ms. Judy L. Heun, Mr. and Mr. David R. Sachse. Each of the members of the Audit Committee meets the independence requirements of the rules of NASDAQ and applicable rules and regulations of the SEC. During 2019, the Audit Committee held seven (7) meetings.

Mr. David R. Sachse serves as the Chair of the Audit Committee and is designated as the Committee's financial expert as defined under the SEC rules, and possesses financial sophistication as defined under the rules of NASDAQ, based on his extensive experience with financial reporting and analysis. In addition, the Board believes that each member has requisite knowledge and experience of financial and auditing matters to serve on the Audit Committee.

Compensation and Retirement Committee

The Compensation and Retirement Committee is primarily responsible for administering the Corporation's compensation program. Consequently, the Compensation and Retirement Committee approves all elements of the compensation program including cash compensation, equity compensation, and other benefits. Under the Committee's charter, its duties include:

- overseeing the Corporation's compensation philosophy, compensation programs and retirement programs, including making recommendations and proposals concerning employee benefits;
- ensuring that a compensation market analysis is completed for the directors and members of Senior Management by a third-party service provider as the Committee deems necessary, but at least every three (3) years, and making recommendations to the Board based on the analysis;
- retaining or obtaining the advice of a compensation consultant, legal counsel, or other advisor, as necessary;
- overseeing the Corporation's regulatory and legal compliance with respect to compensation plans;
- determining, or recommending to the Board for determination, the compensation of non-employee directors;
- conducting the formal performance evaluation of the Chief Executive Officer of the Corporation and Bank;
- overseeing the evaluation of the Board members;
- approving the recommended salaries, bonuses and long-term incentive compensation for Senior Management;
- approving the recommended salary, bonus, long-term compensation, and other compensation for the Chief Executive Officer; and
- approving the corporate goals and metrics, profit sharing contribution, retirement plan match, overall salary compensation and overall bonus compensation, for all Corporation employees on an annual basis.

The Committee grants sole discretion for market-based compensation adjustments and long-term incentive stock grants for employees who are not members of Senior Management to the Chief Executive Officer and Vice President of Human Resources. Our Compensation and Retirement Committee is comprised of Mr. Donald R. Brisch, Ms. Katherine M. Reynolds and Mr. Peter J. Van Sistine. Each of the members of the Compensation and Retirement Committee meets the independence requirements of the rules of NASDAQ and applicable rules and regulations of the SEC. During 2019, the Compensation and Retirement Committee held three (3) meetings.

Compensation Committee Interlocks and Insider Participation:

In 2019, Mr. Donald R. Brisch, Ms. Katherine M. Reynolds, and Mr. Peter J. Van Sistine served on the Compensation and Retirement Committee. No member of our Compensation and Retirement Committee (i) is or has ever been an officer or employee of the Corporation or the Bank, (ii) was, during the last completed fiscal year, a participant in any related party transaction requiring disclosure under "Certain Relationships and Related-Party Transactions," except with respect to loans made to such committee members in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with unrelated parties or (iii) had, during the last completed fiscal year, any other interlocking relationship requiring disclosure under applicable SEC rules.

Executive Committee

The Executive Committee is a forum for discussion of matters of policy, practice, and long-term planning. The Committee consists of only independent directors and can be called at the request of the lead independent director or any two members, but at least twice annually. Our Executive Committee is comprised of Ms. Mary-Kay H. Bourbulas, Mr. Donald R. Brisch, Ms. Judy L. Heun, Ms. Katherine M. Reynolds, Mr. David R. Sachse, and Mr. Peter J. Van Sistine. Each of the members of the Executive Committee meets the independence requirements of the rules of NASDAQ and applicable rules and regulations of the SEC. During 2019, the Executive Committee held three (3) meetings.

Governance and Nominating Committee

The purpose of the Governance and Nominating Committee is to review candidates for membership on the Board, recommend individuals for nomination to the Board, and prepare and periodically review with the entire Board a list of general criteria for Board nominees. In order to be considered for nomination to an additional term on the Board, the Committee shall ensure that the individual continues to meet the criteria established for nominees to the Board. The Committee is also charged with overseeing the corporate governance of the Corporation and the Bank, including reviewing the Corporation's Bylaws, reviewing the appropriateness and scope of all Corporation and Bank policies, and making recommendations concerning policy changes. The primary duties and responsibilities of the Committee include the following, pursuant to its charter:

- making recommendations to the Board regarding the size and composition of the Board;
- establishing and recommending to the Board criteria for the selection of new directors;
- identifying and recruiting Board candidates, consistent with criteria approved by the Board;
- recommending to the Board candidates for Board membership;
- selecting the director nominee(s) for the next Annual Meeting;
- determining the appropriate committee structure of the Board;
- reviewing all Corporation and Bank policies requiring Board approval on an annual basis;
- making recommendations to the Board concerning policy changes;
- overseeing the corporate governance of the Corporation and the Bank;
- reviewing the Bylaws of the Corporation and the Bank as necessary; and

- ensuring complete and accurate reporting to the SEC and other regulatory bodies as required by law.

The Governance and Nominating Committee will consider nominees recommended by (i) any current director, (ii) the Corporation's executive officers, and (iii) any shareholder, provided that such shareholder's recommendations are made in accordance with the Bylaws. Shareholder nominees that comply with the Bylaws will receive the same consideration that nominees from other sources receive. One or more members of the Governance and Nominating Committee will interview the selected nominees and make recommendations to the Board of Directors. For more information, please see "Submission of Shareholder Proposals and Shareholder Communications" on page 35.

When considering and evaluating nominees, the Committee will consider the following factors:

- Professional experience and core competencies
- Knowledge of the banking and finance industry
- Personal, professional, and financial integrity
- Ability and willingness to attend Board and committee meetings and actively participate therein
- Other board memberships
- Community involvement
- Any potential conflicts of interest and/or affiliate relationships
- Diversity in race, ethnicity, gender, and age
- Diversity in geography, education, professional experience, and industry

Our Governance and Nominating Committee is comprised of Ms. Mary-Kay H. Bourbulas, Mr. Donald R. Brisch, and Ms. Katherine M. Reynolds. Each of the members of the Governance and Nominating Committee meets the independence requirements of the rules of NASDAQ and applicable rules and regulations of the SEC. During 2019, the Governance and Nominating Committee held eleven (11) meetings.

DIRECTOR COMPENSATION

The Compensation and Retirement Committee reviews the compensation paid to non-employee directors annually. Our objective for compensation of our directors is to pay at or near the 75th percentile of our peer group with direct compensation. Direct compensation includes annual retainer fees and long-term incentive stock (equity ownership). Every three years, or under special request, a compensation analysis is completed by a third-party consultant, specializing in executive and board compensation. In October 2018, our third-party consultant, The McLagan Group, recommended an increase in direct compensation for the Board to better align with our compensation philosophy. The Compensation and Retirement Committee recommended, and the Board approved, (i) decreasing the annual retainer fee for all directors from $32,000 to $10,000, (ii) increasing the annual stock awards from $10,000 to $45,000, (iii) increasing the annual retainer fee for the Chair of the Board from $15,000 to $23,000, and (iv) increasing the annual fee for the Chair of the Audit Committee from $5,000 to $6,500. These changes took effect in May 2019. Mr. Molepske and Mr. Dempsey do not receive additional compensation for serving as directors.

Compensation Structure for Non-Employee Directors (2019)

Base annual retainer	$10,000
Annual stock awards	$45,000
Annual Chair of the Board retainer	$23,000
Annual Audit Committee Chair retainer	$ 6,500
Annual Compensation and Retirement Committee Chair retainer	$ 5,000
Annual Governance and Nominating Chair retainer	$ 5,000

Fiscal Year 2019 Non-Employee Director Compensation

Director	Fees Earned or Paid in Cash (a) $	Stock Awards (b) $	All Other Compensation (c) $	Total Compensation $
Michael G. Ansay	33,000	45,000	180	78,180
Donald R. Brisch	15,000	45,000	180	60,180
Robert D. Gregorski	10,000	45,000	180	55,180
Katherine M. Reynolds	15,000	45,000	180	60,180
David R. Sachse	16,500	45,000	180	61,680
Peter J. Van Sistine	10,000	45,000	155	55,155
Robert J. Wagner	10,000	11,250	155	21,405
Stephen E. Johnson	10,000	45,000	45	55,045
Judy L. Heun	10,000	45,000	0	55,000
Mary-Kay H. Bourbulas	7,500	33,750	0	41,250

(a) On May 8, 2019, the directors received an annual retainer fee based on their board position and chair roles, if applicable. Ms. Heun joined the holding company board in June 2019 and received the annual retainer fee. Ms. Bourbulas joined the holding company board in August 2019 and received a prorated annual fee for 2019.

(b) On March 2, 2020, the Corporation granted restricted stock for 2019 performance to its non-employee directors pursuant to the Corporation's 2011 Equity Plan ("Equity Plan"). Each director, with the exception of Ms. Bourbulas and Mr. Wagner, received 732 shares of restricted stock at a fair market value price of $61.49 per share, which restricted shares vest on the one-year anniversary of the grant. Ms. Bourbulas' and Mr. Wagner's shares were prorated due to their dates of joining and retiring from the holding company board, respectively. Ms. Bourbulas received 549 shares and Mr. Wagner received 183 shares. Due to his retirement, Mr. Wagner's shares were fully vested and unrestricted. Stock award values are computed in accordance with the FASB ASC Topic 718.

Each of our non-employee directors and director nominees hold the following number of unvested stock awards: Mr. Ansay, 732; Mr. Brisch, 732; Mr. Gregorski, 732; Ms. Reynolds, 732; Mr. Sachse, 732; Mr. Van Sistine, 732; Ms. Heun, 732; Ms. Bourbulas, 549; Mr. Johnson, 732.

On March 1, 2019, the Corporation granted restricted stock for 2018 performance to its non-employee directors pursuant to the Equity Plan. Each director, with the exception of Ms. Heun and Ms. Bourbulas, received 177 shares of restricted stock at a fair value price of $56.62 per share, which vested on the one-year anniversary of the grant. Stock award values are computed in accordance with the FASB ASC Topic 718.

(c) Reflects dividends paid on unvested stock awards in 2019.

Non-Qualified Deferred Compensation for Directors and Executive Officers

On February 19, 2019, the Board of Directors voted to terminate the Non-Qualified Deferred Compensation Plan, effective March 1, 2019.

Director and Executive Officer Stock Ownership

To align the interests of our directors and shareholders, our Board of Directors believes directors and executive officers should have a significant stake in Bank First. Each non-employee director must own Bank First Corporation shares equal in value to a minimum of $200,000. New directors and executive officers have five years to meet the requirement. All our directors and executive officers have complied with our stock ownership policy in the fiscal year 2019.

NAMED EXECUTIVE OFFICER COMPENSATION

This table contains information about compensation awarded to our Named Executive Officers for the fiscal years ended December 31, 2019 and 2018.

2019 and 2018 Summary Compensation Table

Name & Principal Position	Year	Salary (a) ($)	Bonus (b) ($)	Stock Awards (c) ($)	All Other Compensation (d) ($)	Total Compensation ($)
Michael B. Molepske	2019	533,333	257,515	257,643	45,095	1,093,586
Chief Executive Officer (Director)	2018	425,015	233,091	233,274	37,701	929,081
Michael P. Dempsey	2019	338,250	121,569	121,750	13,091	594,660
President (Director)	2018	295,665	115,380	115,505	12,554	539,104
Kevin M. LeMahieu	2019	261,375	93,939	94,079	3,745	453,138
Chief Financial Officer	2018	206,000	89,157	89,177	2,776	387,110

(a) Reflects the named executive officers' actual salary earned in 2019 and 2018.

(b) Bonuses are granted in March of each year for the performance results for the prior year.

(c) Restricted stock awards are granted in March of each year for the performance results of the prior year pursuant to the Equity Plan. These awards vest equally over five years from the date of grant. The grant date fair value of the restricted stock awards is based on the fair market value of a share of Corporation stock on the grant date, computed in accordance with the FASB ASC Topic 718.

(d) Details regarding all other compensation are set forth in the table below.

All Other Compensation

Named Executive Officer	Excess Benefit Plan ($) (a)	Dividends on Unvested Stock Awards ($)	Business Development ($)
Michael B. Molepske	35,000	10,095	—
Michael P. Dempsey	—	6,091	7,000
Kevin M. LeMahieu	—	3,745	—

(a) In 2012, the Compensation and Retirement Committee of the Board of Directors adopted an excess benefit plan for Michael B. Molepske. The plan was designed solely for the purpose of providing benefits to Michael B. Molepske in excess of the limitations on contributions and benefits imposed by section 415 of the Internal Revenue Code of 1986. In 2019, $35,000 was contributed as other compensation through this plan.

Summary of Material Components of Compensation Program

The Corporation's executive compensation philosophy is intended to provide a total compensation package that is competitive with market practice while varying awards to recognize Corporation and individual performance. The objective is to provide competitive pay for achieving performance goals consistent with the Corporation's business objectives and its performance compared to the performance of other financial institutions. The Corporation's philosophy is that actual compensation should exceed market when superior performance is achieved and be lower than market when performance falls below expectations.

- Base Salaries — In order to reward and retain its top talent, the Bank's philosophy is for base salaries to approximate the 50th — 75th percentile of its top performing bank peers. While the Bank takes into consideration other factors in determining total compensation, base salaries, which have a more immediate impact, must be competitive to attract and retain talent.
- Short-Term Incentives — The Bank's annual bonus program is based on the Bank's and the executive's prior year's performance and requires the executive officer to meet or

exceed pre-established annual performance targets, such as return on assets, assets per full-time equivalent employees ("FTE") and earnings per share.

- Long-Term Incentives — The purpose of the Equity Plan is to provide financial incentives for selected employees of the Corporation, thereby promoting long-term growth and financial success by attracting and retaining employees of outstanding ability, strengthening the Corporation's capacity to develop, maintain, and direct a competent management team, provide an effective means for selected employees to acquire and maintain ownership of Corporation stock, motivate employees to achieve long-range performance goals and objectives, and provide incentive compensation opportunities competitive with those of equal peers. The Corporation provides long-term incentives in the form of restricted common stock, with a multi-year vesting schedule, to encourage retention and ownership. The recipients are entitled to receive dividends during their restricted period and have the right to vote such shares of restricted stock. Awards are granted and vest on or around March 1st of each year and the Compensation and Retirement Committee has discretion to determine the grant and vesting date changes. If a participant terminates their employment or is terminated for cause, he or she will forfeit their unvested shares. The Chief Executive Officer has the discretion to accelerate vesting upon an employee's retirement. Shares of restricted stock will become immediately vested upon the occurrence of a change of control of the Corporation.

Outstanding Equity Awards at 2019 Fiscal-Year End

	Stock Awards	
Named Executive Officer	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (a)
Michael B. Molepske	1,100 (b)	77,011
	1,972 (c)	138,060
	2,337 (d)	163,613
	2,916 (e)	204,149
	4,120 (f)	288,441
Michael P. Dempsey	651 (b)	45,577
	1,376 (c)	96,334
	1,629 (d)	114,046
	1,676 (e)	117,337
	2,040 (f)	142,820
Kevin M. LeMahieu	315 (b)	22,053
	726 (c)	50,827
	933 (d)	65,319
	1,204 (e)	84,292
	1,575 (f)	110,266

(a) The market value of restricted stock reflects the number of shares unvested multiplied by the December 31, 2019 stock price of $70.01. These restricted stock shares vest equally over five years from the date of grant.

(b) The restricted shares vest on March 1, 2020.

(c) The restricted shares vest in two approximately equal annual installments on March 1, 2020 and March 1, 2021.

(d) The restricted shares vest in three approximately equal annual installments on March 1, 2020, March 1, 2021 and March 1, 2022.

(e) The restricted shares vest in four approximately equal annual installments on March 1, 2020, March 1, 2021, March 1, 2022 and March 1, 2023.

(f) The restricted shares vest in five approximately equal annual installments on March 1, 2020, March 1, 2021, March 1, 2022, March 1, 2023 and March 1, 2024.

Additional Information Regarding Stock Awards

With respect to awards granted prior to February 19, 2019, upon a change of control of the Corporation, outstanding equity awards will become immediately vested. With respect to awards granted on or after February 19, 2019, if an event constituting a change in control occurs and a plan participant either terminates employment for good reason (as defined in the plan) or is involuntarily terminated by the Corporation without cause after the change in control, the transferability and forfeitability provisions relating to restricted stock awards immediately cease to apply. If a participant terminates employment or is terminated for cause, he or she will forfeit their unvested shares. If a participant retires, then his or her equity awards may become vested at the discretion of the CEO.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, officers and persons who beneficially own more than 10% of our common shares to file initial reports of ownership on Form 3 and reports of changes of ownership on Forms 4 and 5 with the SEC. These officers, directors and 10% beneficial owners are also required to furnish us with copies of all Section 16(a) forms that they file.

To our knowledge, based solely on our review of the copies of such forms received by us and written representations from our directors and officers, we believe that all Section 16(a) filing requirements applicable to our officers, directors and 10% beneficial owners have been complied with for the fiscal year ended December 31, 2019.

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of shares of the Corporation's common stock as of March 30, 2020, by (i) each director and director nominee of the Corporation, (ii) each of the executive officers of the Corporation, (iii) all directors and executive officers as a group, and (iv) all shareholders known to us who may be considered a beneficial owner of more than 5% of the outstanding shares of the Corporation's common stock.

Common Stock

Beneficial Owner	Number of Shares (a) (b)	Percent of Class (c)
Directors:		
Michael G. Ansay	60,728 (d)	*
Mary-Kay H. Bourbulas	574 (e)	*
Donald R. Brisch	18,283 (f)	*
Michael P. Dempsey (Executive Officer)	76,087 (g)	1.06
Robert D. Gregorski	31,709 (h)	*
Judy L. Heun	752 (i)	*
Robert W. Holmes	0 (j)	*
Stephen E. Johnson	33,967 (k)	*
Michael B. Molepske (Executive Officer)	109,218 (l)	1.53
Katherine M. Reynolds	28,344 (m)	*
David R. Sachse	23,618 (n)	*
Peter J. Van Sistine	6,334 (o)	*
Executive Officers who are not Directors:		
Kevin M. LeMahieu	14,898 (p)	*
All Directors and Executive Officers of the Corporation	404,512	5.65
Other Material Shareholders:		
Richard S. Molepske	531,519 (q)	7.43
Associated Banc-Corp.	445,611 (r)	6.23
Blackrock, Inc.	382,964 (s)	5.35

(a) Beneficial ownership is determined in accordance with rules of the SEC and includes voting or investment power to the securities. Except as disclosed in the footnotes to this table and subject to applicable community property laws, we believe that each beneficial owner identified in the table possesses sole voting and investment power over all our shares of common stock shown as beneficially owned by the beneficial owner.

(b) This amount includes shares allocated to participant accounts within the ESOP. The shares allocated to participant accounts within the ESOP as of March 30, 2020 are as follows: Michael B. Molepske: 32,702; Michael P. Dempsey: 30,295; Kevin M. LeMahieu: 7,832.

(c) Percentage ownership is based on 7,155,955 shares of common stock outstanding as of March 30, 2020. The asterisk (*) represents less than 1% of the total number of shares of common stock outstanding on the Record Date.

(d) Shares held in trust: 17,900; shares held as custodian: 2,650; shares held directly: 40,178 (including 732 unvested shares from equity awards).

(e) Shares held directly: 574 (including 549 unvested shares from equity awards).

(f) Shares held directly: 18,283 (including 732 unvested shares from equity awards).

(g) Shares held directly: 76,087 (including 6,643 unvested shares from equity awards).

(h) Shares held directly: 31,709 (including 732 unvested shares from equity awards).

(i) Shares held directly: 752 (including 732 unvested shares from equity awards).

(j) Director Nominee; Mr. Holmes owns 35,869 shares of Tomah Bancshares, Inc., which will be converted to Bank First Corporation common stock upon successful completion of the merger.

(k) Director Nominee; shares held as custodian: 2,912; shares held directly: 31,055 (including 732 unvested shares from equity awards).

(l) Shares held in trust: 18,434; shares held indirectly by RS Molepske, LLC: 8,000; shares held directly: 70,567 (including 12,217 unvested shares from equity awards).

(m) Shares held directly: 28,344 (including 732 unvested shares from equity awards).

(n) Shares held directly: 23,618 (including 732 unvested shares from equity awards).

(o) Shares held directly: 6,334 (including 732 unvested shares from equity awards).

(p) Shares held directly: 14,898 (including 4,678 unvested shares from equity awards).

(q) The information contained herein is based on information provided by the respective individual as of March 30, 2020. The address for Richard S. Molepske is 31 Sunset Bay Drive, Belleair, FL 33756-1643.

(r) The information contained herein is based on information reported by Nasdaq, at www.nasdaq.com/market-activity/stocks/bfc/institutional-holdings. Associated Banc-Corp. is located at 433 Main Street, Green Bay, WI 54301.

(s) The information contained herein is based on information disclosed by the entity on a Schedule 13G filed with the SEC on February 7, 2020. The address for Blackrock, Inc. is 55 East 52nd Street, New York, NY 10055.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

Related-Party Transactions

The Audit Committee is responsible for reviewing and approving all related-party transactions, as well as reviewing the procedures used to identify related parties and any transactions with related parties. Under SEC regulations, the Corporation is required to disclose any transaction occurring in the last fiscal year or that is currently proposed in an amount that exceeds $120,000, in which the Corporation was or is a participant, and in which an executive officer or director of the Corporation, or an immediate family member thereof, had or will have a direct or indirect material interest. All transactions between the Corporation or the Bank and executive officers, directors, principal shareholders (that we are aware of) and affiliates thereof, will, to the best of our efforts, contain terms no less favorable to the Corporation or the Bank than could have been obtained by them in arms' length negotiations with unaffiliated persons and will be reviewed and approved by the Audit Committee. In determining whether to approve a related person transaction, the Audit Committee will consider all of the relevant and material facts and circumstances available to it, including (if applicable) but not limited to: the benefits to the Corporation; the impact on a director's independence in the event the related person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and whether the terms are comparable to the terms available to unrelated third parties or to employees generally. After its review, the Audit Committee will only approve or ratify related person transactions that are (i) in, or are not inconsistent with, the best interests of the Corporation and its shareholders, as the Audit Committee determines in good faith, (ii) on terms comparable to those that could be obtained in arm's length dealings with an unrelated third person and (iii) approved or ratified by a majority of the disinterested members of the Audit Committee.

The Bank's wholly-owned subsidiary, TVG Holdings, Inc., owns 40.0% of Ansay & Associates, LLC. Michael G. Ansay, Chair of the Board of Directors of the Corporation, is the Chair and Chief Executive Officer of Ansay & Associates.

The Bank's Appleton office is subject to a ground lease with Gregorski Development, LLC, an entity owned by Director Robert Gregorski. The Bank entered into the lease in 2014, for an initial term of forty years. The lease calls for payments of $6,250 per month. In 2019, the Bank paid approximately $75,000 in lease payments to the Gregorski related entities. Management believes that the terms of the lease are no less favorable to the Bank than would have been achieved with an unaffiliated third party.

The Corporation did not engage in any other transactions that require disclosure under SEC regulations.

Loans to Related Persons

The Bank has had, and expects to have in the future, loans and other banking transactions in the ordinary course of business with directors (including our independent directors) and executive officers of the Corporation and its subsidiaries, including members of their families or corporations, partnerships or other organizations in which such officers or directors have a controlling interest. In addition, the Bank is subject to the provisions of Section 23A of the Federal Reserve Act, which places limits on the amount of loans or extensions of credit to, or investments in, or certain other transactions with, affiliates and on the amount of advances to third parties collateralized by the securities or obligations of affiliates. The Bank is also subject to the provisions of Section 23B of the Federal Reserve Act which, among other things, prohibits an institution from engaging in certain transactions with certain affiliates unless the transactions are on terms substantially the same, or at least as favorable to such institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies.

In accordance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, to the best of our knowledge, all loans to executive officers, directors, principal shareholders, and any affiliates thereof, are made on similar terms, including interest rates, loan fees, and collateral as those prevailing at the time for comparable transactions with the general public and do not involve more than the normal risk of repayment or present other unfavorable features. During 2019, no executive officer, director, principal shareholder (that we are aware of), or any affiliate of the Corporation or the Bank had loans outstanding at preferred interest rates from the Corporation or the Bank.

PROPOSAL 2 — RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed Dixon Hughes Goodman, LLP ("DHG") as the independent registered public accounting firm to audit the Corporation's financial statement for the fiscal year ending December 31, 2020. Although not required to do so, the Board is submitting the selection of DHG as our independent registered public accounting firm to our shareholders for ratification as a matter of good corporate governance. The Board recommends that our shareholders ratify such appointment. Even if the appointment of DHG is ratified by the shareholders, the Audit Committee, in its discretion, could decide to terminate the engagement of DHG and to engage another audit firm if the Audit Committee determines such action is necessary or desirable. In the event that the appointment is not ratified by the required shareholder vote, the vote would be considered in connection with the engagement of an independent registered public accounting firm for 2021. The Audit Committee will reconsider the appointment, but also may decide to maintain the appointment.

Representatives of DHG will be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so and to respond to appropriate questions.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSAL TO RATIFY THE APPOINTMENT OF DIXON HUGHES GOODMAN, LLP AS THE CORPORATION'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2020.

PROPOSAL 3 — APPROVAL OF THE 2020 EQUITY PLAN OF BANK FIRST CORPORATION

The Board of Directors has presented for approval the Bank First Corporation 2020 Equity Plan (the "Plan"). It is the judgment of the Board of Directors that the incentive grants made under the Corporation's previous incentive plans have been effective and useful in (i) attracting, retaining and motivating officers, other key employees of the Corporation and members of the Board of Directors ("Directors"), and (ii) encouraging such officers, employees and Directors to increase their stock ownership in the Corporation. The adoption of the Plan is expected to benefit the Corporation and its shareholders by enabling the Corporation to continue to be competitive in its search for and retention of outstanding employees and Directors, and by encouraging such employees and Directors to increase their proprietary interests in the Corporation.

If approved, the Plan will replace the Bank First National Corporation 2011 Equity Plan (as amended, the "2011 Plan"). Accordingly, no additional stock-based awards will be granted under the 2011 Plan following shareholder approval of the Plan.

Certain Material Differences Between the Plan and the 2011 Plan

The following is a summary of certain material differences between the Plan and the 2011 Plan. Most of these changes are intended to improve upon certain best practices already included in the 2011 Plan. This summary is qualified by and subject to the actual provisions of the Plan, which is attached as Appendix A.

- *Shares Available*. The aggregate number of shares of the Corporation's common stock (the "Common Stock") reserved for issuance under the Plan is 700,000 shares. This is approximately ten percent (10%) of the number of shares currently outstanding, an industry standard for incentive compensation plans. Under the 2011 Plan, Bank First Corporation reserved 659,250 shares for issuance, and issued approximately 202,000 restricted shares over a 10-year period.
- *Share Recycling*. The Plan provides that shares received by the Corporation in connection with the exercise of an award, including shares tendered in payment of a stock appreciation right's exercise price or shares tendered to the Corporation for the satisfaction of any tax liability or the satisfaction of a tax withholding obligation, may not be subject to issuance pursuant to a later award.
- *Delegation of Limited Authority*. Subject to certain limitations, the Compensation and Retirement Committee of the Board of Directors (the "Committee") may delegate authority to officers of the Corporation allowing such officers to designate non-executive employees to receive awards under the Plan.
- *"Change of Control" Definition*. The "Change of Control" definition, as it pertains to termination following a change of control, now specifies that a change of control occurs only upon the consummation of an enumerated change of control event (e.g. merger, consolidation, liquidation, or sale of substantially all of the Corporation's assets).
- *Clawback Provisions*. All awards under the Plan are subject to all applicable clawback laws, clawback provisions of the listing standards of NASDAQ, and any clawback policy adopted, and amended from time to time, by the Committee.

These changes add to certain best practices that were already contained in the 2011 Plan, including:

- *No Evergreen Provisions*. The Plan does not contain a provision for automatic funding additions over the life of the Plan.
- *Double Trigger for Payouts Relating to a Change in Control*. The Plan does not automatically vest and pay out awards following a change in control of the Corporation. Rather, awards will only vest and be paid out based on a change in control if the participant is involuntarily terminated or resigns for good reason (as defined in the Plan) following a change in control.

Material Features of the Plan

A summary of the material features of the Plan follows. Statements about the Plan are qualified by and subject to the actual provisions of the Plan, which is attached as Appendix A.

Administration
The Committee, or such other committee as the Board of Directors may designate, will administer the Plan. The Committee has the discretionary authority to establish and amend rules and regulations relating to the Plan, select the eligible employees and non-employee Directors who shall receive awards under the Plan, grant awards under the Plan, determine the terms and conditions of such awards, and interpret the Plan and/or any agreement entered into under the Plan.

Eligibility
The Plan is designed to benefit certain employees (including officers) of the Corporation and its subsidiaries, current non-employee Directors and certain former non-employee Directors. It is not possible at this time to determine who may be selected to receive awards under the Plan or the amount of Common Stock to be awarded to any person. The Committee has authority to select participating employees and may give consideration to the functions and responsibilities of the respective employee, his or her present and potential contributions to the success of the Corporation, the employee's contribution to Corporation risk management, the value of his or her services to the Corporation, and other factors deemed relevant. Subject to limitations set forth in the Plan, the Committee may also delegate to one or more officers of the Corporation the authority to designate employees, who are not executive officers or Directors, as eligible for awards under the Plan. There are currently three (3) executive officers and ten (10) non-employee Directors or Director Nominees that the Corporation anticipates will receive awards under the Plan, as well as approximately seventeen (17) non-executive officers and employees.

Awards Available Under the Plan
Awards under the Plan ("Awards") may be granted, awarded or paid in any one or a combination of stock appreciation rights, restricted stock awards, unrestricted stock awards and/or performance unit awards. However, to date, the Corporation has awarded only restricted stock awards under the 2011 Plan. The aggregate number of shares of the Common Stock reserved for issuance under the Plan is 700,000 shares, which may be newly-issued shares, authorized and unissued shares or shares reacquired by the Corporation in the open market or otherwise. The aggregate amount is subject to appropriate adjustments, which may be made by the Committee, for stock dividends, stock splits and similar changes.

Stock Appreciation Rights. Stock appreciation rights ("SARs") generally permit the SAR recipient to receive the difference between the fair market value of one share of Common Stock on the date of payout or exercise and the fair market value of one share of Common Stock on the date the SAR was granted multiplied by the number of shares of Common Stock covered by the SAR award. Upon exercise, rights will be paid in Common Stock or cash, or a combination of both, as determined by the Committee.

Restricted Stock. Restricted stock awards are subject to restriction periods and certain conditions specified upon the grant of restricted stock awards. Subject to certain exceptions, restricted stock awards only vest upon the lapsing of the established restriction period and the satisfaction of any other established conditions. Until the restriction period lapses, Common Stock awarded pursuant to restricted stock awards is represented in a book entry account in the name of the award recipient. The recipient of restricted stock may not sell, assign, pledge or otherwise transfer the restricted stock. Recipients of restricted stock awards will be entitled to receive dividends and vote such restricted stock during restriction periods.

Unrestricted Stock Awards. The Committee may make unrestricted awards of Common Stock to participants who are former non-employee Directors.

Performance Units. A performance unit entitles the participant to receive a specified cash or Common Stock payment in the event the Corporation achieves predetermined objectives expressed in terms of performance goals. Such performance goals may be established by the Committee based on performance criteria as the Committee shall deem

appropriate. In determining the number of performance units to be granted to any participant, the Committee considers a participant's responsibility level, performance, potential, cash compensation level, other incentive awards, and such other considerations as it deems appropriate.

Non-transferability
Unless otherwise provided by the Committee, SARs, shares of restricted stock, and performance units are only transferable by will and pursuant to the laws of descent and distribution.

Vesting and Payout
The Committee shall have discretion to determine vesting provisions for SARs, restricted stock, or performance units on an individual participant basis. If the participant is an employee, such vesting provisions shall provide that, except for changes of control, the rights are forfeited without payment if the participant's employment with the Corporation is involuntarily terminated or if the participant voluntarily terminates employment prior to the satisfaction of the vesting conditions. If the participant is a non-employee Director, such vesting provisions may provide that if the participant leaves the Board of Directors, for reasons other than cause, prior to the satisfaction of the vesting conditions, such participant's rights to an Award granted under the Plan shall be immediately vested and paid to the participant.

Effect of Termination of Employment Resulting from a Change of Control of the Corporation
Unless otherwise provided in an award statement or as determined by the Committee, if an event constituting a change in control of the Corporation occurs and a participant either terminates employment for good reason or is involuntarily terminated by the Corporation without cause after the change in control: (i) unexpired and unexercised stock appreciation rights shall immediately vest and will be fully exercisable, and the participant shall receive a cash payment in an amount to be determined pursuant to the Plan; (ii) restrictions on shares of restricted stock shall lapse and forfeitability provisions shall cease to apply; and (iii) the recipients of performance unit awards shall receive a payout of any performance unit awards as if the maximum performance objectives had been fully achieved.

Amendment
The Board of Directors may amend, suspend or terminate the Plan. However, no such change may result in a material adverse alteration or impairment of any outstanding SARs, shares of restricted stock or performance unit awards without the consent of the recipient of such award. No amendment shall, without the approval of the Corporation's shareholders, (i) increase the total number of shares of Common Stock that may be issued under the Plan; (ii) expand the types of awards available to participants under the Plan; (iii) materially expand the class of participants eligible to participate in the Plan; (iv) extend the term of the Plan; or (v) constitute a material revision of the Plan under the listing standards of the NASDAQ Stock Market (or other applicable listing standards).

Clawbacks
All awards under the Plan are subject to any applicable clawback laws, clawback provisions of the listing standards of NASDAQ, and any clawback policy adopted, and amended from time to time, by the Committee. The Committee shall have discretion with respect to any clawback to determine whether the Company shall effect such recovery (i) by seeking repayment from the participant; (ii) by reducing amounts that would otherwise be payable to the participant under any compensatory plan, program or arrangement maintained by the Corporation or any subsidiary or affiliate of the Corporation (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement); (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amounts) or grants of compensatory awards that would have otherwise been made in accordance with the Corporation's applicable compensation practices; or (iv) by any combination of the above.

Effective Date

The Plan was approved by the Board of Directors on March 17, 2020. Subject to approval by the shareholders of the Corporation's Common Stock at the annual shareholder meeting, the Plan will become effective on June 8, 2020. No Awards included in the Plan may be granted after June 8, 2030.

Vote Required

The Plan will be adopted if approved by the affirmative vote of the holders of at least a majority of the outstanding shares of the Corporation's Common Stock that are represented at the annual meeting (either in person or by proxy) and are voted in connection with the adoption of the Plan.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE BANK FIRST CORPORATION 2020 EQUITY PLAN. UNLESS YOU INDICATE OTHERWISE ON YOUR PROXY, YOUR SHARES WILL BE VOTED "FOR" THIS PROPOSAL.

INFORMATION REGARDING THE CORPORATION'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Dixon Hughes Goodman LLP ("DHG") and Porter Keadle Moore ("PKM") served as the Corporation's independent registered public accounting firm for the years ended December 31, 2019 and 2018, respectively.

Fees Billed by the Corporation's Independent Registered Public Accounting Firms

This table presents fees for professional audit services rendered by the Corporation's independent registered public accounting firm for the audit of the Corporation's annual financial statements during the years ended December 31, 2019 and 2018, and fees billed for other services rendered by the firms during those periods.

Year Ended December 31	DHG 2019	PKM 2018
Audit fees	$205,000	$167,100
Audit-related fees	$ 0	$ 0
Tax fees	$ 0	$ 18,400
All other fees	$ 0	$ 0
Total	$205,000	$185,500

Audit fees

These amounts represent fees of the independent registered public accounting firms for the audit of our annual consolidated financial statements, the audit of internal controls over financial reporting (FDICIA), and the services that an independent auditor would customarily provide in connection with subsidiary audits, statutory requirements, regulatory filings, and similar engagements for the year. Audit fees also include advice about accounting matters that arose in connection with or as a result of the audit or the review of periodic financial statements.

Audit-related fees

Audit-related fees consist of assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's consolidated financial statements or internal controls over financial reporting. This category may include fees related to the performance of audits and attest services not required by statute or regulations, due diligence related to mergers, acquisitions, and investments, and accounting consultations about the application of generally accepted accounting principles to proposed transactions. These services support the evaluation of the effectiveness of internal controls over revenue recognition and enhance the independent auditor's understanding of our products and controls.

Tax fees

Tax fees generally fall into two categories: tax compliance and return preparation, and tax planning and advice. The tax compliance and return preparation services consist of preparing original and amended tax returns and claims for refunds.

All other fees

All other fees, of which there were none, consist of permitted services other than those that meet the criteria above and include training activities and economic, industry, and accounting subscriptions and surveys.

The Audit Committee concluded that the provision of the non-audit services listed above is compatible with maintaining the independence of Dixon Hughes Goodman LLP and Porter Keadle Moore.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee has a policy for pre-approval of all audit and permissible non-audit services provided by the independent registered public accounting firm. Each year, the Audit Committee approves the terms on which the independent register public accounting firm is engaged for the ensuing fiscal year. The Audit Committee, as permitted by its pre-approval policy, from time to time delegates the approval of certain permitted services or classes of services to a member of management. All fees paid to Dixon Hughes Goodman, LLP and Porter Keadle Moore for the fiscal years ended December 31, 2019 and 2018 were pre-approved by the Audit Committee.

Changes in Independent Registered Public Accounting Firm

As previously disclosed by the Company in a Current Report on Form 8-K filed with the SEC on October 11, 2019, on October 1, 2019, PKM informed the Audit Committee that due to a practice combination with Wipfli, LLC, PKM had decided to resign as the Company's independent registered public accounting firm, effective as of October 11, 2019. On October 11, 2019, the Audit Committee engaged DHG as the Company's independent registered public accounting firm.

As previously disclosed by the Company in a Current Report on Form 8-K filed with the SEC on December 6, 2018, on November 29, 2018, the Audit Committee decided to dismiss CliftonLarsonAllen LLP ("CLA") as the Company's independent registered public accounting firm and re-engage PKM as the Company's independent registered public accounting firm.

On February 27, 2018 the Audit Committee approved CLA to serve as the Company's independent registered public accounting firm for the year ending December 31, 2018. Therefore, CLA had not audited the Company's financial statements for the two most recent fiscal years, and hence there is no report of CLA that contains any adverse opinion or disclaimer of opinion, or is qualified or modified as to uncertainty, audit scope or accounting principles. In addition, during the interim period from February 27, 2018 through November 29, 2018, there were no "disagreements" (as described in Item 304(a)(1) (iv) of Regulation S-K and the related instructions) between the Company and CLA on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to CLA's satisfaction, would have caused CLA to make reference in connection with CLA's opinion to the subject matter of the disagreement.

Prior to February 27, 2018, PKM had previously served as the Company's independent registered accounting firm during the years ended December 31, 2017 and 2016, and the subsequent interim period from January 1, 2018 through February 27, 2018 when PKM was dismissed and CLA was approved. PKM was also engaged on a one-time basis from May 24, 2018 to August 15, 2018 to reissue its report on the Company's consolidated financial statements for the years ended December 31, 2017 and 2016 under the standards of the Public Company Accounting Oversight Board in connection with the Company's filing of its Form 10 Registration Statement with the SEC.

Therefore, during the year ended December 31, 2017 and the subsequent interim period from January 1, 2018 through February 27, 2018 and from May 24, 2018 through August 15, 2018, and from November 29, 2018 through October 11, 2019 (1) the Company has consulted PKM regarding the application of accounting principles to a number of transactions and audit opinions on the Company's financial statements, and PKM has provided written reports and/or oral advice to the Company that PKM concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issues, and (2)(i) the Company did not have any disagreements with PKM on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PKM, would have caused PKM to make reference to the subject matter of the disagreements in connection with its report on the consolidated financial statements for such periods, and (ii) there were no "reportable events" as defined in Item 304(a)(1)(v) of Regulation S-K.

In addition, during the interim period from February 27, 2018 through May 24, 2018 and from August 15, 2018 through November 29, 2018, the Company did not consult PKM regarding (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial

statements, and no written report or oral advice was provided to the Company that PKM concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue, and (2) any matter that was the subject of a "disagreement" or a "reportable event", each as defined in Regulation S-K Item 304(a)(1)(iv) and Item 304(a)(1)(v), respectively.

Also, during the interim period from October 11, 2019 through the filing of this annual report (1) the Company has consulted DHG regarding the application of accounting principles to a number of transactions and audit opinions on the Company's financial statements, and DHG has provided written reports and/or oral advice to the Company that DHG concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issues, and (2)(i) the Company did not have any disagreements with DHG on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of DHG, would have caused DHG to make reference to the subject matter of the disagreements in connection with its report on the consolidated financial statements for such periods, and (ii) there were no "reportable events" as defined in Item 304(a)(1)(v) of Regulation S-K.

AUDIT COMMITTEE REPORT

The Audit Committee has the responsibilities and powers set forth in its charter, which include the responsibility to assist the Board of Directors in its oversight of our accounting and financial reporting principles and policies and internal audit controls and procedures, the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence, and the performance of the independent registerd public accounting firm and our internal audit function. The Audit Committee is also required to prepare this report to be included in our annual proxy statement pursuant to the proxy rules of the SEC.

Management is responsible for the preparation, presentation and integrity of our financial statements and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures to provide for compliance with accounting standards and applicable laws and regulations. The internal auditor is responsible for testing such internal controls and procedures. Our independent registered public accounting firm is responsible for planning and carrying out a proper audit of our annual financial statements, reviews of our quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures.

The Audit Committee reviews our financial reporting process. In this context, the Audit Committee:

- has reviewed and discussed with management the audited financial statements for the year ended December 31, 2019;
- has discussed with DHG, the Corporation's independent registered public accounting firm, the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board ("PCAOB"); and
- has received the written disclosures and the letter from DHG, required by PCAOB Rule 3526 ("Independence Discussions with Audit Committees"), as modified or supplemented, and has discussed with DHG the independent registered public accounting firm's independence.

Based on this review and the discussions referred to above, the Audit Committee recommended that our Board of Directors include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2019, for filing with the SEC.

This report is submitted on behalf of the members of the Audit Committee and shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall it be incorporated by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate this information by reference and shall not otherwise be deemed filed under these Acts.

Respectfully submitted by the Audit Committee of the Board,

David R. Sachse, Chair
Donald R. Brisch
Judy L. Heun

SUBMISSION OF SHAREHOLDER PROPOSALS AND SHAREHOLDER COMMUNICATIONS

Shareholder Proposals

In order for a shareholder proposal to be considered for inclusion in the Corporation's Proxy Statement for the 2021 annual meeting of shareholders, the written proposal must be received by the Corporate Secretary of the Corporation at the address below. The Corporate Secretary must receive the proposal no later than December 10, 2020. The proposal will also need to comply with the SEC's regulations under Rule 14a-8 regarding the inclusion of shareholder proposals in company sponsored proxy materials. Proposals should be addressed to:

Corporate Secretary
Bank First Corporation
402 N. 8th Street
P.O. Box 10
Manitowoc, WI 54221-0010

For a shareholder proposal that is not intended to be included in the Corporation's Proxy Statement for the 2021 annual meeting of shareholders, or if you want to nominate a person for election as a director, you must provide written notice to the Corporate Secretary at the address above. The Secretary must receive this notice not earlier than February 8, 2021 and not later than March 10, 2021. The notice of a proposed item of business must provide information as required in the Bylaws of Corporation which, in general, require that the notice include for each matter a brief description of the matter to be brought before the meeting; the reason for bringing the matter before the meeting; your name, address, and number of shares you own beneficially or of record; and any material interest you have in the proposal.

The notice of a proposed director nomination must provide information as required in the Bylaws of Corporation which, in general, require that the notice of a director nomination include your name, address and the number of shares you own beneficially or of record; the name, age, business address, residence address and principal occupation of the nominee; and the number of shares owned beneficially or of record by the nominee. In addition, each nomination shall include a representation that the shareholder is entitled to vote at the annual meeting and intends to appear in person or by proxy at the meeting to make the nomination, and background information about the nominee.

It is the policy of the Governance and Nominating Committee to consider all timely and properly submitted nominations for directors. See the section entitled "Governance and Nominating Committee" for a summary of the Committee's selection process and criteria. Nominations not made in accordance with the specified requirements will be disregarded. No director nominations were received from shareholders in connection with the 2020 Annual Meeting.

Shareholder Communications

Shareholders wishing to communicate with the Board, with a particular director, or with the Corporate Secretary, may do so in writing directed to the Corporate Secretary of the Corporation, Kelly M. Dvorak, 402 N. 8th Street, P.O. Box 10, Manitowoc, WI 54221-0010. The Corporate Secretary is responsible for reviewing all communications addressed to our Board, any committee or any specific director to determine whether such communications require Board, committee or personal review, response or action. Generally, the Corporate Secretary will not forward to the Board, any committee or any specific director any communications relating to Corporation products and services, solicitations, or otherwise improper or irrelevant topics. If, however, the Corporate Secretary determines that a communication relates to corporate governance or otherwise requires review, response or action by the Board, any committee or any specific director, then she will promptly send a copy of such communication to each director serving on the Board, the applicable committee or the applicable director.

Householding

In a further effort to reduce printing costs and postage fees, we may adopt a practice approved by the SEC called "householding." Under this practice, shareholders who have the same address and last name and have elected to receive paper copies of proxy materials will receive only one copy of our proxy materials, unless one or more of these shareholders notifies us that he or she wishes to continue receiving individual copies. Upon request, the Corporation will promptly deliver a separate copy of the Proxy Statement to a shareholder at a shared address to which a single copy of the documents was delivered. Conversely, shareholders sharing an address who are receiving multiple copies of Annual Reports or Proxy Statements may request delivery of a single copy.

Requests in this regard should be addressed to:
Bank First Corporation
Attn: Corporate Secretary
402 N. 8th Street
P.O. Box 10
Manitowoc, WI 54221-0010

Shareholders who beneficially own shares of our common stock held in street name may contact their broker, bank or other agent as your nominee to request information about householding.

ADDITIONAL INFORMATION

Our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC, can be accessed, along with this Proxy Statement, on our corporate website under the Investor Relations tab at www.bankfirstwi.bank. If you wish to receive a copy of any exhibit on our Annual Report on Form 10-K for the year ended December 31, 2019, we will mail these documents to you free of charge. Requests should be sent to:

Bank First Corporation
Attn: Corporate Secretary
402 N. 8th Street
P.O. Box 10
Manitowoc, WI 54221-0010

The Annual Report on Form 10-K for the year ended December 31, 2019 is not, and shall not be, deemed to be a part of our proxy materials.

OTHER MATTERS

We are not aware of any business that will be presented at the Annual Meeting other than the matters described herein. However, if any other matters should properly come before the Annual Meeting or any adjournments or postponements thereof, it is intended that the proxies solicited hereby will be voted with respect to those other matters in accordance with the judgment of the persons voting the proxies.

BANK FIRST CORPORATION
2020 EQUITY PLAN

THIS PLAN was made the day of , 2020, by Bank First Corporation (the "Company").

ARTICLE I
PURPOSE AND EFFECTIVE DATE

1.1 **Purpose**. The purpose of the Plan is to provide financial incentives for selected Employees and for current and certain former non-employee Directors of the Company, thereby promoting the long-term growth and financial success of the Company by (1) attracting and retaining Employees and Directors of outstanding ability, (2) strengthening the Company's capability to develop, maintain, and direct a competent management team, (3) providing an effective means for selected Employees and non-employee Directors to acquire and maintain ownership of Company stock, (4) motivating Employees to achieve long-range Performance Goals and objectives, and (5) providing incentive compensation opportunities competitive with those of other major corporations.

1.2 **Effective Date and Expiration of Plan.**

(a) The Plan was adopted by the Board on March 17, 2020 and is effective when shareholders of the Company's Common Stock approve the Plan by a majority of votes cast at a meeting of such shareholders. No shares shall be issued under the Plan prior to such shareholder approval.

(b) If the Company's shareholders approve the Plan, no further awards shall be made under the Bank First National Corporation 2011 Equity Plan (as amended) (the "2011 Equity Plan"). Awards made under the 2011 Equity Plan prior to shareholder approval of this Plan may be made in accordance with their terms.

(c) Unless the Plan is terminated earlier by the Board pursuant to Section 12.3, the Plan shall terminate on the tenth anniversary of its Effective Date. No Award shall be made pursuant to the Plan after its termination date, but Awards made prior to the termination date may extend beyond that date.

ARTICLE II
DEFINITIONS

The following words and phrases, as used in the Plan, shall have these meanings:

Award means, individually or collectively, any SAR, Restricted Stock, unrestricted Company Stock or Performance Unit Award.

Award Statement means a written confirmation of an Award under the Plan furnished to the Participant.

Board means the Board of Directors of the Company.

Company means Bank First Corporation and all of its Subsidiaries on and after the Effective Date.

Company Stock means Common Stock of the Company.

Cause with respect to any Participant, means (i) the definition of Cause as set forth in any individual employment agreement applicable to such Participant, or (ii) in the case of a Participant who does not have an individual employment agreement that defines Cause, then Cause means the termination of a Participant's employment by reason of his or her (1) engaging in gross misconduct, (2) misappropriation of funds, (3) willful misrepresentation to a representative of the Company, (4) gross negligence in the performance of the Participant's duties, (5) conviction of a crime. The determination of whether a Participant's employment was terminated for Cause shall be made by the Company in its sole discretion.

Code means the Internal Revenue Code of 1986, as amended.

Committee means the Compensation and Retirement Committee of the Board or such other committee as the Board shall designate. The Committee shall consist of at least two directors, each of whom shall be a "non-employee director" as that term is defined in Rule 16b-3(b)(3) promulgated by the Securities and Exchange Commission pursuant to the Exchange Act.

Director means a member of the Board of Directors of the Company.

Effective Date means the date on which the shareholders of the Company's Common Stock approve the Plan by a majority of votes cast at a meeting of such shareholders, as provided in Section 1.2.

Employee means an employee of the Company selected to participate in the Plan.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Fair Market Value means, as of any specified date, an amount equal to the mean between the reported high and low prices of Company Stock on the NASDAQ Capital Market on the specified date or, if no shares of Company Stock have been traded on any such dates, the mean between the reported high and low prices of Company Stock on the NASDAQ Capital Market as reported on the first day prior thereto on which shares of Company Stock were so traded. If shares of Company Stock are no longer traded on the NASDAQ Capital Market, Fair Market Value shall be determined in good faith by the Committee using other reasonable means. The definition of "Fair Market Value" shall be determined in a manner consistent with Section 409A, where necessary to avoid the application of Section 409A to any Award granted hereunder.

Fiscal Year means the fiscal year of the Company ending on December 31.

Participant means an Employee or a current non-employee Director of the Company or Subsidiary to whom an Award has been made under the Plan or a Transferee. Participant also means a former non-employee Director whose term as a non-employee Director ended within the 12 months preceding the issuance of an Award.

Performance Goals means goals approved by the Committee pursuant to Section 4.4.

Performance Period means a period of time over which performance is measured.

Performance Unit means the unit of measure determined under Article IX by which is expressed the value of a Performance Unit Award.

Performance Unit Award means an Award granted under Article IX.

Personal Representative means the person or persons who, upon the death, disability, or incompetency of a Participant, shall have acquired, by will or by the laws of descent and distribution or by other legal proceedings, the right to manage Participant's property and affairs.

Plan means this Company 2020 Equity Plan, as amended from time to time.

Restricted Stock means Company Stock subject to the terms and conditions provided in Article VI.

Restricted Stock Award means an Award granted under Article VI.

Restriction Period means a period of time determined under Section 6.2 during which Restricted Stock is subject to the terms and conditions provided in Section 6.3.

SAR means a stock appreciation right granted under Article V.

Section 409A means Section 409A of the Code and the regulations and guidance of general applicability issued thereunder.

Subsidiary means a corporation or other entity the majority of the voting stock of which is owned directly or indirectly by the Company.

Transferee means a person to whom a Participant has transferred his or her rights to an Award under the Plan in accordance with Section 12.1 and procedures and guidelines adopted by the Company.

ARTICLE III
ADMINISTRATION

3.1 **Committee to Administer**. The Plan shall be administered by the Committee.

3.2 **Powers of Committee**.

(a) Subject to the terms of the Plan, applicable law (including but not limited to the Sarbanes-Oxley Act of 2002, as amended), and the NASDAQ Capital Market (or such other exchange on which shares of Company Stock are traded after the Effective Date), the Committee shall have full power and authority to interpret and administer the Plan and to establish and amend rules and regulations for its administration. The Committee's decisions shall be final and conclusive with respect to the interpretation of the Plan and any Award made under it.

(b) Subject to the provisions of the Plan, the Committee shall have authority, in its discretion, to determine those Participants who shall receive an Award, the time or times when such Award shall be made, the vesting schedule, if any, for the Award and the type of Award to be granted, the number of shares to be subject to each Restricted Stock Award, and the value of each Performance Unit.

(c) The Committee shall determine and set forth in an Award Statement the terms of each Award. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award Statement, in such manner and to the extent the Committee shall determine in order to carry out the purposes of the Plan. The Committee may, in its discretion, accelerate (i) the date on which any SAR may be exercised, (ii) the date of termination of the restrictions applicable to a Restricted Stock Award, or (iii) the end of a Performance Period under a Performance Unit Award, if the Committee determines that to do so will be in the best interests of the Company.

ARTICLE IV
AWARDS

4.1 **Awards.**Awards under the Plan may consist of SARs, Restricted Stock, unrestricted Company Stock and Performance Units. All Awards shall be subject to the terms and conditions of the Plan and to such other terms and conditions consistent with the Plan as the Committee deems appropriate. Awards under a particular section of the Plan need not be uniform and Awards under two or more sections may be combined in one Award Statement. Any combination of Awards may be granted at one time and on more than one occasion to the same Participant. Awards of Performance Units shall be earned upon attainment of Performance Goals and the Committee shall have no discretion to increase such Awards. Except with regard to a Change of Control pursuant to Article XI below, all Awards shall be granted in such manner, and subject to such terms and conditions, as is necessary to avoid the application of Section 409A.

4.2 **Eligibility for Awards**. The Committee shall have the authority, in its discretion, to select participating employees and determine the form and amount of any Awards. The Committee may give consideration to the functions and responsibilities of the respective Participant, his or her present and potential contributions to the success of the Company, the Participant's contribution to Company risk management, the value of his or her services to the Company, and other factors deemed relevant. The Committee may consult with and rely on the advice of Company management in selecting Participants and determining the types, values, and terms of any Awards. The Committee may delegate to one or more officers of the Company the authority, subject to the terms and conditions as the Committee shall determine, to (a) designate employees to be recipients of Awards under the Plan and (b) determine the size of any Awards; provided that (x) the Committee shall not delegate such responsibilities for Awards granted to an executive officer, Director, or 10% beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Board in accordance with Section 16 of the Exchange Act; (y) the resolution providing for such authorization sets forth the total number of Shares such officer(s) may grant; and (z) the officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

4.3 **Shares Available Under the Plan**.

(a) The Company Stock to be offered under the Plan pursuant to SARs, Performance Unit Awards, and Restricted Stock and unrestricted Company Stock Awards may be newly-issued shares, authorized but unissued shares or shares reacquired by the Company on the open market or otherwise. Subject to adjustment under Section 12.2, the number of shares of Company Stock that may be issued pursuant to Awards under the Plan (the Section 4.3 Limit) shall not exceed, in the aggregate:

(i) 700,000 shares

(b) Any shares of Company Stock subject to SARs shall be counted against the Section 4.3 Limit as one share for every one share subject thereto.

(c) The Section 4.3 Limit shall be increased by shares of Company Stock that are subject to an Award which for any reason is cancelled or terminated without having been exercised or paid.

4.4 **General Performance Goals.** At the beginning of a Performance Period, or as early in the Period as is reasonably possible, the Committee will establish in writing Performance Goals for the Company and its various operating units. The goals will be comprised of specified levels of the performance criteria as the Committee may deem appropriate.

The Committee may disregard or offset the effect of any special charges or gains or cumulative effect of a change in accounting in determining the attainment of Performance Goals. Awards may also be payable when Company performance meets or exceeds the criteria established by the Committee.

ARTICLE V
STOCK APPRECIATION RIGHTS

5.1 Award of SARs.

(a) The Committee may award to the Participant a SAR.

(b) The SAR shall represent the right to receive payment of an amount equal to the amount by which the Fair Market Value of one share of Company Stock on the date of SAR payout or exercise exceeds the Fair Market Value of one share of Company Stock on the date the SAR was granted to the Participant multiplied by the number of shares covered by the SAR.

(c) The number of Shares covered by the SAR, the payout date or exercise period of the SAR, and the Fair Market Value of one share of Company Stock on the date of grant for SARs awarded under the Plan shall be evidenced by an Award Statement.

(d) The Committee may prescribe conditions and limitations on the exercise or transferability of any SAR.

(e) If the Committee sets a fixed payout date for the SAR, and on the payout date the FMV of the Company Stock is equal to or less than the Fair Market Value of the Company Stock on the date of grant, the SAR shall expire without any payment to the Participant.

(f) Payment of the amount to which a Participant is entitled upon the payout or exercise of a SAR shall be made in cash, Company Stock, or partly in cash and partly in Company Stock at the discretion of the Committee.

ARTICLE VI
RESTRICTED STOCK

6.1 **Award of Restricted Stock.** The Committee may make a Restricted Stock Award to a Participant subject to this Article VI and to such other terms and conditions as the Committee may prescribe.

6.2 **Restriction Period.** At the time of making a Restricted Stock Award, the Committee shall establish the Restriction Period applicable to such Award. The Committee may establish different Restriction Periods from time to time and each Restricted Stock Award may have a different Restriction Period, in the discretion of the Committee. Restriction Periods, when established for a Restricted Stock Award, shall not be changed except as permitted by Section 6.3.

6.3 **Other Terms and Conditions.** Company Stock, when awarded pursuant to a Restricted Stock Award, will be represented in a book entry account in the name of the Participant who receives the Restricted Stock Award. The Participant shall be entitled to receive dividends during the Restriction Period and shall have the right to vote such Restricted Stock and shall have all other shareowners rights, with the exception that, until such restrictions lapse, the Participant may not sell, assign, pledge or otherwise transfer, whether voluntarily or involuntarily, the Restricted Stock. During the Restriction Period, a breach of a restriction or a breach of the terms and conditions established by the Committee pursuant to the Restricted Stock Award will cause a forfeiture of the Restricted Stock Award. The Participant may satisfy any amounts required to be withheld by the Company under applicable federal, state and local tax laws in effect from time to time, by electing to have the Company withhold a portion of the Restricted Stock Award to be delivered for the payment of such taxes. The Committee may, in addition, prescribe additional restrictions, terms, or conditions upon or to the Restricted Stock Award including the attainment of Performance Goals in accordance with Section 4.4.

6.4 **Restricted Stock Award Statement or Agreement.** Each Restricted Stock Award shall be evidenced by an Award Statement or an agreement which shall contain the number of shares awarded, the Fair Market Value of the Restricted Stock on the date of grant and the vesting terms and conditions.

ARTICLE VII
AWARDS FOR NON-EMPLOYEE DIRECTORS

7.1 **Award to Non-Employee Directors.** The Board will approve the compensation of non-employee Directors and such compensation may consist of Awards under the Plan. The Board retains the discretionary authority to make Awards to non-employee Directors. All such Awards shall be subject to the terms and conditions of the Plan and to such other terms and conditions consistent with the Plan as the Board deems appropriate.

7.2 **No Right to Continuance as a Director.** None of the actions of the Company in establishing the Plan, the actions taken by the Company, the Board, or the Committee under the Plan, or the granting of any Award under the Plan shall be deemed (i) to create any obligation on the part of the Board to nominate any Director for reelection to the Board or (ii) to be evidence of any agreement or understanding, express or implied, that the Director has a right to continue as a Director for any period of time or at any particular rate of compensation.

ARTICLE VIII
UNRESTRICTED COMPANY STOCK AWARDS FOR PARTICIPANTS

8.1 The Committee in its discretion may make awards of unrestricted Company Stock to Participants who are former non-employee Directors. If the issuance of unrestricted stock is made on a delayed basis, such award shall be paid no later than the last date that causes the payment to constitute a short-term deferral that is not subject to Section 409A (i.e., generally, no later than 2 ½ months after the end of the year in which the Participant obtains a legally binding right to such award).

ARTICLE IX
AWARD OF PERFORMANCE UNITS

9.1 **Award of Performance Units**. The Committee may award Performance Units to any Participant. Each Performance Unit shall represent the right of a Participant to receive an amount equal to the value of the Performance Unit, determined in the manner established by the Committee at the time of Award.

9.2 **Performance Period**. At the time of each Performance Unit Award, the Committee shall establish, with respect to each such Award, a Performance Period during which performance shall be measured. There may be more than one Performance Unit Award in existence at any one time, and Performance Periods may differ.

9.3 **Performance Measures**. Performance Units shall be awarded to a Participant and earned contingent upon the attainment of Performance Goals in accordance with Section 4.4.

9.4 **Performance Unit Value**. Each Performance Unit shall have a maximum dollar value established by the Committee at the time of the Award. Performance Units earned will be determined by the Committee in respect of a Performance Period in relation to the degree of attainment of Performance Goals. The measure of a Performance Unit may, in the discretion of the Committee, be equal to the Fair Market Value of one share of Company Stock.

9.5 **Award Criteria**. In determining the number of Performance Units to be granted to any Participant, the Committee shall take into account the Participant's responsibility level, performance, potential, cash compensation level, other incentive awards, and such other considerations as it deems appropriate.

9.6 Payment.

(a) Following the end of Performance Period, a Participant holding Performance Units will be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Units, based on the achievement of the Performance Goals for such Performance Period, as determined by the Committee.

(b) Payment of Performance Units shall be made in cash except that Performance Units which are measured using Company Stock shall be paid in Company Stock. Payment may be made in a lump sum or in installments and shall be subject to such other terms and conditions as shall be determined by the Committee. Participants shall be paid their Performance Units no later than the last date that causes the payment to constitute a short-term deferral that is not subject to Section 409A (i.e., generally, no later than 2 ½ months after the end of the year in which a Participant's Award of Performance Units vests).

9.7 **Performance Unit Award Statements or Agreements**. Each Performance Unit Award shall be evidenced by an Award Statement or agreement.

ARTICLE X
VESTING AND PAYOUT OF AWARDS

The Committee shall have discretion to determine vesting provisions for SARs, Restricted Stock, or Performance Units on an individual Participant basis. If the Participant is an Employee, such vesting provisions shall provide that, except for Changes of Control under Article XI below, the rights are forfeited without payment if the Participant's employment with the Company is involuntarily terminated or if the Participant voluntarily terminates employment prior to the satisfaction of the vesting conditions. If the Participant is a non-employee Director, such vesting provisions may provide that if the Participant leaves the Board, for reasons other than Cause, prior to the satisfaction of the vesting conditions, such Participant's rights to an Award granted hereunder shall be immediately vested and paid to the Participant.

ARTICLE XI
CHANGE OF CONTROL OF THE COMPANY

11.1 Unless otherwise provided in an Award Statement or as determined by the Committee, and notwithstanding any provision of this Plan to the contrary, if an event constituting a Change of Control occurs and a Participant either terminates employment for Good Reason or is involuntarily terminated by the Company without Cause within two years after the Change of Control:

(a) Outstanding SARs awarded to the Participant that are not yet fully exercisable shall immediately become exercisable in full, and the Participant shall receive an amount in cash for each such SAR equal to the Fair Market Value of one share of Company Stock on the date of termination of employment over the Fair Market Value of one share of Company Stock on the date of grant. Such payment shall be made on the first day of the month following the date of the Participant's termination of employment;

(b) The transferability provisions and the forfeitability provisions relating to Restricted Stock shall immediately cease to apply;

(c) Performance Unit Awards granted hereunder shall immediately vest and a cash payment shall be made as if the target Performance Goals had been fully achieved. Such payment shall be made on the earlier of (i) the first day of the seventh month following the date of the Participant's termination of employment, or (ii) the date of the Participant's death.

11.2 <u>Non-Waiver</u>. The Participant's continued employment with the Company, for whatever duration, following a Change of Control of the Company shall not constitute a waiver of his or her rights with respect to this Article XI. The Participant's right to terminate his or her employment pursuant to this Section 11.2 shall not be affected by his or her incapacity due to physical or mental illness.

11.3 <u>Definitions and Additional Rules</u>. For purposes of this Article XI:

(a) "Change of Control" shall mean a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement; <u>provided</u>, <u>however</u>, that, without limitation, a Change of Control will be deemed to have occurred if occurs when:

(i) any corporation, person or other entity, including a group, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of 35% or more of the combined voting power of the Company's then outstanding securities;

(ii) consummation of a merger, reorganization, or consolidation of the Company, as a result of which persons who were shareholders of the Company immediately prior to such merger, reorganization, or consolidation do not, immediately thereafter, own, directly or indirectly and in substantially the same proportions as their ownership of the stock of the Company immediately prior to the merger, reorganization, or consolidation, more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of (A) the merged, reorganized, or consolidated company or (B) an entity that, directly or indirectly, owns more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the Company described in clause (A);

(iii) a sale, transfer, or other disposition of all or substantially all of the assets of the Company, which is consummated and immediately following which the persons who were shareholders of the Company immediately prior to such sale, transfer, or disposition, do not own, directly or indirectly and in substantially the same proportions as their ownership of the stock of the Company immediately prior to the sale, transfer, or disposition, more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of (A) the entity or entities to which such assets are sold or transferred or (B) an entity that, directly or indirectly, owns more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the entities described in clause (A);

(iv) consummation ofa plan of liquidation of the Company; or

(v) within any 24-month period a majority of the Company's Board of Director positions are no longer held by (a) individuals who were members of the Board at the beginning of such 24-month period (the "Initial Board Members"), and (b) those individuals who were first elected as directors upon the recommendation of the Initial Board Members (other than as a result of any settlement of a proxy or consent solicitation contest or any action taken to avoid such a contest).

(b) "Good Reason" shall mean, without the Participant's written consent, the occurrence after a Change of Control of the Company of any one or more of the following:

(i) the assignment to the Participant of duties, responsibilities or status that constitute a material diminution in the Participant's duties, responsibilities or status or a material reduction or alteration in the nature or status of the Participant's duties and responsibilities;

(ii) a material reduction by the Company in the Participant's annual base salary as in effect immediately prior to the Change of Control of the Company or as the same shall be increased after the Change of Control of the Company;

(iii) a material change in the geographic location at which the Participant must provide services; or

(iv) a material reduction in the budget over which the Participant retains authority.

(c) To constitute a termination for Good Reason hereunder:

(i) Termination of employment must occur within two years following the initial existence of a condition that would constitute Good Reason hereunder; and

(ii) The Participant must provide notice to the Company of the existence of a condition that would constitute Good Reason within 90 days following the initial existence of such condition. The Company shall be provided a period of 30 days following such notice during which it may remedy the condition. If the condition is remedied, the Participant's subsequent voluntary termination of employment shall not constitute termination for Good Reason based upon the prior existence of such condition.

ARTICLE XII
MISCELLANEOUS PROVISIONS

12.1 **Limits as to Transferability**.

(a) Unless otherwise provided by the Committee, no SAR, share of Restricted Stock, or Performance Unit under the Plan shall be transferable by the Participant other than by will or the laws of descent and distribution.

(b) Any transfer contrary to this Section 12.1 will cause the SAR, Performance Unit, or share of Restricted Stock to immediately expire.

12.2 **Adjustments Upon Changes in Stock.** In case of any reorganization, recapitalization, reclassification, stock split, stock dividend, distribution, combination of shares, merger, consolidation, rights offering, or any other changes in the corporate structure or shares of the Company, appropriate adjustments may be made by the Committee (or if the Company is not the surviving corporation in any such transaction, the board of directors of the surviving corporation) in Deferred Accounts and in the aggregate number and kind of shares subject to the Plan, and the number and kind of shares and the price per share which may be issued under outstanding Restricted Stock Awards or pursuant to unrestricted Company Stock Awards. Appropriate adjustments may also be made by the Committee in the terms of any Awards under the Plan, subject to Article XI, to reflect such changes and to modify any other terms of outstanding Awards on an equitable basis, including modifications of Performance Goals and changes in the length of Performance Periods. Any such adjustments made by the Committee pursuant to this Section 12.2 shall be conclusive and binding for all purposes under the Plan.

12.3 Amendment, Suspension, and Termination of Plan.

(a) The Board may suspend or terminate the Plan or any portion thereof at any time, and may amend the Plan from time to time in such respects as the Board may deem advisable in order that any Awards thereunder shall conform to any change in applicable laws or regulations or in any other respect the Board may deem to be in the best interests of the Company; provided, however, that no such amendment shall, without approval of the Company's shareholders, (i) except as provided in Section 12.2, increase the number of shares of Company Stock which may be issued under the Plan, (ii) expand the types of awards available to Participants under the Plan, (iii) materially expand the class of Participants eligible to participate in the Plan, (iv) extend the termination date of the Plan. No such amendment, suspension, or termination shall materially adversely alter or impair any outstanding SARs, shares of Restricted Stock, or Performance Units without the consent of the Participant affected thereby; or (v) constitute a material revision of the Plan under the listing standards of the NASDAQ Stock Market (or other applicable listing standards).

(b) The Committee may amend or modify any outstanding SARs, Restricted Stock Awards, or Performance Unit Awards in any manner to the extent that the Committee would have had the authority under the Plan initially to award such SARs, Restricted Stock Awards, or Performance Unit Awards as so modified or amended, including without limitation, to change the date or dates as of which such SARs may be exercised, to remove the restrictions on shares of Restricted Stock, or to modify the manner in which Performance Units are determined and paid.

12.4 **Nonuniform Determinations.** The Committee's determinations under the Plan, including without limitation, (i) the determination of the Participants to receive Awards, (ii) the form, amount, and timing of such Awards, (iii) the terms and provisions of such Awards and (iv) the Award Statements evidencing the same, need not be uniform and may be made by it selectively among Participants who receive, or who are eligible to receive, Awards under the Plan, whether or not such Participants are similarly situated.

12.5 **General Restriction.** Each Award under the Plan shall be subject to the condition that, if at any time the Committee shall determine that (i) the listing, registration, or qualification of the shares of Company Stock subject or related thereto upon any securities exchange or under any state or federal law (ii) the consent or approval of any government or regulatory body, or (iii) an agreement by the Participant with respect thereto, is necessary or desirable, then such Award shall not become exercisable in whole or in part unless such listing, registration, qualification, consent, approval, or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

12.6 **Clawback of Awards**. To the extent required by applicable law or the listing standards of the NASDAQ Capital Market (or such other listing standards then applicable to the Company), including but not limited to Section 304 of the Sarbanes-Oxley Act of 2002, Awards and amounts paid or payable with respect to Awards shall be subject to clawback as determined by the Committee, which clawback may include forfeitures, repurchase, reimbursement and/or recoupment of Awards and amounts paid or payable pursuant to or with respect to Awards, in each instance in accordance with applicable law or listing standards. All Awards granted under this Plan, any property (including shares of Company Stock) received in connection with any exercise or vesting of any Awards, and any proceeds received from the disposition of any such property, shall be subject to such applicable law or listing standards, as well as any clawback policy adopted, and amended from time to time, by the Committee. The Committee shall have discretion with respect to any clawback to determine whether the Company shall effect such recovery:

(a) by seeking repayment from the Participant;

(b) by reducing amounts that would otherwise be payable to the Participant under any compensatory plan, program or arrangement maintained by the Company or any subsidiary or affiliate of the Company (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement);

(c) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amounts) or grants of compensatory awards that would have otherwise been made in accordance with the Company's applicable compensation practices; or

(d) by any combination of the above.

12.7 **No Right To Employment**. None of the actions of the Company in establishing the Plan, the action taken by the Company, the Board, or the Committee under the Plan, or the granting of any Award under the Plan shall be deemed (i) to create any obligation on the part of the Company to retain any person in the employ of the Company, or (ii) to be evidence of any agreement or understanding, express or implied, that the person has a right to continue as an employee for any period of time or at any particular rate of compensation.

12.8 **Governing Law.**The provisions of the Plan shall take precedence over any conflicting provision contained in an Award Statement. All matters relating to the Plan or to Awards granted hereunder shall be governed by and construed in accordance with the laws of the State of Wisconsin without regard to the principles of conflict of laws.

12.9 **Trust Arrangement**. All benefits under the Plan represent an unsecured promise to pay by the Company. The Plan shall be unfunded and the benefits hereunder shall be paid only from the general assets of the Company resulting in the Participants having no greater rights than the Company's general creditors; provided, however, nothing herein shall prevent or prohibit the Company from establishing a trust or other arrangement for the purpose of providing for the payment of the benefits payable under the Plan.

12.10 **Code Section 409A**. All Awards and Award Statements or agreements under this Plan shall be structured in a manner to comply with the requirements of Code Section 409A, or to be exempt from the application of Code Section 409A.

BLANK

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, 2019

OR

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

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)	**39-1435359** (I.R.S. Employer Identification No.)

402 North 8th Street **Manitowoc, Wisconsin** (Address of principal executive offices)	**54220** (Zip Code)	**(920) 652-3100** Registrant's telephone number, including area code

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	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 preceding12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.☒

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 28, 2019, 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 $453,492,752 million, based on the closing sales price of $68.96 per share as reported on the Nasdaq Capital Market.

As of March 11, 2020, 7,085,107 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 2020 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

TABLE OF CONTENTS

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:

- business and economic conditions nationally, regionally and in our target markets, particularly in Wisconsin and the geographic areas in which we operate;
- concentration of our loan portfolio in real estate loans and changes in the prices, values and sales volumes of commercial and residential real estate;
- the concentration of our business within our geographic areas of operation in Wisconsin;
- credit and lending risks associated with our commercial real estate, commercial and industrial, and construction and development portfolios;
- disruptions to the credit and financial markets, either nationally or globally;
- increased competition in the banking and mortgage banking industry, nationally, regionally or locally;
- our ability to execute our business strategy to achieve profitable growth;
- the dependence of our operating model on our ability to attract and retain experienced and talented bankers in each of our markets;
- risks that our cost of funding could increase, in the event we are unable to continue to attract stable and low-cost deposits;
- our ability to maintain our operating efficiency;
- failure to keep pace with technological change or difficulties when implementing new technologies;
- 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;

- 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;
- failure to maintain adequate liquidity and regulatory capital and comply with evolving federal and state banking regulations;
- inability of our risk management framework to effectively mitigate credit risk, interest rate risk, liquidity risk, price risk, compliance risk, operational risk, strategic risk and reputational risk;
- failure to develop new, and grow our existing, streams of noninterest income;
- 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;
- the length of time necessary to consummate the proposed acquisition;
- the risk that the anticipated benefits, including any accretive impact to the Company's earnings per share, may not be fully realized or may take longer to realize than expected;
- the risk that Timberwood may not be successfully integrated in the Company's business and that the costs associated with the integration are higher than expected;
- risks related to any future acquisitions, including failure to realize anticipated benefits from future acquisitions;
- system failures, data security breaches, including as a result of cyberattacks, or failures to prevent breaches of our network security or that of our data processing subsidiary UFS, LLC;
- 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;
- fluctuations in the market value and its impact in the securities held in our securities portfolio;
- the adequacy of our reserves (including allowance for loan and losses ("ALLL")) and the appropriateness of our methodology for calculating such reserves;
- increased loan losses or impairment of goodwill and other intangibles;
- the makeup of our asset mix and investments;
- our focus on small and mid-sized businesses;
- an inability to raise necessary capital to fund our growth strategy, operations or to meet increased minimum regulatory capital levels;
- the sufficiency of our capital, including sources of such capital and the extent to which capital may be used or required;
- interest rate shifts and its impact on our financial condition and results of operation;
- 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;
- governmental monetary and fiscal policies;
- changes in the scope and cost of Federal Deposit Insurance Corporation ("FDIC") insurance and other coverage; 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-three (23) offices, including its headquarters, in Manitowoc, Outagamie, Brown, Winnebago, Sheboygan, Waupaca, Ozaukee, Monroe, Jefferson and Barron 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: UFS, LLC ("UFS"), Bank First Investments, Inc. and TVG Holdings, Inc. ("TVG"). UFS is a Wisconsin limited liability company organized in 2014, in which the Bank is a 49.8% member. UFS provides core data processing and information technology services to the Bank and many other community banks in and around Wisconsin. 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% (up from 30% due to a purchase of member interest on October 1, 2019) 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. Aside from the Bank, the Company also has another wholly-owned subsidiary, Veritas Asset Holdings, LLC, a troubled asset liquidation company.

As of December 31, 2019, we had total consolidated assets of $2.21 billion, total loans of $1.74 billion, total deposits of $1.84 billion and total stockholders' equity of $230.2 million. The Bank employs approximately 284 full-time equivalent employees ("FTE"), and has an assets-to-FTE ratio of approximately $7.8 million. For more information, see the Bank's website at www.bankfirstwi.bank.

Recent acquisitions

On October 27, 2017, the Company completed a merger with Waupaca Bancorporation, Inc. ("Waupaca"), a bank holding company headquartered in Waupaca, Wisconsin, pursuant to the Agreement and Plan of Bank Merger, dated as of May 11, 2017 and as amended on July 20, 2017, by and among the Company, BFNC Merger Sub, LLC, a wholly-owned subsidiary of the Company, and Waupaca, whereby Waupaca merged with and into the Company, and First National Bank, Waupaca's wholly-owned banking subsidiary, was merged with and into the Bank. Waupaca's principal activity was the ownership and operation of First National Bank, a national banking institution that operated eight (8) branches in Wisconsin at the time of closing. The merger consideration totaled approximately $78.1 million, 70% of which was distributed in cash and 30% of which was distributed in the form of Company common stock.

On July 12, 2019, the Company completed a merger with Partnership Community Bancshares, Inc. ("Partnership"), a bank holding company headquartered in Cedarburg, Wisconsin, pursuant to the Agreement and Plan of Bank Merger, dated as of January 22, 2019 and as amended on April 30, 2019, by and among the Company and Partnership, whereby Partnership merged with and into the Company, and Partnership Bank, Partnership's wholly-owned banking subsidiary, merged with and into the Bank. Partnership's principal activity was the ownership and operation of Partnership Bank, a state-chartered banking institution that operated four (4) branches in Wisconsin at the time of closing. The merger consideration totaled approximately $49.6 million.

Pursuant to the terms of the Merger Agreement, Partnership shareholders had the option to receive either 0.34879 shares of the Company's common stock or $17.3001 in cash for each outstanding share of Partnership common stock, and cash in lieu of any remaining fractional share. The stock versus cash elections by the Partnership shareholders were subject to final consideration being made up of approximately $14.3 million in cash and 534,731 shares of Company common stock, valued at approximately $35.3 million (based on a value of $66.03 per share on the closing date).

The Company accounted for the transaction under the acquisition method of accounting, and thus, the financial position and results of operations of Partnership prior to the consummation date were not included in the accompanying consolidated financial statements. The accounting required assets purchased and liabilities assumed to be recorded at their respective fair values at the date of acquisition. The Company determined 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 will be subject to refinement for up to one year after the consummation as additional information becomes available relative to the closing date fair values.

On November 20, 2019, the Company entered into an Agreement and Plan of Merger with Timberwood, a Wisconsin Corporation, under which Timberwood will merge with and into the Company and Timberwood's banking subsidiary, Timberwood Bank, will merge with and into the Bank. The transaction is expected to close in the second quarter of 2020 and is subject to, among other items, approval by the shareholders of Timberwood and regulatory agencies. Merger consideration consists of 100% common stock of the Company, and will total roughly $32.6 million, subject to the fair market valuation of the Company's common stock on the date of closing. Based on results as of December 31, 2019, the combined company would have total assets of approximately $2.40 billion, loans of approximately $1.80 billion and deposits of approximately $2.00 billion.

Strategic Plan

The Bank is a relationship-based community bank focused on providing innovative products and services that are value driven. The Bank's culture celebrates diversity, creativity, and responsiveness, with the highest ethical standards. Employees are encouraged and empowered to develop their careers and always do the right thing. We maintain a strong credit culture as a foundation of sound asset quality, and we embrace innovation and provide the solutions our customers need and expect. The Bank's vision is to remain an independent community bank and plans to sustain its independence by remaining one of the top-performing providers of financial services in Wisconsin. The Bank focuses on creating value for the communities and customers it serves to provide exceptional return for our shareholders, and also growing relationship deposits and lending those funds to invest in and support the communities the Bank serves, ultimately yielding superior growth in earnings per share.

Our strategic priorities are organized around the CAMELS ratings, including Capital, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to Market Rates. Under the heading of Capital, our priorities include review of our capital strategy, reducing problem loans to enhance capital, exploring contingency capital options, and listing on the Nasdaq (accomplished during 2018) to enhance liquidity and currency for future potential mergers and acquisitions. Under the heading of Asset Quality, our priorities include infusing our credit culture in our Western Region, developing a current expected credit loss model, restructuring our credit department, restructuring our commercial loan operations department, and continuing to leverage investments in the special assets group to reduce the level of non-performing assets. Under the heading of Management, our priorities are to restructure the compliance department, restructure the information technology function with a focus on cybersecurity, to consistently improve our employee experience and engagement throughout the organization, to improve role clarity within the senior management team, and to add depth to the succession plan. Under the Earnings heading, our priorities are to grow deeper and wider relationships with our existing customers, to develop a strategy to increase our millennial customer base, to continue exploring opportunities for mergers and acquisitions and de novo growth, and to build our agriculture banking department. Under the Liquidity heading, our priorities are to maintain stable core deposits, with an emphasis on demand deposit accounts, to expand our treasury management capabilities, and to explore additional liquidity options. Finally, under the heading of Sensitivity to Market Rates, our priorities include continuing to emphasize relationship-based banking, developing asset liability management strategies, and continuing to adjust our investment portfolio model to eliminate optionality.

Our strategic plan includes the following measures of long-term success: (i) earnings per share growth; (ii) return on assets; (iii) total risk-based capital ratio; (iv) assets to FTE ratio; (v) core deposit growth; and (vi) classified assets to total risk-based capital ratio.

Our Market Area

Our market areas primarily cover Wisconsin. The counties in our market areas include: Barron, Brown, Manitowoc, Outagamie, Sheboygan, Waupaca, Ozaukee, Monroe, Jefferson and Winnebago. Our main office is located at 402 N. 8th Street, Manitowoc, Wisconsin.

The ten counties in which the Bank has offices have an estimated aggregate population of 1,138,923, based on U.S. Census data, and total deposits of approximately $23.56 billion as of June 30, 2019, according to the most recent data published by the FDIC. Manitowoc County, which is home to six (6) of the Bank's twenty-three (23) offices, has a population of 78,737 (according to U.S. Census data), and total deposits of about $2.00 billion as of June 30, 2019. As of December 31, 2019, approximately $600.5 million of the Bank's total deposits, or 30.0% of the market share, were located in Manitowoc County. Sheboygan County, home to three (3) of the Bank's offices, has a population of 115,593 (according to U.S. Census data), and total deposits of about $2.16 billion as of June 30, 2019. As of December 31, 2019, approximately $408.9 million of the Bank's total deposits, or 20.3% of the market share, were located in Sheboygan County. Waupaca County, home to four (4) of the Bank's branches, has a population of 50,897 (according to U.S. Census data), and total deposits of about $918.4 million as of June 30, 2019. As of December 31, 2019, approximately $232.5 million of the Bank's total deposits, or 24.0% of the market share, were located in Waupaca County. Brown County, home to two (2) of the Bank's branches, has a population of 266,008 (according to U.S. Census data), and total deposits of about $7.11 billion as of June 30, 2019. As of December 31, 2019, approximately $165.0 million of the Bank's total deposits, or 2.2% of the market share, were located in Brown County. Outagamie County, home to two (2) of the Bank's branches, has a population of 189,322 (according to U.S. Census data), and total deposits of about $3.27 billion as of June 30, 2019. As of December 31, 2018, approximately $73.9 million of the Bank's total deposits, or 2.3% of the market share, were located in Outagamie County. Winnebago County, home to one (1) Bank office, has a population of 171,746 (according to U.S. Census data), and total deposits of about $2.41 billion as of June 30, 2019. As of December 31, 2019, approximately $89.7 million of the Bank's total deposits, or 3.7% of the market share, were located in Winnebago County. Ozaukee County, home to two (2) of the Bank's offices, has a population of 89,745 (according to U.S. Census data), and total deposits of about $2.74 billion as of June 30, 2019. As of December 31, 2019, approximately $114.6 million of the Bank's total deposits, or 4.2% of the market share, were located in Ozaukee County. Monroe County, home to one (1) Bank office, has a population of 46,401 (according to U.S. Census data), and total deposits of about $751.5 million as of June 30, 2019. As of December 31, 2019, approximately $46.4 million of the Bank's total deposits, or 9.3% of the market share, were located in Monroe County. Jefferson County, home to one (1) Bank office, has a population of 85,417 (according to U.S. Census data), and total deposits of about $1.25 billion as of June 30, 2019. As of December 31, 2019, approximately $85.4 million of the Bank's total deposits, or 3.8% of the market share, were located in Jefferson County. Finally, Barron County, home to one (1) Bank office, has a population of 45,057 (according to U.S. Census data), and total deposits of about $944.3 million, as of June 30, 2019. As of December 31, 2019, approximately $33.8 million of the Bank's total deposits, or 3.6% of the market share, were located in Barron County.

The economies of our primary markets in Manitowoc, Sheboygan, and Waupaca counties are largely driven by the food service, manufacturing, insurance, and healthcare industries. Companies with their headquarters in this area include Lakeside Foods, Point Beach Nuclear Plant, Acuity Insurance, Kohler Co., Johnsonville Sausage, Bemis, and Sargento Foods. In addition, Brown County is home to Green Bay, a major Wisconsin city, with a thriving tourism industry. The region also includes a number of higher education centers, including state universities and technical colleges.

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, 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, 2019, we had total loans receivable of $1.74 billion, representing approximately 84.7% of our total earning assets. As of December 31, 2019, we had 28 nonaccrual loans totaling approximately $5.1 million, or 0.3% 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 requiring line of business support 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 $3,000,000, 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 were fully outsourced by the end of 2019 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 retail review consists of selecting a percentage of specific files on an annual basis, and reviewing them for policy compliance.

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 legal limit on loans to a single borrower equal to 15% of the Bank's capital and unimpaired surplus. This legal lending limit will increase or decrease as the Bank's level of capital increases or decreases. In addition to the legal lending limit, 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 loan 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, 2019, the Bank's legal lending limit was $32.3 million and the Bank's internal lending limit was $25.8 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, 2019, loans secured by real estate made up approximately $1.26 billion, or 72.7%, 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, 2019, commercial real estate loans made up approximately $813.1 million or 46.8% 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, 2019, residential mortgage loans and home equity loans made up approximately $448.6 million or 25.8% 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, 2019, commercial and industrial loans made up approximately $302.4 million or 17.4% 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, 2019, construction and development loans made up approximately $132.2 million or 7.6% 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, 2019, consumer loans made up approximately $29.6 million or 1.7% 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, 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 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. We actively monitor our investments on an ongoing basis to identify any material changes in the securities. We also review our securities for potential other-than-temporary impairment at least quarterly.

Employees

As of December 31, 2019, we had approximately 284 FTEs. 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.bankfirstwi.bank. 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 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.

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.

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 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 federal 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 member or group acquires a certain percentage or more of a bank holding company's or bank's voting stock, or if one or more other control factors are present. As a result, a person or entity generally must provide prior notice to the Federal Reserve before acquiring 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, 2019 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, 2019, 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 Bank is 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 Bank is 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%.

In addition, the capital rules require a capital conservation buffer of up to 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. This capital conservation buffer was phased in over several years, and was fully implemented effective January 1, 2019.

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 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. The FDICIA imposes progressively more restrictive restraints on operations, management and capital distributions, depending on the category in which an institution is classified. Undercapitalized depository institutions are subject to restrictions on borrowing from the Federal Reserve System. In addition, undercapitalized depository institutions may not accept brokered deposits absent a waiver from the FDIC, are subject to growth limitations and are required to submit capital restoration plans for regulatory approval. A depository institution's holding company must guarantee any required capital restoration plan, up to an amount equal to the lesser of 5 percent of the depository institution's assets at the time it becomes undercapitalized or the amount of the capital deficiency when the institution fails to comply with the plan. Federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. All of the federal bank regulatory agencies have adopted regulations establishing relevant capital measures and relevant capital levels for federally insured depository institutions. The Bank was well capitalized at December 31, 2019, and brokered deposits are not restricted.

To be well-capitalized, the 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.

The 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 Bank will continue to exceed all applicable well-capitalized regulatory capital requirements and the capital conservation buffer in 2019.

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 as described above. The Federal Reserve may however, require smaller bank holding companies subject to the Policy Statement to maintain certain minimum capital levels, depending upon general economic conditions and a bank holding company's particular condition, risk profile and growth plans.

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, 2019.

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 loan 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 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.

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. Federal Reserve rules require depository institutions, such as the Bank, to maintain reserves against their transaction accounts, primarily NOW and regular checking accounts. For 2019, the first $16.3 million of covered balances are exempt from these reserve requirements, aggregate balances between $16.3 million and $124.2 million are subject to a 3% reserve requirement, and aggregate balances above $124.2 million are subject to a reserve requirement of $3,237,000 plus 10% of the amount over $124.2 million. These reserve requirements are subject to annual adjustment by the Federal Reserve.

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. On September 30, 2018, the FDIC announced that the designated reserve ratio ("DRR") of the DIF reached 1.36 percent, exceeding the required 1.35 percent, two years ahead of the deadline imposed by the Dodd-Frank Act. Though the FDIC has clarified that assessment rates will not change in the immediate future, banks with less than $10 billion in total consolidated assets, such as the Bank, received credits against their deposit insurance assessments beginning during 2019 when the DRR exceeded 1.38 percent.

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.

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. The International Money Laundering Abatement and Anti-Terrorism Funding Act of 2001 specifies "know your customer" requirements that obligate financial institutions to take actions to verify the identity of the account holders in connection with opening an account at any U.S. financial institution. Banking regulators will consider compliance with the Act's money laundering provisions in acting upon acquisition and merger proposals. Bank regulators routinely examine institutions for compliance with these obligations and have been active in imposing cease-and-desist and other regulatory orders and money penalty sanctions against institutions found to be violating these obligations. 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. Under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism ("USA PATRIOT") Act of 2001, financial institutions are subject to prohibitions against specified financial transactions and account relationships as well as enhanced due diligence and "know your customer" standards in their dealings with foreign financial institutions and foreign customers. The USA PATRIOT Act, and its implementing regulations adopted by the Financial Crimes Enforcement Network ("FinCen"), a bureau of the U.S. Department of the Treasury, requires financial institutions to establish anti-money laundering programs with minimum standards that include:

- the development of internal policies, procedures, and controls;
- the designation of a compliance officer;
- an ongoing employee training program; and
- an independent audit function to test the programs.

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. In addition, FinCEN issued rules that became effective on May 11, 2018, that require, subject to certain exclusions and exemptions, covered financial institutions to identify and verify the identity of beneficial owners of legal entity customers.

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 loan 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. We have always had exposures to loans secured by commercial real estate due to the nature of our markets and the loan needs of both retail and commercial customers. We believe our long-term experience in CRE lending, underwriting policies, internal controls, and other policies currently in place, as well as our loan and credit monitoring and administration procedures, are generally appropriate to managing our concentrations as required under the Guidance.

Community Reinvestment Act. The Bank is subject to the provisions of the Community Reinvestment Act ("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. On April 3, 2018, the Department of the Treasury published recommendations for amending the regulations implementing the CRA; on August 28, 2018, the OCC issued an advanced notice of proposed rulemaking seeking industry comment on how the CRA might be modernized. The Bank has a rating of "Outstanding" in its most recent CRA evaluation.

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.

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 Policy 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 have 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.

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

ITEM 1A. RISK FACTORS

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

Risks related to our business

Difficult or volatile conditions in the national financial markets, the U.S. economy generally, or the state of Wisconsin in particular may adversely affect our lending activity or other businesses, as well as our financial condition.

Our business and financial performance are vulnerable to weak economic conditions in the financial markets and economic conditions generally or specifically in the state of Wisconsin, the principal market in which we conduct business. A deterioration in economic conditions in our primary market areas 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. Additional issues surrounding weakening economic conditions and volatile markets that could adversely impact us include:

- increased regulation of our industry, and resulting increased costs associated with regulatory compliance and potential limits on our ability to pursue business opportunities;
- our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite our customers become less predictive of future performance;
- the process we use to estimate losses inherent in our loan portfolio requires difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to repay their loans, which process may no longer be capable of accurate estimation and may, in turn, impact its reliability; and
- downward pressure on our stock price.

Additionally, we conduct our banking operations primarily in Wisconsin. As of December 31, 2019, approximately 97% of our loans and approximately 96% 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.

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 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. 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.

If we do not effectively manage our asset quality and credit risk, we could experience loan 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, 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 loan losses, which would cause our net income and return on equity to decrease.

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. 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. 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.

The Company may be required to increase its allowance for credit losses as a result of a recently issued accounting standard.

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-13 (“ASU 2016-13”), Financial Instruments—Credit Losses. This accounting standard replaces the current incurred loss accounting model with a CECL for financial instruments measured at amortized cost and other commitments to extend credit. The amendments made by ASU 2016-13 require entities to consider all available relevant information when estimating current expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts. The resulting allowance for credit losses is to reflect the portion of the amortized cost basis that the entity does not expect to collect. The amendments also eliminate the current accounting model for purchased credit impaired loans and debt securities. While the CECL model does not apply to available for sale debt securities, ASU 2016-13 does require entities to record an allowance when recognizing credit losses for available-for-sale securities, rather than reduce the amortized cost of the securities by direct write-offs.

The amendments in ASU 2016-13 will be effective for the Company for fiscal years beginning after December 15, 2022. For most debt securities, the transition approach requires a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period the guidance is effective. For other-than-temporarily impaired debt securities, the guidance will be applied prospectively. The Company will record a one-time adjustment to its credit loss allowance, as of the beginning of the first quarter of 2023, equal to the difference between the amounts of its credit loss allowance under the incurred loss methodology and CECL. Moreover, the new accounting standard is likely, as a result of its requirement to estimate and recognize expected credit losses on new assets, to introduce greater volatility in our provision for credit loans and allowance for loan losses. The Company is currently evaluating the magnitude of the one-time cumulative adjustment to its allowance and of the ongoing impact of the CECL model on its loan loss allowance and results of operations.

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, 2019, approximately 72.7% 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 ALLL, which could adversely affect our financial condition, results of operations and cash flows.

We are exposed to higher credit risk by commercial real estate, commercial and industrial and construction and development based lending.

Commercial real estate, commercial and industrial and construction and development based lending usually involve higher credit risks than 1-4 family residential real estate lending. As of December 31, 2019, the following loan types accounted for the stated percentages of our loan portfolio: commercial real estate (both owner-occupied and non-owner occupied)—46.8%; commercial and industrial—17.4%; and construction and development—7.6%. These loans expose us to greater credit risk than loans secured by other types of collateral because the collateral securing these loans is typically more difficult to liquidate. Additionally, these types of loans also involve larger loan balances to a single borrower or groups of related borrowers. These higher credit risks are further heightened when the loans are concentrated in a small number of larger borrowers leading to relationship exposure.

Non-owner occupied commercial real estate loans may be affected to a greater extent than residential loans by adverse conditions in real estate markets or the economy because commercial real estate borrowers' ability to repay their loans depends on successful development of their properties, in addition to the factors affecting residential real estate borrowers. These loans also involve greater risk because they generally are not fully amortizing over the loan period, but have a balloon payment due at maturity. A borrower's ability to make a balloon payment typically will depend on being able to either refinance the loan or sell the underlying property in a timely manner. In addition, banking regulators are giving commercial real estate lending greater scrutiny, and may require banks with higher levels of commercial real estate loans to implement improved underwriting, internal controls, risk management policies and portfolio stress testing, as well as possibly higher levels of allowances for losses and capital levels as a result of commercial real estate lending growth and exposures.

Commercial and industrial loans and owner-occupied commercial real estate loans are typically based on the borrowers' ability to repay the loans from the cash flow of their businesses. These loans may involve greater risk because the availability of funds to repay each loan depends substantially on the success of the business itself. In addition, the assets securing the loans depreciate over time, they are difficult to appraise and liquidate, and fluctuate in value based on the success of the business.

Risk of loss on a construction and development loan depends largely upon whether our initial estimate of the property's value at completion of construction or development equals or exceeds the cost of the property construction or development (including interest), the availability of permanent take-out financing and the builder's ability to ultimately sell the property. During the construction or development phase, a number of factors can result in delays and cost overruns. If estimates of value are inaccurate or if actual construction costs exceed estimates, the value of the property securing the loan may be insufficient to ensure full repayment when completed through a permanent loan or by seizure of collateral.

Additionally, commercial real estate loans, commercial and industrial loans and construction and development loans are more susceptible to a risk of loss during a downturn in the business cycle. Our underwriting, review and monitoring cannot eliminate all of the risks related to these loans.

We also make both secured and unsecured loans to our commercial clients. Unsecured loans generally involve a higher degree of risk of loss than do secure loans because, without collateral, repayment is wholly dependent upon the success of the borrowers' businesses. Because of this lack of collateral, we are limited in our ability to collect on defaulted unsecured loans. Further, the collateral that secures our secured commercial and industrial loans typically includes inventory, accounts receivable and equipment, which usually have a value that is insufficient to satisfy the loan without a loss if the business does not succeed.

Our loan concentration in these sectors and their higher credit risk could lead to increased losses on these loans, which could have a material adverse effect on our financial condition, results of operations or cash flows.

We are exposed to higher credit risk due to relationship exposure with a number of large borrowers.

As of December 31, 2019, we had 16 borrowing relationships in excess of $10 million which accounted for approximately 11% of our loan portfolio. While we are not overly dependent on any one of these relationships and while none of these large relationships have directly impacted our allowance for loan losses in the past, a deterioration of any of these large credits could require us to increase our allowance for loan losses or result in significant losses to us, which could have a material adverse effect on our financial condition, results of operations or cash flows.

Our deposit portfolio includes significant concentrations and a large percentage of our deposits are attributable to a relatively small number of clients.

As a commercial bank, we provide services to a number of clients whose deposit levels vary considerably and have some seasonality. Our 10 largest depositor relationships accounted for approximately 9% of our deposits at December 31, 2019. These deposits can and do fluctuate substantially. The depositors are not concentrated in any industry or business. The loss of any combination of these depositors, or a significant decline in the deposit balances due to ordinary course fluctuations related to these customers' businesses, would adversely affect our liquidity and require us to raise deposit rates to attract new deposits, purchase federal funds or borrow funds on a short-term basis to replace such deposits. Depending on the interest rate environment and competitive factors, low cost deposits may need to be replaced with higher cost funding,

resulting in a decrease in net interest income and net income. While these events could have a material impact on our results, we expect, in the ordinary course of business, that these deposits will fluctuate and believe we are capable of mitigating this risk, as well as the risk of losing one of these depositors, through additional liquidity, and business generation in the future. However, should a significant number of these customers leave, it could have a material adverse impact on us.

We make loans to small to medium-sized businesses that may not have the resources to weather a downturn in the economy.

We make loans to privately-owned businesses, many of which are considered to be small to medium-sized businesses. Small to medium-sized businesses frequently have smaller market share than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience significant volatility in operating results. Any one or more of these factors may impair the borrower's ability to repay a loan. In addition, the success of a small to medium-sized business often depends on the management talents and efforts of one or two persons or a small group of persons, and the death, disability or resignation of one or more of these persons could have a material adverse impact on the business and its ability to repay a loan. Economic downturns, instability in commodity prices and other events that negatively impact small businesses in our market areas could cause us to incur substantial credit losses that could negatively affect our results of operations or financial condition.

We may be materially and adversely affected by the creditworthiness and liquidity of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional customers. Many of these transactions expose us to credit risk in the event of a default by, or questions or concerns about the creditworthiness of, a counterparty or client, or concerns about the financial services industry generally. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to us. Any such losses could have a material adverse effect on us.

A lack of liquidity could adversely affect our operations and jeopardize our business, financial condition, and results of operations.

We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities to ensure that we have adequate liquidity to fund our operations. In addition to our traditional funding sources, we also may borrow funds from third-party lenders or issue equity or debt securities to investors. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable to us, could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Our liquidity may also be adversely impacted if there is a decline in our mortgage revenues from higher prevailing interest rates. Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, pay dividends to our shareholders, or to fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition or results of operations.

We may not be able to meet our unfunded credit commitments, or adequately reserve for losses associated with our unfunded credit commitments.

A commitment to extend credit is a formal agreement to lend funds to a client as long as there is no violation of any condition established under the agreement. The actual borrowing needs of our customers under these credit commitments have historically been lower than the contractual amount of the commitments. A significant portion of these commitments expire without being drawn upon. Because of the credit profile of our customers, we typically have a substantial amount of total unfunded credit commitments, which is not reflected on our balance sheet. Actual borrowing needs of our customers may exceed our expected funding requirements, especially during a challenging economic environment when our client companies may be more dependent on our credit commitments due to the lack of available credit elsewhere, the increasing costs of credit, or the limited availability of financings from other sources. Any failure to meet our unfunded credit commitments in accordance with the actual borrowing needs of our customers may have a material adverse effect on our business, financial condition, results of operations or reputation.

Changes in interest rates could have an adverse impact on our results of operations and financial condition.

Our earnings and financial condition are dependent to a large degree upon net interest income, which is the difference, or spread, between interest earned on loans, securities and other interest-earning assets and interest paid on deposits, borrowings and other interest-bearing liabilities. When market rates of interest change, the interest we receive on our assets and the interest we pay on our liabilities may fluctuate. This may cause decreases in our spread and may adversely affect our earnings and financial condition.

Interest rates are highly sensitive to many factors including, without limitation:

- The rate of inflation;
- economic conditions;
- federal monetary policies; and
- stability of domestic and foreign markets.

Although we have implemented procedures we believe will reduce the potential effects of changes in interest rates on our net interest income, these procedures may not always be successful. Accordingly, changes in levels of market interest rates could materially and adversely affect our net interest income and our net interest margin, asset quality, loan and lease origination volume, liquidity or overall profitability.

Interest rates on our outstanding financial instruments might be subject to change based on regulatory developments, which could adversely affect our revenue, expenses, and the value of those financial instruments.

London Inter-Bank Offered Rate ("LIBOR") and certain other "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. It is unclear whether, at that time, LIBOR will cease to exist or if new methods of calculating LIBOR will be established. If LIBOR ceases to exist or if the methods of calculating LIBOR change from current methods for any reason, interest rates on our floating rate obligations, loans, deposits, derivatives, and other financial instruments tied to LIBOR rates, as well as the revenue and expenses associated with those financial instruments, may be adversely affected. Any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the value of our floating rate obligations, loans, deposits, derivatives, and other financial instruments tied to LIBOR rates.

Historically a substantial portion of our variable rate loans have been tied to LIBOR. As these loans have renewed in recent years, as well as when we have originated any new loans, we have tied our variable rate loans to the Bank First prime lending rate, significantly reducing loans tied to LIBOR. We may not be able to successfully eliminate all loans tied to LIBOR prior to 2022. Even with "fallback" provisions contained within remaining LIBOR tied loans, changes to or the discontinuance of LIBOR could result in customer uncertainty and disputes around how variable rates should be calculated. All of this could result in damage to our reputation, loss of customers and additional costs to us, all of which could be material.

If we are unable to grow our noninterest income, our growth prospects will be impaired.

Taking advantage of opportunities to develop new, and expand existing, streams of noninterest income, including service charges, loan servicing fees and income from the Bank's unconsolidated subsidiaries, is a part of our long-term growth strategy. If we are unsuccessful in our attempts to grow our noninterest income, our long-term growth will be impaired. Furthermore, focusing on these noninterest income streams may divert management's attention and resources away from our core banking business, which could impair our core business, financial condition and operating results.

Our recent results may not be indicative of our future results.

We may not be able to grow our business at the same rate of growth achieved in recent years or even grow our business at all. In the future, we may not have the benefit of several factors that have been favorable to the growth of our business in past years, such as an interest rate environment where changes in rates occur at a relatively orderly and modest pace and the ability to find suitable expansion opportunities and acquisition targets. Numerous factors, such as weakening or deteriorating economic conditions, regulatory and legislative considerations, and competition may impede or restrict our ability to expand our market presence and build our franchise. Even if we are able to grow our business, we may fail to build the infrastructure sufficient to support such growth, suffer loan losses in excess of reserves for such losses or experience other risks associated with growth.

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.

We follow a relationship-based operating model and our ability to maintain our reputation is critical to the success of our business.

We are a community bank, and 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 bankers and other associates who share our core values of being an integral part of the communities we serve, delivering superior service to our clients and caring about our clients and associates. Furthermore, maintaining our reputation also depends on our ability to protect our brand name and associated intellectual property. If our reputation is negatively affected by the actions of our associates or otherwise, our business and operating results may be materially adversely affected.

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.

We may fail to realize all of the anticipated benefits of the proposed acquisition Timberwood, or those benefits may take longer to realize than expected. We may also encounter significant difficulties in integrating Timberwood.

Our ability to realize the anticipated benefits of the acquisition of Timberwood will depend, to a large extent, on our ability to successfully integrate the acquired business. The integration and combination of the acquired business is a complex, costly and time-consuming process. As a result, we will be required to devote significant management attention and resources to integrating Timberwood's business practices and operations. The integration process may disrupt our business and the business of Timberwood and, if implemented ineffectively, would restrict the full realization of the anticipated benefits of the acquisition. The failure to meet the challenges involved in integrating the acquired business and to realize the anticipated benefits of the acquisition could cause an interruption of, or a loss of momentum in, our business activities or those of Timberwood and could adversely impact our business, financial condition and results of operations. In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, loss of customers and diversion of our management's and employees' attention. The challenges of combining the operations of the companies include, among others:

- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the acquisition;
- difficulties in the integration of operations and systems;
- difficulties in the assimilation of employees;
- difficulties in managing the expanded operations of a larger and more complex company;
- challenges in keeping existing customers and obtaining new customers;
- challenges in attracting and retaining key personnel, including personnel that are considered key to the future success of the business of Timberwood; and
- challenges in keeping key business relationships in place.

Many of these factors will be outside of our control and any one of them could result in increased costs and liabilities, decreases in the amount of expected income and diversion of management's time and energy, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, even if the operations of Timberwood are integrated successfully with our business, the full benefits of the transaction may not be realized, including the synergies, cost savings, growth opportunities or earnings accretion that are expected. These benefits may not be achieved within the anticipated time frame, or at all, and additional unanticipated costs may be incurred in the integration of the businesses. Furthermore, Timberwood may have unknown or contingent liabilities that we would assume in the acquisition and that were not discovered during the course of our due diligence. These liabilities could include exposure to unexpected asset quality problems, compliance and regulatory violations, key employee and client retention problems and other problems that could result in significant costs to us.

All of these factors could cause dilution to our earnings per share, decrease or delay the expected accretive effect of the transaction, negatively impact the price of our common stock, or have a material adverse effect on our business, financial condition and results of operations.

While the proposed acquisition of Timberwood is pending, we may be subject to business uncertainties that could adversely affect our business and operations.

Uncertainty about the effect of the proposed acquisition of Timberwood on employees, customers and other persons with whom we or Timberwood have a business relationship may have an adverse effect on our business, operations and stock price. In connection with the pendency of the acquisition, existing customers of Timberwood could decide to no longer do business with Timberwood, reducing the anticipated benefits of the acquisition. In addition, certain other projects may be delayed or ceased and business decisions could be deferred. Employee retention at Timberwood may be challenging during the pendency of the acquisition, as certain employees may experience uncertainty about their future roles. If key employees depart, the benefits of the acquisition could be materially diminished.

We expect to incur substantial transaction-related costs in connection with the acquisition.

We have incurred, and expect to incur additional costs, expenses and fees for professional services and other transaction costs in connection with the acquisition. The substantial majority of these costs will be non-recurring expenses relating to the acquisition, including costs relating to integration planning. These costs could materially and adversely affect our results of operation.

Failure to complete the acquisition could have a material adverse effect on our business, future operations and stock price.

If the acquisition is not completed for any reason, we may be subjected to a number of material risks. The price of our common stock may significantly decline to the extent that its current market prices reflect a market assumption that the acquisition will be completed. In addition, some costs related to the acquisition must be paid by us whether or not the acquisition is completed.

Furthermore, we may experience negative reactions from our customers, shareholders, market analysts and future acquisition partners and could lose employees necessary to operate our business. Additionally, if the acquisition agreement is terminated, the Company will not recognize the anticipated benefits of the acquisition.

We may fail to realize all of the anticipated benefits from previously acquired financial institutions or institutions that we may acquire in the future, or those benefits may take longer to realize than expected. We may also encounter significant difficulties in integrating financial institutions that we acquire.

Our ability to realize the anticipated benefits of any acquisition of other financial institutions, bank branches and/or mortgage operations in target markets will depend, to a large extent, on our ability to successfully integrate the acquired businesses. Such an acquisition strategy will involve significant risks, including the following:

- attracting and retaining qualified management;
- maintaining adequate regulatory capital;
- obtaining federal and state regulatory approvals; and
- consummating suitable acquisitions on terms that are favorable to us.

Acquisitions of financial institutions also involve operational risks and uncertainties, and acquired companies may have unknown or contingent liabilities with no available manner of recourse that we are not able to discover during the course of our due diligence, exposure to unexpected asset quality problems, key employee and client retention problems and other problems that could negatively affect our organization. We may not be able to complete future acquisitions or, if completed, we may not be able to realize the anticipated cost savings or successfully integrate the operations, management, products and services of the entities that we acquire and eliminate redundancies. The integration process may also require significant time and attention from our management that they would otherwise direct toward servicing existing business and developing new business. Moreover, undiscovered liabilities as a result of an acquisition could bring civil, criminal and financial liabilities against us, our management and the management of the institutions we acquire. We also may not possess the requisite knowledge or relationships to be successful as we enter into new markets. Acquisitions typically involve the payment of a premium over book and market values and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, we may issue additional shares of our common stock to finance our acquisitions, which could result in dilution to our existing shareholders, or incur debt to finance our acquisitions or terms that may not be favorable to us. Failure to successfully integrate the entities we acquire into our existing operations may increase our operating costs significantly and adversely affect our business and earnings.

Attractive acquisition opportunities may not be available to us in the future.

While we seek continued organic growth, we anticipate continuing to evaluate merger and acquisition opportunities presented to us in our core markets and beyond. The number of financial institutions headquartered in Wisconsin, the Midwestern United States, and across the country continues to decline through merger and other activity. We expect that other banking and financial companies, many of which have significantly greater resources, will compete with us to acquire financial services businesses. This competition, as the number of appropriate merger targets decreases, could increase prices for potential acquisitions which could reduce our potential returns, and reduce the attractiveness of these opportunities to us. Also, acquisitions are subject to various regulatory approvals. If we fail to receive the appropriate regulatory approvals, we will not be able to consummate an acquisition that we believe is in our best interests. Among other things, our regulators consider our capital, liquidity, profitability, regulatory compliance, including with respect to anti-money laundering obligations, consumer protection laws and CRA obligations and levels of goodwill and intangibles when considering acquisition and expansion proposals. Any acquisition could be dilutive to our earnings and shareholders' equity per share of our common stock.

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

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.

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.

Our lending limit may restrict our growth and prevent us from effectively implementing our business strategy.

We are limited by law in the amount we can loan in the aggregate to a single borrower or related borrowers by the amount of our capital. Our legal lending limit is intended to prevent one person or a relatively small and economically related group of persons from borrowing an unduly large amount of a bank's funds. It is also intended to safeguard a bank's depositors by diversifying the risk of loan losses among a relatively large number of creditworthy borrowers engaged in various types of businesses. Based upon our capitalization at December 31, 2019, our legal lending limit was approximately $32.3 million and our internal lending limit was $25.8 million. Therefore, based upon our current capital levels, the amount we may lend may be significantly less than that of many of our larger competitors and may discourage potential borrowers who have credit needs in excess of our lending limit from doing business with us. We may accommodate larger loans by selling participations in those loans to other financial institutions, but this strategy may not always be available. In addition to these legally imposed lending limits, we also employ appropriate limits on our overall loan portfolio and requirements with respect to certain types of lending and individual lending relationships. If we are unable to compete effectively for loans from our target customers, we may not be able to effectively implement our business strategy, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

Our funding sources may prove insufficient to replace deposits and support our future growth.

Deposits, cash flows from operations (including from our mortgage business) and investment securities for sale are the primary sources of funds for our lending activities and general business purposes. However, from time to time we also obtain advances from the Federal Home Loan Bank ("FHLB"), purchase federal funds, engage in overnight borrowing from the Federal Reserve and correspondent banks and sell loans**.** While we believe our current funding sources to be adequate, our future growth may be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available on acceptable terms to accommodate future growth, which could have a material adverse effect on our financial condition, results of operations or cash flows.

The performance of our investment securities portfolio is subject to fluctuation due to changes in interest rates and market conditions, including credit deterioration of the issuers of individual securities.

Changes in interest rates may negatively affect both the returns on and market value of our investment securities. Interest rate volatility can reduce unrealized gains or increase unrealized losses in our portfolio. Interest rates are highly sensitive to many factors including monetary policies, domestic and international economic and political issues, and other factors beyond our control. Additionally, actual investment income and cash flows from investment securities that carry prepayment risk, such as mortgage-backed securities and callable securities, may materially differ from those anticipated at the time of investment or subsequently as a result of changes in interest rates and market conditions. These occurrences could have a material adverse effect on our net interest income or our results of operations.

Decreased residential mortgage origination, volume and pricing decisions of competitors may adversely affect our profitability.

Our mortgage operation originates and sells residential mortgage loans and services residential mortgage loans. Changes in interest rates, housing prices, regulations by the applicable governmental authorities and pricing decisions by our loan competitors may adversely affect demand for our residential mortgage loan products, the revenue realized on the sale of loans, revenues received from servicing such loans for others, and ultimately reduce our net income. New regulations, increased regulatory reviews, and/or changes in the structure of the secondary mortgage markets which we would utilize to sell mortgage loans may be introduced and may increase costs and make it more difficult to operate a residential mortgage origination business.

We may not be able to generate sufficient cash to service all of our debt and repay maturing debt obligations.

As of December 31, 2019, we and our consolidated subsidiaries had $68.4 million of combined short-term and long-term debt outstanding. Our ability to make scheduled payments of principal and interest or to satisfy our obligations in respect of our debt, to refinance our debt or to fund capital expenditures will depend on our future financial and operating performance and our ability to maintain adequate liquidity. Prevailing economic conditions (including interest rates), and regulatory constraints, including, among other things, on distributions to us from our subsidiaries and required capital levels with respect to our subsidiary bank and financial subsidiaries, business and other factors, many of which are beyond our control, may also affect our ability to meet these needs. We may not be able to generate sufficient cash flows from operations, or obtain future borrowings in an amount sufficient to enable us to pay our debt, or to fund our other liquidity needs. We may need to refinance all or a portion of our debt on maturity, and we may not be able to refinance any of our debt when needed on commercially reasonable terms or at all. If our cash flow and capital resources are insufficient to fund our debt obligations, we may be forced to reduce or delay investments in our business, sell assets, seek to obtain additional equity or debt financing or restructure our debt on terms that may not be favorable to us.

Our risk management framework may not be effective in mitigating risks and/or losses to us.

Our risk management framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, interest rate and compliance risks. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances and may not adequately mitigate any risk or loss to us. If our framework is not effective, we could suffer unexpected losses and our business, financial condition, results of operations or prospects could be materially and adversely affected. We may also be subject to potentially adverse regulatory consequences, such as formal or informal enforcement actions, civil money penalties and potential criminal penalties.

System failure or breaches of our network security, or the security of our data processing subsidiary, 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, or those of our data processing subsidiary, 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 and the disruption of our operations, and regulatory concerns, all of which could adversely affect our business, financial condition or 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. 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. 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.

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.

We depend on a number of third-party service providers and our operations could be interrupted if these third-party service providers experience difficulty, terminate their services or fail to comply with banking regulations.

We depend on a number of relationships with third-party service providers. Specifically, we receive core systems processing, essential web hosting and other Internet systems, deposit processing and other processing services from third-party service providers. If these third-party service providers experience difficulties, or terminate their services, and we are unable to replace them with other service providers, particularly on a timely basis, our operations could be interrupted. If an interruption were to continue for a significant period of time, our business, financial condition and results of operations could be adversely affected, perhaps materially. Even if we are able to replace third-party service providers, it may be at a higher cost to us, which could adversely affect our business, financial condition and results of operations.

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.

Our financial condition may be affected negatively by the costs of litigation.

We may be involved from time to time in a variety of litigation, investigations or similar matters arising out of our business. From time to time, and particularly during periods of economic stress, customers may make claims or otherwise take legal action pertaining to performance of our responsibilities. These claims are often referred to as "lender liability" claims. Whether customer claims and legal action related to the performance of our responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a favorable manner, they may result in significant financial liability and/or adversely affect our market perception, products and services, as well as potentially affecting customer demand for those products and services. In many cases, we may seek reimbursement from our insurance carriers to cover such costs and expenses. Our insurance may not cover all claims that may be asserted against us, 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 or results of operations.

The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business, particularly after we are no longer an "emerging growth company".

We are required to comply with various regulatory and reporting requirements as a publicly-traded company, including those required by the SEC. Complying with these reporting and other regulatory requirements is time-consuming and has resulted, and will continue to result, in increased costs to us and could have a negative effect on our business, financial condition and results of operations. Furthermore, as an "emerging growth company" we intend to take advantage of certain reduced regulatory and reporting requirements and our costs of being a public company will likely increase further once we no longer qualify as an "emerging growth company."

As a public company, we are subject to the reporting requirements of the Exchange Act, and requirements of the Sarbanes-Oxley Act. We are inexperienced with these reporting and accounting requirements, and as such these requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures, we will need to continue to commit significant resources and provide additional management oversight. In connection with and following us becoming a public reporting company, we have implemented additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies and may continue to incur additional costs as we grow to address these standards and requirements. Sustaining our growth also will require us to commit additional management, operational and financial resources to identify new professionals to join our firm and to maintain appropriate operational and financial systems to adequately support expansion. These activities will likely divert management's attention from other business concerns, including implementing our growth strategy, which could have a material adverse effect on our business, financial condition, results of operations and future growth.

We could be subject to environmental risks and associated costs on our other real estate owned assets.

A significant portion of our loan portfolio is comprised of loans collateralized by real estate. There is a risk that hazardous or toxic waste could be discovered on the properties that secure our loans. If we acquire such properties as a result of foreclosure, we could be held responsible for the cost of cleaning up or removing this waste, and this cost could exceed the value of the underlying properties and materially and adversely affect us.

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 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.

There are substantial regulatory limitations on changes of control of bank holding companies.

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 federal 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 a certain percentage or more of a bank holding company's or bank's voting stock, or if one or more other control factors are present. As a result, a person or entity generally must provide prior notice to the Federal Reserve before acquiring the power to vote 10% or more of our outstanding common stock. Further, existing bank holding companies must obtain prior approval to obtain 5% 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.

We have the ability to incur debt and pledge our assets, including our stock in the Bank, to secure that debt.

Absent special and unusual circumstances, a holder of indebtedness for borrowed money has rights that are superior to those of holders of common stock. For example, interest must be paid to the lender before dividends can be paid to the shareholders, and loans must be paid off before any assets can be distributed to shareholders if we were to liquidate. Furthermore, we would have to make principal and interest payments on our indebtedness, which could reduce our profitability or result in net losses on a consolidated basis even if the Bank were profitable.

Our stock price may be volatile.

The market price of our common stock may be volatile and could be subject to wide fluctuations in price in response to various factors, some of which are beyond our control. In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management which could materially adversely affect our business, financial condition or results of operations.

Future sales of our common stock or securities convertible into our common stock may dilute our shareholders' ownership in us and may adversely affect us or the market price of our common stock.

We are generally not restricted from issuing additional shares of our common stock up to the authorized number of shares set forth in our charter. We may issue additional shares of our common stock or securities convertible into our common stock in the future pursuant to current or future employee stock option plans, employee stock grants, upon exercise of warrants or in connection with future acquisitions or financings. We cannot predict the size of any such future issuances or the effect, if any, that any such future issuances will have on the trading price of our common stock. Any such future issuances of shares of our common stock or securities convertible into common stock may have a dilutive effect on the holders of our common stock and could have a material negative effect on the trading price of our common stock.

Future sales of our common stock in the public market could lower our share price, and any additional capital raised by us through the sale of equity or convertible debt securities may dilute our shareholders ownership in us and may adversely affect us or the market price of our common stock.

We may sell additional shares of our common stock in public offerings, and issue additional shares of common stock or convertible securities to finance future acquisitions. We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares that may be issued in connection with acquisitions), or the perception that such issuance could occur, may adversely affect prevailing market prices for our common stock.

The accuracy of our financial statements and related disclosures could be affected if the judgments, assumptions or estimates used in our critical accounting policies are inaccurate.

The preparation of financial statements and related disclosure in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our critical accounting policies, which are included in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations", describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that we consider "critical" because they require judgments, assumptions and estimates that materially affect our consolidated financial statements and related disclosures. As a result, if future events differ significantly from the judgments, assumptions and estimates in our critical accounting policies, those events or assumptions could have a material impact on our consolidated financial statements and related disclosures.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various regulatory and reporting requirements that are applicable to public companies that are emerging growth companies, including, but not limited to, exemptions from being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, even if we comply with the greater obligations of public companies that are not emerging growth companies, we may avail ourselves of the reduced requirements applicable to emerging growth companies from time to time in the future, so long as we are an emerging growth company. We will remain an emerging growth company for up to five years, though we will cease to be an emerging growth company earlier if we have more than $1 billion in annual gross revenues, have more than $700 million in market value of our common stock held by non-affiliates, or issue more than $1 billion of non-convertible debt in a three-year period. Investors and securities analysts may find it more difficult to evaluate our common stock because we will rely on one or more of these exemptions and, as a result, investor confidence or the market price of our common stock may be materially and adversely affected.

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.

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 were 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.

We have a concentration in commercial real estate lending which could cause our regulators to restrict our ability to grow.

As a part of their regulatory oversight, the federal regulators have issued the Commercial Real Estate ("CRE") Concentration Guidance on sound risk management practices with respect to a financial institution's concentrations in commercial real estate lending activities. These guidelines were issued in response to the agencies' concerns that rising CRE concentrations might expose financial institutions to unanticipated earnings and capital volatility in the event of adverse changes in the commercial real estate market. Existing guidance reinforces and enhances existing regulations and guidelines for safe and sound real estate lending by providing supervisory criteria, including numerical indicators to assist in identifying institutions with potentially significant commercial real estate loan concentrations that may warrant greater supervisory scrutiny. The guidance does not limit a banks' commercial real estate lending, but rather guides institutions in developing risk management practices and levels of capital that are commensurate with the level and nature of their commercial real estate concentrations. The CRE Concentration Guidance identifies certain concentration levels that, if exceeded, will expose the institution to additional supervisory analysis with regard to the institution's CRE concentration risk. The CRE Concentration Guidance is designed to promote appropriate levels of capital and sound loan and risk management practices for financial institutions with a concentration of CRE loans. In general, the CRE Concentration Guidance establishes the following supervisory criteria as preliminary indications of possible CRE concentration risk: (1) the institution's total construction, land development and other land loans represent 100% or more of total risk-based capital; or (2) total non-owner occupied CRE loans as defined in the regulatory guidelines represent 300% or more of total risk-based capital, and the institution's CRE loan portfolio has increased by 50% or more during the prior 36-month period. Pursuant to the CRE Concentration Guidelines, loans secured by owner-occupied commercial real estate are not included for purposes of CRE Concentration calculation. 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.

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.

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.

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."

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our main office is located at 402 North 8th Street, Manitowoc, Wisconsin 54220. In addition, the Bank operates twenty-two (22) additional branches located in ten (10) counties in Wisconsin, which includes the branches that were acquired in connection with the Company's acquisitions of Partnership and Waupaca. 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
Ashwaubenon	2865 S. Ridge Road	Green Bay, Wisconsin, 54304	Own
Bellevue	2747 Manitowoc Road	Green Bay, Wisconsin, 54311	Own
Cedarburg	W61 N529 Washington Avenue	Cedarburg, Wisconsin, 53012	Own
Chetek	621 2nd Street	Chetek, Wisconsin, 54728	Lease
Clintonville	135 S. Main Street	Clintonville, Wisconsin, 54929	Own
Iola	295 E. State Street	Iola, Wisconsin, 54945	Own
Kiel	110 Fremont Street	Kiel, Wisconsin, 53042	Own
Custer Street	2915 Custer Street	Manitowoc, Wisconsin, 54220	Own
Mequon	11740 N. Port Washington Road	Mequon, Wisconsin, 53092	Own
Mishicot	110 Baugniet Street	Mishicot, Wisconsin, 54228	Own
Oshkosh	1159 N. Koeller Street	Oshkosh, Wisconsin, 54902	Own
Plymouth	2700 Eastern Avenue	Plymouth, Wisconsin, 53073	Own
Seymour	689 Woodland Plaza	Seymour, Wisconsin, 54165	Own
Sheboygan	2600 Kohler Memorial Drive	Sheboygan, Wisconsin, 53081	Own
Tomah	1021 Superior Avenue	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, 54245	Own
Waupaca	111 Jefferson Street	Waupaca, Wisconsin, 54981	Own
Weyauwega	101 E. Main Street	Weyauwega, Wisconsin, 54983	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.

PART II

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

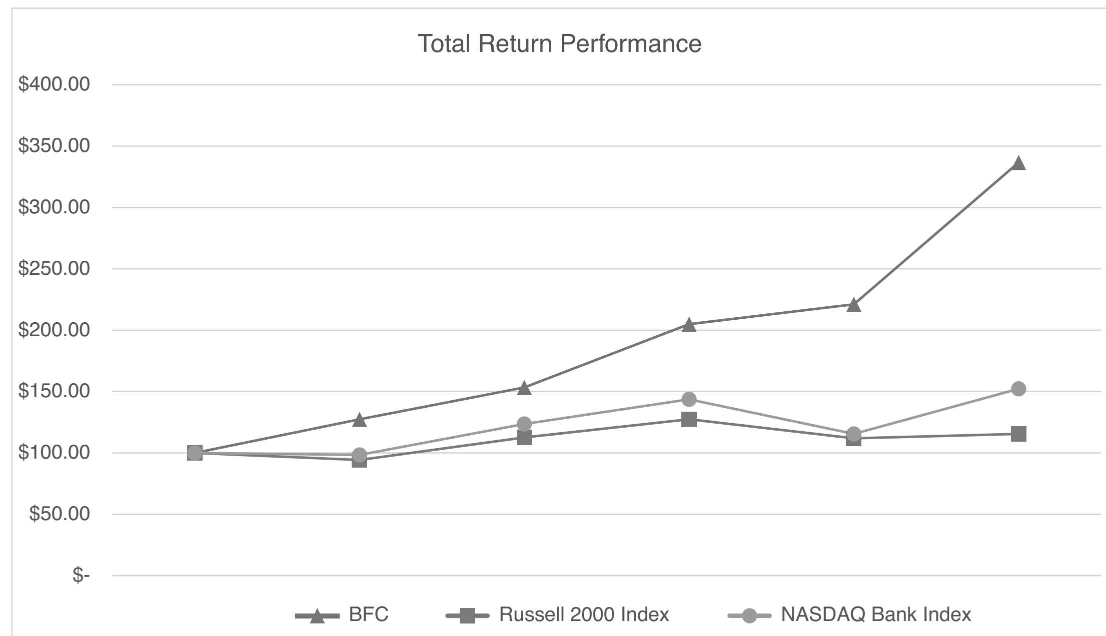
Bank First registered its common stock under Section 12(b) of the Exchange Act on October 23, 2018, in connection with listing on the Nasdaq Capital Market, and trades under the symbol "BFC". Prior to October 23, 2018, Bank First's common stock was traded on the OTC Market Group's Pink tier under the 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 the OTC Market Group and more recently through its listing on Nasdaq. As of March 11, 2020, Bank First had approximately 450 shareholders of record and 7,902,742 shares issued and 7,085,107 shares outstanding.

Share repurchase program

The Company's Board of Directors authorized a $10 million share repurchase program that will expire in April, 2020. This program was announced on April 18, 2019, on a Current Report on Form 8-K. There were no share repurchases pursuant to this program during the fourth quarter of 2019.

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, 2014 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.



	Period Ending					
Index	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
BFC	$100.00	$127.41	$153.39	$204.99	$221.17	$336.81
Russell 2000	100.00	94.29	112.65	127.46	111.94	115.53
Nasdaq Bank	100.00	98.41	123.61	143.70	115.53	152.29

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth summarized selected consolidated financial information for each of the periods indicated. This information should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" below and with the accompanying consolidated financial statements included in this Annual Report. Historical results set forth below and elsewhere in this Annual Report are not necessarily indicative of future performance.

	December 31,				
	2019	2018	2017	2016	2015
	(dollars in thousands, except per share and other data)				
Operating Data					
Interest Income	$ 89,165	$ 77,944	$ 53,472	$ 44,726	$ 41,062
Interest Expense	19,498	14,845	7,732	5,932	5,063
Net interest and dividend Income	69,667	63,099	45,740	38,794	35,999
Provision for Loan Losses	5,250	2,935	1,055	320	1,008
Non-Interest Income	12,632	11,531	9,848	9,244	7,463
Non-Interest Expense	42,760	39,642	30,394	25,099	22,305
Income Before Taxes	34,289	32,053	24,139	22,619	20,149
Income Taxes	7,595	6,597	8,826	7,706	6,754
Net Income	$ 26,694	$ 25,456	$ 15,313	$ 14,913	$ 13,395
Average shares outstanding, basic	6,820,225	6,673,758	6,285,901	6,220,694	6,291,319
Average shares outstanding, diluted	6,902,616	6,673,758	6,285,901	6,220,694	6,291,319
Total shares outstanding	7,084,728	6,610,358	6,805,684	6,210,892	6,267,660
Basic Earnings per share	$ 3.91	$ 3.81	$ 2.44	$ 2.40	$ 2.13
Diluted Earning per Share	$ 3.87	$ 3.81	$ 2.44	$ 2.40	$ 2.13
Dividends Declared Per Share	$ 0.80	$ 0.68	$ 0.64	$ 0.59	$ 0.51
Dividend payout ratio (1)	20%	18%	26%	25%	24%
Financial Condition Data					
Total Assets	$2,210,168	$1,793,165	$1,753,404	$1,315,997	$1,237,675
Total Deposits	1,843,311	1,557,167	1,506,642	1,127,020	1,062,575
Total Loans	1,736,343	1,428,494	1,397,547	1,026,257	956,637
Shareholders' equity	230,211	174,323	161,728	127,523	118,928
Book Value Per Share	$ 32.49	$ 26.37	$ 23.76	$ 20.53	$ 18.97
Performance Ratios					
Return on Average Assets	1.37%	1.43%	1.04%	1.13%	1.14%
Return on Average Shareholders' equity	13.14%	15.36%	11.26%	12.01%	11.65%
Equity to assets	10.42%	9.72%	9.22%	9.69%	9.61%
Interest rate spread, taxable equivalent (2)	3.45%	3.53%	3.22%	3.08%	3.32%
Net Interest Margin, taxable equivalent (3)	3.95%	3.89%	3.45%	3.26%	3.48%
Efficiency ratio (4)	51.29%	52.16%	53.28%	50.81%	49.92%
Asset Quality					
Non-Performing Loans	$ 5,447	$ 20,522	$ 20,613	$ 602	$ 1,625
Non-Performing Loans/Total Loans	0.31%	1.44%	1.47%	0.06%	0.17%
Net (Recoveries)/Charge-Offs	$ 6,102	$ 2,299	$ 171	$ (397)	$ 255
Allowance/Total Loans	0.66%	0.86%	0.83%	1.05%	1.06%
Capital Ratios (5):					
Total Capital	10.35%	11.35%	10.80%	11.69%	10.86%
Tier 1 capital	8.86%	9.86%	9.29%	10.72%	9.95%
Common Equity Tier 1	8.86%	9.86%	9.29%	10.72%	9.95%
Tier 1 leverage capital	8.46%	9.06%	8.47%	8.94%	8.85%

	December 31,				
	2019	2018	2017	2016	2015
	(dollars in thousands, except per share and other data)				
Other Data:					
Number of full service offices	23	18	18	12	12
Full time equivalent employees	284	253	249	173	161

(1) Dividend payout ratio represents per share dividends declared divided by earnings per share.

(2) The interest rate spread represents the difference between the fully taxable equivalent weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the period.

(3) The net interest margin represents fully taxable equivalent net interest income as a percent of average interest-earning assets for the period.

(4) The efficiency ratio represents noninterest expense as a percentage of the sum of net interest income on a fully taxable equivalent basis and noninterest income.

(5) Capital ratios are for Bank First Corporation.

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 23 banking locations in Manitowoc, Outagamie, Brown, Winnebago, Sheboygan, Waupaca, Ozaukee, Monroe, Jefferson and Barron 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 Loan and Lease Losses ("ALLL") to absorb possible losses on existing loans that may become uncollectible. The Bank establishes and maintains this allowance by charging a provision for loan 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 is a 49.8% member of a data processing subsidiary, UFS, LLC, which provides core data processing, endpoint management cloud services, cyber security and digital banking solutions for over 60 Midwest banks. The Bank, through its 100% owned subsidiary TVG Holdings, Inc., also holds a 40% (up from 30% due to a purchase of member interest on October 1, 2019) ownership interest in Ansay & Associates, LLC, an insurance agency providing clients primarily located in Wisconsin with insurance and risk management solutions. These unconsolidated subsidiary interests contribute noninterest income to the Bank through their underlying annual earnings.

As of December 31, 2019, the Company had total consolidated assets of $2.21 billion, total loans of $1.74 billion, total deposits of $1.84 billion and total stockholders' equity of $230.2 million. The Company employs approximately 284 full-time equivalent employees and has an assets-to-FTE ratio of approximately $7.8 million. For more information, see the Company's website at www.bankfirstwi.bank.

Recent acquisitions

On October 27, 2017, the Company completed a merger with Waupaca Bancorporation, Inc. ("Waupaca"), a bank holding company headquartered in Waupaca, Wisconsin, pursuant to the Agreement and Plan of Bank Merger, dated as of May 11, 2017 and as amended on July 20, 2017, by and among the Company, BFNC Merger Sub, LLC, a wholly-owned subsidiary of the Company, and Waupaca, whereby Waupaca merged with and into the Company, and First National Bank, Waupaca's wholly-owned banking subsidiary, was merged with and into the Bank. Waupaca's principal activity was the ownership and operation of First National Bank, a national banking institution that operated eight (8) branches in Wisconsin at the time of closing. The merger consideration totaled approximately $78.1 million, 70% of which was distributed in cash and 30% of which was distributed in the form of Company common stock.

On July 12, 2019, the Company completed a merger with Partnership Community Bancshares, Inc. ("Partnership"), a bank holding company headquartered in Cedarburg, Wisconsin, pursuant to the Agreement and Plan of Bank Merger, dated as of January 22, 2019 and as amended on April 30, 2019, by and among the Company and Partnership, whereby Partnership merged with and into the Company, and Partnership Bank, Partnership's wholly-owned banking subsidiary, merged with and into the Bank. Partnership's principal activity was the ownership and operation of Partnership Bank, a state-chartered banking institution that operated four (4) branches in Wisconsin at the time of closing. The merger consideration totaled approximately $49.6 million.

Pursuant to the terms of the Merger Agreement, Partnership shareholders had the option to receive either 0.34879 shares of the Company's common stock or $17.3001 in cash for each outstanding share of Partnership common stock, and cash in lieu of any remaining fractional share. The stock versus cash elections by the Partnership shareholders were subject to final consideration being made up of approximately $14.3 million in cash and 534,731 shares of Company common stock, valued at approximately $35.3 million (based on a value of $66.03 per share on the closing date).

The Company accounted for the transaction under the acquisition method of accounting, and thus, the financial position and results of operations of Partnership prior to the consummation date were not included in the accompanying consolidated financial statements. The accounting required assets purchased and liabilities assumed to be recorded at their respective fair values at the date of acquisition. The Company determined 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 will be subject to refinement for up to one year after the consummation as additional information becomes available relative to the closing date fair values.

On November 20, 2019, the Company entered into an Agreement and Plan of Merger with Tomah Bancshares, Inc. (Timberwood), a Wisconsin Corporation, under which Timberwood will merge with and into the Company and Timberwood's banking subsidiary, Timberwood Bank, will merge with and into the Bank. The transaction is expected to close in the second quarter of 2020 and is subject to, among other items, approval by the shareholders of Timberwood and regulatory agencies. Merger consideration consists of 100% common stock of the Company, and will total roughly $32.6 million, subject to the fair market valuation of the Company's common stock on the date of closing. Based on results as of December 31, 2019, the combined company would have total assets of approximately $2.40 billion, loans of approximately $1.80 billion and deposits of approximately $2.00 billion.

CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform to GAAP in the United States and general practices within the financial institution industry. Significant accounting and reporting policies are summarized below.

Business Combinations

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. There is no separate recognition of the acquired ALLL on the acquirer's balance sheet as credit related factors are incorporated directly into the fair value of the net tangible and intangible assets acquired. 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.

Allowance for Loan and Lease Losses—Originated

The ALLL is established through a provision for loan losses charged to expense as losses are estimated to have occurred. Loan losses are charged against the allowance when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

Management regularly evaluates the ALLL using general economic conditions, our past loan loss experience, composition of the portfolio, credit worthiness of the borrowers, the estimated value of the underlying collateral, the assumptions about cash flow, determination of loss factors for estimating credit losses and other relevant factors. This evaluation is inherently subjective since it requires material estimates that may be susceptible to significant change.

The ALLL consists of specific reserves for certain impaired loans and general reserves for non-impaired loans. Specific reserves reflect estimated losses on impaired loans from management's analyses developed through specific credit allocations. The specific credit reserves are based on regular analyses of impaired non-homogenous loans. These analyses involve a high degree of judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values. The general reserve is based on our historical loss experience which is updated quarterly. The general reserve portion of the ALLL also includes consideration of certain qualitative factors such as (1) changes in lending policies and/or underwriting practices, (2) national and local economic conditions, (3) changes in portfolio volume and nature, (4) experience, ability and depth of lending management and other relevant staff, (5) levels of and trends in past-due and nonaccrual loans and quality, (6) changes in loan review and oversight, (7) impact and effects of concentrations and (8) other issues deemed relevant.

Management believes that the current ALLL 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 ALLL. Such agencies may require us to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Allowance for Loan and Lease Losses—Acquired

The ALLL for acquired loans is calculated using a methodology similar to that described for originated loans. Performing acquired loans are subsequently evaluated for any required allowance at each reporting date. Such required allowance for each loan pool is compared to the remaining fair value discount for that pool. If greater, the excess is recognized as an addition to the allowance through a provision for loan losses. If less than the discount, no additional allowance is recorded. Charge-offs and losses first reduce any remaining fair value discount for the loan pool and once the discount is depleted, losses are applied against the allowance established for that pool.

For purchase credit impaired loans after an acquisition, cash flows expected to be collected are recast for each loan periodically as determined appropriate by management. If the present value of expected cash flows for a loan is less than its carrying value, impairment is reflected by an increase in the ALLL and a charge to the provision for loan losses. If the present value of the expected cash flows for a loan is greater than its carrying value, any previously established ALLL is reversed and any remaining difference increases the accretable yield which will be taken into income over the remaining life of the loan. Loans which were considered troubled debt restructurings ("TDRs") by the acquired institution prior to the acquisition are not required to be classified as TDRs in our consolidated financial statements unless or until such loans would subsequently meet our criteria to be classified as such, since acquired loans were recorded at their estimated fair values at the time of the acquisition.

Impaired Investment Securities

Unrealized gains or losses considered temporary and the noncredit portion of unrealized losses deemed other-than-temporary are reported as an increase or decrease in accumulated other comprehensive income. The credit related portion of unrealized losses deemed other-than-temporary is recorded in current period earnings. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings. We evaluate securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. As part of such monitoring, the credit quality of individual securities and their issuers are assessed. In addition, management considers the length of time and extent that fair value has been less than cost, the financial condition and near-term prospects of the issuer, and that the Company does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis. Adjustments to market value that are considered temporary are recorded as a separate component of equity, net of tax. If an impairment of security is identified as other-than-temporary based on information available such as the decline in the credit worthiness of the issuer, external market ratings or the anticipated or realized elimination of associated dividends, such impairments are further analyzed to determine if a credit loss exists. If there is a credit loss, it will be recorded in the consolidated statement of income in the period of identification.

Intangible Assets and Goodwill

Intangible assets consist of the value of core deposits and mortgage servicing assets and the excess of purchase price over fair value of net assets ("goodwill"). The value of core deposits is stated at cost less accumulated amortization and is amortized on a sum of the years 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.

We perform 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.

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 would be 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 Developments

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2015-14, Revenue from Contracts with Customers (Topic 606) (ASU 2015-14) was issued in August 2015 which deferred adoption to annual reporting periods beginning after December 15, 2017 and interim reporting periods within those annual periods. The timing of the Company's revenue recognition did not materially change. Our largest portions of revenue, interest and fees on loans and gain on sales of loans, are specifically excluded from the scope of the guidance, and we currently recognize the majority of the remaining revenue sources in a manner that management believes is consistent with the new guidance. Unconsolidated subsidiaries of the Bank did have a material impact as a result of this ASU, and implementation resulted in a decrease of $100,000 to retained earnings during 2019 and an increase of $1,588,000 to retained earnings during 2018.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01). This guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. Entities will be required to measure these investments at fair value at the end of each reporting period and recognize changes in fair value in net income. A practicability exception will be available for equity investments that do not have readily determinable fair values; however, the exception requires the Company to adjust the carrying amount for impairment and observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This guidance also changes certain disclosure requirements and other aspects of current GAAP. This guidance was effective for fiscal years beginning after December 15, 2017 including interim reporting periods within those fiscal years. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (ASU 2016-02). Certain aspects of this ASU were updated in July 2018 by the issuance of ASU 2018-10, Codification Improvements to Topic 842, Leases. The new guidance establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. Entities will be required to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. This guidance was effective for fiscal years beginning after December 15, 2018 including interim reporting periods within those fiscal years. The Company's assets and liabilities increased by $1.7 million based on the present value of the remaining lease payments for leases in place at the adoption date.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Certain aspects of this ASU were updated in November 2018 by the issuance of ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses. The main objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. During 2019 FASB issued ASU 2019-10 which delayed the effective date of ASU 2016-13 for smaller, publicly traded companies, until interim and annual periods beginning after December 15, 2022. This delay applies to the Company as it was classified as a "Smaller reporting company" as defined in Rule 12b-2 of the Exchange Act as of the date ASU 2019-10 was enacted. We are currently evaluating the impact of ASU 2016-13 on the consolidated financial statements, although the general expectation in the banking industry is that the implementation of this standard will result in higher required balances in the ALLL.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU were issued to address concerns over the cost and complexity of the two-step goodwill impairment test and resulted in the removal of the second step of the test. The amendments require an entity to apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This ASU is intended to reduce the cost and complexity of the two-step goodwill impairment test and is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted for testing performed after January 1, 2017. Upon adoption, the amendments should be applied on a prospective basis and the entity is required to disclose the nature of and reason for the change in accounting principle upon transition. The adoption of this guidance is not expected to have a significant impact on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The amendments in this ASU shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount as discounts continue to be accreted to maturity. This ASU was intended to more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities. In most cases, market participants price securities to the call date that produces the worst yield when the coupon is above current market rates and prices securities to maturity when the coupon is below market rates. As a result, the amendments more closely align interest income recorded on bonds held at a premium or a discount with the economics of the underlying instrument. This ASU was intended to reduce diversity in practice and was effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Upon adoption, the amendments were applied using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity was to provide disclosures about a change in accounting principles. The adoption of this guidance did not have a significant impact on our consolidated financial statements as all premiums within our securities portfolio were already being amortized to the earliest call date prior to implementation.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The amendments of this ASU better align an entity's accounting and financial reporting for hedging activities with the economic objectives of those activities. The ASU was effective for fiscal years beginning after December 15, 2018 and interim reporting periods within those fiscal years, with early adoption permitted. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Stock Compensation—Improvements to Nonemployee Share-Based Payment Accounting*, which simplifies several aspects of the account for nonemployee share-based payment transactions for acquiring goods or services from nonemployees. The amendment was effective for the fiscal years beginning after December 15, 2018, including interim reporting periods within those fiscal years, with early adoption permitted. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

PUBLIC COMPANY COSTS

On September 24, 2018, the Company filed a Registration Statement on Form 10 with the SEC, and filed the Amendment No.1 to the Registration Statement on Form 10 on October 17, 2018. That Registration Statement was declared effective by the SEC on October 23, 2018. The Company qualifies as an "emerging growth company" as defined by the Jumpstart Our Business Startups Act ("JOBS Act").

There are additional costs associated with operating as a public company including hiring additional personnel, enhancing technology and expanding our capabilities. We expect that these costs will include legal, regulatory, accounting, investor relations and other expenses that we did not incur as a private company. Sarbanes-Oxley, as well as rules adopted by the SEC, the FDIC and national securities exchanges also requires public companies to implement specified corporate governance practices. In addition, due to regulatory changes in the banking industry and the implementation of new laws, rules and regulations, we are now subject to higher regulatory compliance costs. These additional rules and regulations also increase our legal, regulatory, accounting and financial compliance costs and make some activities more time-consuming.

RESULTS OF OPERATIONS

Results of Operations for the Years Ended December 31, 2019 and 2018

General. Net income increased $1.2 million, or 4.9%, to $26.7 million for the year ended December 31, 2019, from $25.5 million for the year ended December 31, 2018. The primary reason for the increase in profitability was increased net interest income from the added scale as a result of the acquisition of Partnership, which impacted the second half of 2019. This was offset by larger provisions for loan losses during 2019, which were required due to significant charge-offs related to exiting certain relationships which were obtained through the Waupaca acquisition.

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 loan losses increased by $4.2 million to $64.4 million for the year ended December 31, 2019, from $60.2 million for the year ended December 31, 2018. Interest income on loans increased by $10.8 million, or 15.0%, from 2018 to 2019. Total average interest-earning assets increased to $1.81 billion for the year ended December 31, 2019 from $1.66 billion for the year ended December 31, 2018. The Bank's net interest margin increased 6 basis points to 3.95% for the year ended December 31, 2019, up from 3.89% for the year ended December 31, 2018.

Interest Income. Total interest income increased $11.2 million, or 14.4%, to $89.1 million for the year ended December 31, 2019, up from $77.9 million for the year ended December 31, 2018. As noted, the increase was primarily due to loan growth from the acquisition of Partnership. The average balance of loans increased by $139.4 million during 2019. Interest income was also aided by a generally rising interest rate environment which occurred throughout 2018 and the first half of 2019.

Interest Expense. Interest expense increased $4.7 million, or 31.3%, to $19.5 million for the year ended December 31, 2019, up from $14.8 million for the year ended December 31, 2018. The increase was driven by a $53.7 million increase in the average balance of interest-bearing liabilities as well as an increase in the average cost of interest-bearing liabilities, rising 32 basis points from 1.25% to 1.57%. As noted above, a generally rising interest rate environment occurred throughout 2018 and the first half of 2019. Interest expense from other borrowed funds decreased $0.9 million from 2018 to 2019, primarily due to a decrease of 57.8 million in the average balance of other borrowings year-over-year.

Interest expense on interest-bearing deposits increased by $5.5 million to $17.9 million for the year ended December 31, 2019, from $12.4 million for the year ended December 31, 2018. This increase was primarily due to a higher interest rate environment along with elevated levels of interest-bearing deposits from the acquisition of Partnership, which impacted the second half of 2019. The average cost of interest-bearing deposits was 1.50% for the year ended December 31, 2019, compared to 1.15% for the year ended December 31, 2018.

Provision for Loan Losses. Credit risk is inherent in the business of making loans. We establish an ALLL through charges to earnings, which are shown in the statements of operations as the provision for loan losses. Specifically identifiable and quantifiable known losses are promptly charged off against the allowance. The provision for loan losses is determined by conducting a quarterly evaluation of the adequacy of our ALLL 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 loan 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 loan losses of $5.3 million for the year ended December 31, 2019, compared to $2.9 million for the year ended December 31, 2018. Significant charge-offs occurring during the third quarter of 2019 necessitated increased provisions for loan losses during 2019. These charge-offs were the result of exiting certain relationships during that quarter which were originally acquired as part of the Waupaca transaction. These relationships were never anticipated to be long-term relationships for the Company, and this action had been foreshadowed since the transaction occurred during 2017.The ALLL was $11.4 million, or 0.66% of total loans, at December 31, 2019 compared to $12.2 million, or 0.86% of total loans at December 31, 2018.

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

Noninterest income increased $1.1 million to $12.6 million in 2019 compared to $11.5 million in 2018. Income from Ansay decreased by $0.3 million as a result of lower contingency income recorded during 2019 compared to 2018. As an insurance broker, Ansay's profitability is subject to ongoing volatility due to variable claim history from year-to-year, which impacts the level of contingency income they receive. Income from UFS increased by $0.4 million from 2018 to 2019, the result of an increase in their customer base. Loan servicing income decreased by $0.9 million from 2018 to 2019. This decrease was the result of a negative valuation adjustment to the Bank's mortgage servicing rights asset of $0.7 million during 2019 versus a positive valuation adjustment of $0.4 million during 2018. Offsetting this, however, was an increase of $0.8 million in gains on sales of mortgage loans on the secondary market year-over-year. Finally, a restructuring of the Bank's investment portfolio during 2019 led to a gain on sale of investments of $0.9 million, an increase over a negligible loss during 2018. The major components of our noninterest income are listed in the table below:

	For the Years Ended December 31, 2019	For the Years Ended December 31, 2018
	(In thousands)	
Noninterest Income		
Service Charges	$ 3,506	$ 3,493
Income from Ansay & Associates, LLC	1,792	2,114
Income from UFS, LLC	2,935	2,563
Loan Servicing income	550	1,478
Net gain on sales of mortgage loans	1,401	617
Net gain (loss) on sales of securities	868	(31)
Noninterest income from strategic alliances	95	90
Other	1,485	1,176
Total noninterest income	$12,632	$11,500

Noninterest Expense. Noninterest expense increased $3.1 million to $42.7 million for the year ended December 31, 2019, up from $39.6 million for the year ended December 31, 2018. Personnel expense increased $1.4 million, or 6.5%, year-over-year, the result of staffing four additional locations for the second half of 2019 after the Partnership acquisition. Equipment and data processing expense as well as amortization of intangibles also all increased significantly from

2018 to 2019 as a result of the Partnership acquisition. Outside service fees were also negatively impacted by the Partnership acquisition during 2019, but this impact was more than offset by the lack of expenses that were incurred during 2018 during the process of becoming an SEC registrant. Charitable contributions returned to normal levels during 2019 after seeing several large one-time contributions during 2018. The major components of our noninterest expense are listed in the table below.

	For the Years Ended December 31,	
	2019	2018
	(In thousands)	
Noninterest Expense		
Salaries, commissions, and employee benefits	$22,903	$21,500
Occupancy	3,860	3,498
Data Processing	4,509	3,619
Postage, stationary, and supplies	591	620
Net (gain) loss on sales and valuation of ORE	(73)	252
Advertising	268	220
Charitable Contributions	566	985
Outside service fees	3,041	3,132
Amortization of intangibles	1,069	756
Other	6,026	5,029
Total noninterest expenses	$42,760	$39,611

Income Tax Expense. We recorded a provision for income taxes of $7.6 million for the year ended December 31, 2019, compared to $6.6 million for the year ended December 31, 2018, reflecting effective tax rates of 22.1% and 20.6%, respectively. The effective tax rate for 2019 increased due to certain nondeductible expenses incurred as part of the Partnership acquisition.

Results of Operations for the Years Ended December 31, 2018 and 2017

General. Net income increased $10.1 million, or 66.2%, to $25.5 million for the year ended December 31, 2018, from $15.3 million for the year ended December 31, 2017. The primary reason for the increase in profitability was increased net interest income from the added scale as a result of the acquisition of Waupaca, which impacted all twelve months of 2018 compared to a little more than two months of 2017. This was offset by larger provisions for loan losses during 2018, which were required to establish an allowance for loans which were purchased in that acquisition at fair value, and required reserves in the ALLL when they renewed during 2018. In addition, the reduced corporate tax rate from 35% to 21% pursuant to the Tax Cuts and Jobs Act had a significantly positive impact on net income for 2018.

Net Interest Income. Net interest income after provision for loan losses increased by $15.5 million to $60.2 million for the year ended December 31, 2018, from $44.7 million for the year ended December 31, 2017. The increase in net interest income was due to loan growth primarily from the acquisition of loans from Waupaca in the fourth quarter of 2017. Interest income on loans increased by $23.2 million, or 47.6%, from 2017 to 2018. Total average interest-earning assets increased to $1.66 billion for the year ended December 31, 2018 from $1.38 billion for the year ended December 31, 2017. The Bank's net interest margin increased 44 basis points to 3.89% for the year ended December 31, 2018, up from 3.45% for the year ended December 31, 2017.

Interest Income. Total interest income increased $24.5 million, or 45.8%, to $77.9 million for the year ended December 31, 2018, up from $53.5 million for the year ended December 31, 2017. As noted, the increase was primarily due to loan growth from the acquisition of Waupaca. The average balance of loans increased by $295.8 million during 2018.

Interest Expense. Interest expense increased $7.1 million, or 92.0%, to $14.8 million for the year ended December 31, 2018, up from $7.7 million for the year ended December 31, 2017. The increase was driven by a $212.7 million increase in the average balance of interest-bearing liabilities as well as an increase in the average cost of interest-bearing liabilities, rising 46 basis points from 0.79% to 1.25%. Interest expense from other borrowed funds increased $1.2 million from 2017 to 2018, primarily due to an increase of 1.18% in the average borrowing cost year-over-year.

Interest expense on interest-bearing deposits increased by $5.9 million to $12.4 million for the year ended December 31, 2018, from $6.4 million for the year ended December 31, 2017. This increase was primarily due to a higher interest rate environment along with elevated levels of interest-bearing deposits from the acquisition of Waupaca, which impacted the full year 2018 versus two months of 2017. The average cost of interest-bearing deposits was 1.15% for the year ended December 31, 2018, compared to 0.76% for the year ended December 31, 2017. The average cost of all deposit types increased for the year ended December 31, 2018 as compared to the year ended December 31, 2017 due to a generally higher interest rate environment.

Provision for Loan Losses. We recorded a provision for loan losses of $2.9 million for the year ended December 31, 2018, compared to $1.1 million for the year ended December 31, 2017. The elevated level of provision for loan losses during 2018 was the result of several significant charged off loans during 2018 along with the need to establish an allowance on the loans which were acquired in connection with the Waupaca acquisition near the end of 2017 and renewed during 2018. These loans were recorded at fair value when purchased, with no related ALLL, but required an ALLL once they renewed. The ALLL was $12.2 million, or 0.86% of total loans, at December 31, 2018 compared to $11.6 million, or 0.83% of total loans at December 31, 2017.

Noninterest Income. Noninterest income increased $1.7 million to $11.5 million in 2018 compared to $9.8 million in 2017. Due to the increased customer base from the Waupaca acquisition in late 2017, service charge income increased by $0.5 million to $3.5 million for 2018, from $3.0 million for 2017. Income from the minority-owned subsidiaries Ansay and UFS increased by $0.6 million from 2017 to 2018. Loan servicing income increased by $0.3 million from 2017 to 2018 primarily due to the revaluation of our mortgage servicing rights asset. Offsetting this, however, was a reduction of $0.3 million in net gain on sales of mortgage loans from 2017 to 2018 as we experienced the effects of an overall slowdown in mortgage originations throughout 2018. Finally, other noninterest income benefited during 2018 from rent received on other real estate owned properties which were acquired through the Waupaca acquisition late in 2017. The major components of our noninterest income are listed in the table below:

	For the Years Ended December 31,	
	2018	2017
	(In thousands)	
Noninterest Income		
Service Charges	$ 3,493	$2,950
Income from Ansay & Associates, LLC	2,114	1,663
Income from UFS, LLC	2,563	2,390
Loan Servicing income	1,478	1,158
Net gain on sales of mortgage loans	617	895
Noninterest income from strategic alliances	90	94
Other	1,176	698
Total noninterest income	$11,531	$9,848

Noninterest Expense. Noninterest expense increased $9.2 million to $39.6 million for the year ended December 31, 2018, up from $30.4 million for the year ended December 31, 2017. The primary cause of increases in most areas within noninterest expense from 2017 to 2018 was due to the acquisition of Waupaca during late 2017 which impacted the full year 2018 versus two months of 2017. Salaries, commissions and employee benefits expense for the year ended December 31, 2018 was $21.5 million compared to $16.6 million for the year ended December 31, 2017, an increase of $4.9 million, or 29.6%. This increase was attributable to an increase in the overall number of employees due to the Waupaca acquisition and also what is consistent and necessary to support our continued growth, annual salary adjustments, increased bonus and incentives and increased benefit costs. 2018 also experienced elevated expenses in the areas of occupancy, equipment and office as well as postage, stationery and supplies as a result of significant improvements to facilities and equipment in the offices acquired near the end of 2017 and the need to stock them all with supplies. The increase in customers as a result of this acquisition led to higher data processing costs, which have a significant component calculated on a per-customer basis. Net losses on sales of ORE increased significantly during 2018 as a result of many problem loans and ORE which were a part of the Waupaca acquisition. As part of the accounting for the acquisition, a core deposit intangible of $3.1 million was established. 2018 saw twelve months of amortization of this core deposit intangible versus two during 2017, causing an increase in amortization expense. Finally, other noninterest expense increased significantly due to the costs to repossess and maintain a significant amount of collateral on defaulted loans. The major components of our noninterest expense are listed in the table below.

	For the Years Ended December 31,	
	2018	2017
	(In thousands)	
Noninterest Expense		
Salaries, commissions, and employee benefits	$21,500	$16,595
Occupancy	3,498	3,097
Data Processing	3,619	2,939
Postage, stationary, and supplies	620	452
Net (gain) loss on sales and valuation of ORE	252	(49)
Net loss on sales of securities	31	32
Advertising	220	183
Charitable Contributions	985	495
Outside service fees	3,132	3,317
Amortization of intangibles	756	132
Other	5,029	3,201
Total noninterest expenses	$39,642	$30,394

Income Tax Expense. We recorded a provision for income taxes of $6.6 million for the year ended December 31, 2018, compared to $8.8 million for the year ended December 31, 2017, reflecting effective tax rates of 20.6% and 36.6%, respectively. As a result of the Tax Cuts and Jobs Act, we recorded a write down to our net DTAs of approximately $0.6 million, resulting in an equivalent increase in tax expense for 2017. In addition, the provision for 2018 was lower due to the lower federal rates.

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.

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,								
	2019			2018			2017		
	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)
	(dollars in thousands)								
ASSETS									
Interest-earning assets									
Loans (2)									
Taxable	$1,465,306	$78,230	5.34%	$1,338,614	$68,615	5.13%	$1,070,300	$46,871	4.38%
Tax-exempt	99,955	5,961	5.96%	87,233	4,413	5.06%	59,724	3,018	5.05%
Securities									
Taxable (available for sale)	81,454	2,349	2.88%	73,090	2,193	3.00%	46,162	1,153	2.50%
Tax-exempt (available for sale)	52,015	1,848	3.55%	54,619	1,974	3.61%	57,616	2,187	3.80%
Taxable (held to maturity)	30,566	749	2.45%	27,000	632	2.34%	24,978	563	2.25%
Tax-exempt (held to maturity)	10,930	304	2.78%	13,094	388	2.96%	12,723	499	3.92%
Cash and due from banks	68,873	1,427	2.07%	66,118	1,152	1.74%	107,624	1,112	1.03%
Total interest-earning assets	1,809,099	90,868	5.02%	1,659,768	79,367	4.78%	1,379,127	55,403	4.02%
Non interest-earning assets	157,058			129,708			100,560		
Allowance for loan losses	(11,804)			(12,288)			(11,251)		
Total assets	$1,954,353			$1,777,188			$1,468,436		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest-bearing deposits									
Checking accounts	$ 90,273	$ 1,785	1.98%	$ 99,894	$ 1,125	1.13%	$ 91,828	$ 597	0.65%
Savings accounts	261,977	2,570	0.98%	168,254	881	0.52%	101,713	199	0.20%
Money market accounts	440,773	4,913	1.11%	428,052	4,253	0.99%	437,162	2,667	0.61%
Certificates of deposit	380,117	8,124	2.14%	371,332	5,819	1.57%	222,176	2,979	1.34%
Brokered Deposits	16,387	483	2.95%	10,476	305	2.91%			
Total interest bearing deposits	1,189,527	17,875	1.50%	1,078,008	12,383	1.15%	852,879	6,442	0.76%
Other borrowed funds	53,261	1,623	3.05%	111,069	2,462	2.22%	123,544	1,290	1.04%
Total interest-bearing liabilities	1,242,788	19,498	1.57%	1,189,077	14,845	1.25%	976,423	7,732	0.79%
Non-interest bearing liabilities									
Demand Deposits	495,039			408,403			337,431		
Other liabilities	13,348			13,968			18,579		
Total Liabilities	1,751,175			1,611,448			1,332,433		
Shareholders' equity	203,178			165,740			136,002		
Total liabilities & sharesholders' equity	$1,954,353			$1,777,188			$1,468,435		
Net interest income on a fully taxable equivalent basis		71,370			64,522			47,671	
Less taxable equivalent adjustment		(1,704)			(1,423)			(1,931)	
Net interest income		$69,666			$63,099			$45,740	
Net interest spread (3)			3.45%			3.53%			3.23%
Net interest margin (4)			3.95%			3.89%			3.45%

(1) Annualized on a fully taxable equivalent basis calculated using a federal tax rate of 21% for years ended December 31, 2019 and 2018, and 35% for year ended December 31, 2017.

(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, 2019 Compared with Twelve Months Ended December 31, 2018			Twelve Months Ended December 31, 2018 Compared with Twelve Months Ended December 31, 2017		
	Increase/(Decrease) Due to Change in			Increase/(Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(dollars in thousands)					
Interest income						
Loans						
Taxable	$ 6,682	$ 2,933	$ 9,615	$11,750	$ 9,994	$21,744
Tax-exempt	695	853	1,548	1,390	5	1,395
Securities						
Taxable (AFS)	236	(80)	156	673	367	1,040
Tax-exempt (AFS)	(93)	(33)	(126)	(114)	(99)	(213)
Taxable (HTM)	86	31	117	46	23	69
Tax-exempt (HTM)	(61)	(23)	(84)	15	(126)	(111)
Cash and due from banks	50	225	275	(429)	469	40
Total interest income	$ 7,595	$ 3,906	$11,501	$13,330	$10,634	$23,964
Interest expense						
Deposits						
Checking accounts	$ (96)	$ 756	$ 660	$ 52	$ 476	$ 528
Savings accounts	658	1,031	1,689	130	552	682
Money market accounts	129	531	660	(56)	1,642	1,586
Certificates of deposit	141	2,164	2,305	2,000	840	2,840
Brokered Deposits	174	4	178	305	—	305
Total interest bearing deposits	1,006	4,486	5,492	2,431	3,510	5,941
Other borrowed funds	(2,996)	2,157	(839)	(130)	1,302	1,172
Total interest expense	(1,990)	6,643	4,653	2,301	4,812	7,113
Change in net interest income	$ 9,585	$(2,737)	$ 6,848	$11,029	$ 5,822	$16,851

CHANGES IN FINANCIAL CONDITION

Total Assets. Total assets increased $417.0 million, or 23.3%, to $2.2 billion at December 31, 2019 from $1.79 billion at December 31, 2018.

Cash and Cash Equivalents. Cash and cash equivalents decreased by $21.3 million, or 19.8%, to $86.5 million at December 31 2019 from $107.7 million at December 31, 2018.

Investment Securities. The carrying value of total investment securities increased by $65.6 million to $225.2 million at December 31, 2019 from $159.7 million at December 31, 2018.

Loans. Net loans increased by $308.7 million, or 21.8%, to $1.72 billion at December 31, 2019 from $1.42 billion at December 31, 2018.

Bank-Owned Life Insurance. At December 31, 2019, our investment in bank-owned life insurance was $24.9 million, an increase of $0.8 million from $24.2 million at December 31, 2018.

Deposits. Deposits increased $286.1 million, or 18.4%, to $1.84 billion at December 31, 2019 from $1.56 billion at December 31, 2018.

Borrowings. At December 31, 2019, borrowings consisted of advances from the FHLB of Chicago, as well as notes payable and subordinated debt to other banks. FHLB borrowings and notes payable to other banks totaled $39.8 million and $10.0 million, respectively, at December 31, 2019. There were no FHLB borrowings or notes payable outstanding as of December 31, 2018. Subordinated debt increased $7.1 million to $18.6 million at December 31, 2019 from $11.5 million at December 31, 2018. The increase in subordinated debt is entirely due to a borrowing that was acquired as part of the Partnership transaction.

Stockholders' Equity. Total stockholders' equity increased $55.9 million, or 32.1%, to $230.2 million at December 31, 2019 from $174.3 million at December 31, 2018.

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 78.6%, 79.7% and 79.7% of our total assets as of December 31, 2019, 2018 and 2017, 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 $307.8 million, or 21.6%, to $1.74 billion as of December 31, 2019 as compared to $1.43 billion as of December 31, 2018. Our loan growth during the year ended December 31, 2019 has been comprised of an increase of $5.1 million or 1.7% in commercial and industrial loans, an increase of $144.8 million or 21.7% in commercial real estate loans, an increase of $71.4 million or 117.4% in construction and development loans, an increase of $79.9 million or 21.7% in residential 1-4 family loans and an increase of $6.7 million or 20.1% in consumer and other loans. The increase in loans during the year ended December 31, 2019 is attributable to loans purchased as part of the Partnership transaction along with modest organic loan growth. This was offset by a reduction in loans which were acquired as part of the Waupaca transaction, which were primarily poor quality, out-of-market loan relationships which were never intended to be a long-term part of the Bank's portfolio.

Total loans increased $30.9 million, or 2.2%, to $1.43 billion as of December 31, 2018 as compared to $1.40 billion as of December 31, 2017. Our loan growth during the year ended December 31, 2018 has been comprised of an increase of $33.8 million or 12.8% in commercial and industrial loans, an increase of $24.5 million or 3.8% in commercial real estate loans, a decrease of $15.0 million or 19.8% in construction and development loans, a decrease of $8.6 million or 2.3% in residential 1-4 family loans and a decrease of $3.7 million or 10.1% in consumer and other loans. The increase in loans during the year ended December 31, 2018 is attributable to modest organic loan growth, which was offset by a planned reduction of a portion of the loan portfolio acquired from Waupaca.

The following table presents the balance and associated percentage of each major category in our loan portfolio at December 31, 2019, 2018, 2017, 2016 and 2015:

	December 31,									
	2019	% of Total	2018	% of Total	2017	% of Total	2016	% of Total	2015	% of Total
Commercial & industrial										
Commercial & industrial	$ 302,538	17%	$ 297,576	21%	$ 263,787	19%	$ 202,275	20%	$219,416	23%
Deferred costs net of unearned fees	(158)	0%	(248)	0%	(239)	0%	(1)	0%	(114)	0%
Total commercial & industrial	302,380	17.4%	297,328	21%	263,548	19%	202,274	20%	219,302	23%
Commercial real estate										
Owner Occupied	459,782	26%	416,097	29%	418,928	30%	280,081	27%	263,763	28%
Non-owner occupied	353,723	20%	252,717	18%	225,290	16%	171,357	17%	135,173	14%
Deferred costs net of unearned fees	(362)	0%	(465)	0%	(413)	0%	(74)	0%	(44)	0%
Total commercial real estate	813,143	46.8%	668,349	47%	643,805	46%	451,364	44%	398,892	42%
Construction & Development										
Construction & Development	132,296	8%	60,927	4%	75,907	5%	51,904	5%	46,133	5%
Deferred costs net of unearned fees	(133)	0%	(125)	0%	(66)	0%	(47)	0%	(39)	0%
Total construction & development	132,163	7.6%	60,802	4%	75,841	5%	51,857	5%	46,094	5%
Residential 1-4 family										
Residential 1-4 family	448,605	26%	368,673	26%	377,141	27%	283,193	28%	259,211	27%
Deferred costs net of unearned fees	25	0%	17	0%	139	0%	201	0%	130	0%
Total residential 1-4 family	448,630	25.84%	368,690	26%	377,280	27%	283,394	28%	259,341	27%
Consumer										
Consumer	29,462	2%	26,854	2%	33,471	2%	28,418	3%	24,604	3%
Deferred costs net of unearned fees	124	0%	101	0%	90	0%	82	0%	59	0%
Total consumer	29,586	1.7%	26,955	2%	33,561	2%	28,500	3%	24,663	3%
Other Loans										
Other	10,440	1%	6,369	0%	3,511	0%	8,866	1%	8,341	1%
Deferred costs net of unearned fees	1	0%	1	0%	1	0%	2	0%	4	0%
Total other loans	10,441	0.6%	6,370	0%	3,512	0%	8,868	1%	8,345	1%
Total loans	$1,736,343	100%	$1,428,494	100%	$1,397,547	100%	$1,026,257	100%	$956,637	100%

Our directors and officers and their associates 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, 2019 and December 31, 2018, total loans outstanding to such directors and officers and their associates were $68.6 million and $84.1 million, respectively. During the year ended December 31, 2019, $27.9 million of additions and $43.4 million of repayments were made to these loans, compared to $59.7 million of additions and $41.3 million of repayments during the year ended December 31, 2018. At December 31, 2019 and December 31, 2018, all of the loans to directors and officers were performing according to their original terms.

Loan categories

The principal categories of our loan portfolio are discussed below:

Commercial and Industrial (C&I). Our C&I portfolio totaled $302.4 million, $297.3 million and $263.5 million at December 31, 2019, 2018 and 2017, respectively, and represented 17%, 21% and 19% of our total loans, respectively. C&I loans increased 1.7% during 2019. C&I loans increased 12.8% during 2018 due to the increased business needs of customers in our markets in response to strong economic conditions in those markets. C&I loans increased 30.3% during 2017 due primarily to the Waupaca acquisition

Our C&I loan customers represent various 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.

Commercial Real Estate (CRE). Our CRE loan portfolio totaled $813.1 million, $668.3 million and $643.8 million at December 31, 2019, 2018 and 2017, respectively, and represented 47%, 47% and 46% of our total loans, respectively. Our CRE loans increased 21.7% during 2019 due primarily to the Partnership acquisition. Our CRE loans increased 3.8% during 2018 due to modest organic loan growth spurred by the business needs of customers in our markets, offset by a planned reduction in out-of-market CRE loans acquired in the Waupaca acquisition that was planned at the time of acquisition

Our CRE loans are secured by a variety of property types including multifamily dwellings, retail facilities, office buildings, commercial mixed use, lodging and industrial and warehouse properties. We do not have any specific industry or customer concentrations in our CRE portfolio. Our commercial real estate loans are generally for terms up to twenty years, with loan-to-values that generally do not exceed 85%. Amortization schedules are long term and thus a balloon payment is generally due at maturity. Under most circumstances, the Bank will offer to rewrite or otherwise extend the loan at prevailing interest rates.

Construction and Development (C&D). Our C&D loan portfolio totaled $132.2 million, $60.8 million and $75.8 million at December 31, 2019, 2018 and 2017, respectively, and represented 8%, 4% and 5% of our total loans, respectively. C&D loans increased 117.4% during 2019 due to a combination of loans acquired in the Partnership acquisition and strong development in both owner-occupied and multifamily developments in our markets due to a continued strong economy. C&D loans decreased 19.8% during 2018 as a result of targeted efforts to reduce this type of lending as it had approached an internally set maximum allowable percentage to regulatory capital during 2017

Our C&D loans are generally for the purpose of creating value out of real estate through construction and development work, and also include loans used to purchase recreational use land. Borrowers typically provide a copy of a construction or development contract which is subject to bank acceptance prior to loan approval. Disbursements are handled by a title company. Borrowers are required to inject their own equity into the project prior to any note proceeds being disbursed. These loans are, by their nature, intended to be short term and are refinanced into other loan types at the end of the construction and development period.

Residential 1-4 Family. Our residential 1-4 family loan portfolio totaled $448.6 million, $368.7 million and $377.3 million at December 31, 2019, 2018 and 2017, respectively, and represented 26%, 26% and 27% of our total loans, respectively. Residential 1-4 family loans increased 21.7% during 2019 primarily as a result of the Partnership transaction.. Residential 1-4 family loans decreased 2.3% during 2018 as a result of an overall slowdown in the residential mortgage lending environment.

We offer fixed and adjustable rate residential mortgage loans with maturities up to 30 years. One-to-four family residential mortgage loans are generally underwritten according to Fannie Mae guidelines, and we refer to loans that conform to such guidelines as "conforming loans." We generally originate both fixed and adjustable rate mortgage loans in amounts up to the maximum conforming loan limits as established by the Federal Housing Finance Agency. In addition, we also offer loans above conforming lending limits typically referred to as "jumbo" loans. These loans are typically underwritten to the same guidelines as conforming loans; however, we may choose to hold a jumbo loan within its portfolio with underwriting criteria that does not exactly match conforming guidelines.

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 $554.4 million, $316.5 million and $316.3 million at December 31, 2019, 2018 and 2017, respectively.

Loans sold with the retention of servicing assets result in the capitalization of servicing rights. Loan servicing rights are included in other assets and are subsequently amortized as an offset to other income over the estimated period of servicing. The net balance of capitalized servicing rights amounted to $4.3 million, $3.1 million and $2.6 million at December 31, 2019, 2018 and 2017, respectively.

Consumer Loans. Our consumer loan portfolio totaled $29.6 million, $27.0 million and $33.6 million at December 31, 2019, 2018 and 2017, respectively, and represented and represented 2% of our total loans at the end of each period.. Consumer loans include secured and unsecured loans, lines of credit and personal installment loans. Our consumer loans increased by 9.8% during 2019. Our consumer loans decreased by 19.7% during 2018 due to one loan totaling $7.6 million, secured by a trust, which was paid in full when the trust grantor passed away.

Consumer loans generally have greater risk compared to longer-term loans secured by improved, owner-occupied real estate, particularly consumer loans that are secured by rapidly depreciable assets. In these cases, any repossessed collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance. As a result, consumer loan repayments are dependent on the borrower's continuing financial stability and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy.

Other Loans. Our other loans totaled $10.4 million, $6.4 million and $3.5 million at December 31, 2019, 2018 and 2017, 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 and contractual terms to maturity at December 31, 2019 and 2018, respectively. 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.

As of December 31, 2019	One Year or Less	One to Five Years	Over Five Years	Total
		(dollars in thousands)		
Commercial & industrial	$ 93,244	$120,816	$ 88,320	$ 302,380
Commercial real estate	120,010	421,789	271,344	813,143
Construction & Development	27,079	43,132	61,952	132,163
Residential 1-4 family	27,120	65,537	355,973	448,630
Consumer and other	10,825	20,438	8,764	40,027
Total	$278,278	$671,712	$786,353	$1,736,343

As of December 31, 2018	One Year or Less	One to Five Years	Over Five Years	Total
		(dollars in thousands)		
Commercial & industrial	$ 89,358	$111,354	$ 96,616	$ 297,328
Commercial real estate	114,017	313,836	240,496	668,349
Construction & Development	28,357	19,721	12,724	60,802
Residential 1-4 family	27,987	69,206	271,497	368,690
Consumer and other	4,980	21,385	6,960	33,325
Total	$264,699	$535,502	$628,293	$1,428,494

The following tables summarize the dollar amount of loans maturing in our portfolio based on whether the loan has a fixed or variable rate of interest and their contractual terms to maturity at December 31, 2019 and 2018, respectively. 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.

As of December 31, 2019	One Year or Less	One to Five Years	Over Five Years	Total
		(dollars in thousands)		
Predetermined interest rates	$141,578	$574,071	$389,942	$1,105,591
Floating or adjustable interest rates	136,700	97,641	396,411	630,752
Total	$278,278	$671,712	$786,353	$1,736,343

As of December 31, 2018	One Year or Less	One to Five Years	Over Five Years	Total
		(dollars in thousands)		
Predetermined interest rates	$143,333	$412,100	$267,221	$ 822,654
Floating or adjustable interest rates	121,366	123,402	361,072	605,840
Total	$264,699	$535,502	$628,293	$1,428,494

NONPERFORMING LOANS AND TROUBLED DEBT RESTRUCTURINGS

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.

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,				
	2019	2018	2017	2016	2015
			(dollars in thousands)		
Nonaccruals	$5,093	$20,099	$18,127	$ 575	$1,348
Loans past due > 90 days, but still accruing	354	423	2,486	27	277
Total nonperforming loans	$5,447	$20,522	$20,613	$ 602	$1,625
Accruing troubled debt resructured loans	$1,844	$ 179	$ 185	$2,718	$ 429
Nonperforming loans as a percent of gross loans	0.31%	1.44%	1.47%	0.06%	0.17%
Nonperforming loans as a percent of total assets	0.25%	1.14%	1.18%	0.05%	0.13%

At December 31, 2019, 2018, 2017, 2016 and 2015, impaired loans had specific reserves of $840,000, $1,079,000, $281,000, $225,000 and $360,000, respectively. Levels of specific reserves are dependent on the specific underlying impaired loans at any given time, and the decrease in specific reserves as of December 31, 2019 is due to management's determination of the collectability of loans considered impaired at that 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 loan losses at December 31, 2019.

Until 2017, the steady decline in our nonperforming assets was the result of the consistent improvement in our overall credit quality as economic conditions in our markets have continued to improve. Our nonperforming assets have increased during the years ended December 31, 2018 and 2017, primarily due to the Waupaca acquisition, which included $19.4 million of loans which were considered nonperforming. This increase in nonperforming assets was anticipated in conjunction with the Waupaca acquisition, and management has and will continue to actively manage these relationships out of the Bank through pay downs, refinances with or sales of loans to other institutions, or foreclosure actions. As a result of these actions nonperforming assets declined sharply during 2019.

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.

Troubled Debt Restructurings

A troubled debt restructuring includes a loan modification where a borrower is experiencing financial difficulty and we grant a concession to that borrower that we would not otherwise consider except for the borrower's financial difficulties. These concessions may include modifications of the terms of the debt such as deferral of payments, extension of maturity, reduction of principal balance, reduction of the stated interest rate other than normal market rate adjustments, or a combination of these concessions. Debt may be bifurcated with separate terms for each tranche of the restructured debt. Restructuring a loan in lieu of aggressively enforcing the collection of the loan may benefit the Company by increasing the ultimate probability of collection.

A TDR may be either on accrual or nonaccrual status based upon the performance of the borrower and management's assessment of collectability. If a TDR is placed on nonaccrual status, which would occur based on the same criteria as non-TDR loans, it remains there until a sufficient period of performance under the restructured terms has occurred at which it returned to accrual status, generally 6 months.

As of December 31, 2019 and 2018, the Company had specific reserves of $80,000 and $353,000 for TDRs, respectively, and none of them have subsequently defaulted.

Classified loans

Accounting standards require the Company to identify loans, where full repayment of principal and interest is doubtful, as impaired loans. These standards require that impaired loans be valued at the present value of expected future cash flows, discounted at the loan's effective interest rate, or using one of the following methods: the observable market price of the loan or the fair value of the underlying collateral if the loan is collateral dependent. We have implemented these standards in our quarterly review of the adequacy of the ALLL, and identify and value impaired loans in accordance with guidance on these standards. As part of the review process, we also identify loans classified as watch, which have a potential weakness that deserves management's close attention.

Loans totaling $60.3 million and $67.6 million were classified substandard under the Bank's policy as of December 31, 2019 and 2018, respectively. The following table sets forth information related to the credit quality of our loan portfolio at December 31, 2019 and 2018.

Loan type (in thousands)	Pass	Watch	Substandard	Total
As of December 31, 2019				
Commercial & industrial	$ 270,948	$ 19,074	$12,358	$ 302,380
Commercial real estate	693,642	72,610	46,891	813,143
Construction & Development	128,820	3,313	30	132,163
Residential 1-4 family	441,144	6,511	975	448,630
Consumer	29,517	37	32	29,586
Other loans	6,504	3,937	—	10,441
Total loans	$1,570,575	$105,482	$60,286	$1,736,343

Loan type (in thousands)	Pass	Watch	Substandard	Total
As of December 31, 2018				
Commercial & industrial	$ 237,367	$ 40,377	$19,584	$ 297,328
Commercial real estate	497,871	126,904	43,574	668,349
Construction & Development	57,967	2,774	61	60,802
Residential 1-4 family	351,772	12,534	4,384	368,690
Consumer	26,887	49	19	26,955
Other loans	3,112	3,258	—	6,370
Total loans	$1,174,976	$185,896	$67,622	$1,428,494

ALLOWANCE FOR LOAN AND LEASE LOSSES

ALLL represents management's estimate of probable and inherent credit losses in the loan portfolio. Estimating the amount of the ALLL require the exercise of significant judgment and the use of estimates related to the amount and timing of expected future cash flows or impaired loans, estimated losses on pools of homogenous loans based on historical loss experience, and consideration of other qualitative factors such as current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset on the consolidated balance sheets. Loan losses are charged off against the ALLL, while recoveries of amounts previously charged off are credited to the ALLL. A provision for loan losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors.

The ALLL consists of specific reserves for certain individually evaluated impaired loans and general reserves for collectively evaluated non-impaired loans. Specific reserves reflect estimated losses on impaired loans from management's analyses developed through specific credit allocations. The specific reserves are based on regular analyses of impaired, non-homogenous loans greater than $250,000. These analyses involve a high degree of judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values. The general reserve is based in part on the Bank's historical loss experience which is updated quarterly. The general reserve portion of the ALLL also includes consideration of certain qualitative factors such as (1) changes in lending policies and/or underwriting practices, (2) national and local economic conditions, (3) changes in portfolio volume and nature, (4) experience, ability and depth of lending management and other relevant staff, (5) levels of and trends in past-due and nonaccrual loans and quality, (6) changes in loan review and oversight, (7) impact and effects of concentrations and (8) other issues deemed relevant.

There are many factors affecting the ALLL; some are quantitative while others require qualitative judgment. The process for determining the ALLL (which management believes adequately considers potential factors which might possibly result in credit losses) includes subjective elements and, therefore, may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional provision for loan losses could be required that could adversely affect our earnings or financial position in future periods. Allocations of the ALLL may be made for specific loans but the entire ALLL is available for any loan that, in management's judgment, should be charged off or for which an actual loss is realized. As an integral part of their examination process, various regulatory agencies review the ALLL as well. Such agencies may require that changes in the ALLL be recognized when such regulators' credit evaluations differ from those of management based on information available to the regulators at the time of their examinations.

The following table summarizes the changes in our ALLL for the years indicated:

	Year ended December 31,				
	2019	2018	2017	2016	2015
	(dollars in thousands)				
Period-end loans outstanding (net of unearned discount and deferred loan fees)	$1,736,343	$1,428,494	$1,397,547	$1,026,257	$956,637
Average loans outstanding (net of unearned discount and deferred loan fees)	$1,565,261	$1,425,867	$1,130,036	$ 978,747	$871,720
Balance of allowance for loan losses at the beginning of period	$ 12,248	$ 11,612	$ 10,728	$ 10,011	$ 9,258
Loans charged-off:					
Commercial & industrial	1,229	35	4	6	2
Commercial real estate - owner occupied	4,994	2,374	0	0	113
Commercial real estate - non-owner occupied	62	0	1	0	0
Construction & Development	0	83	15	28	19
Residential 1-4 family	276	140	141	168	162
Consumer	76	48	7	12	7
Other Loans	41	37	50	24	36
Total loans charged-off	$ 6,678	$ 2,717	$ 218	$ 238	$ 339
Recoveries of loans previously charged off:					
Commercial & industrial	11	2	7	500	17
Commercial real estate - owner occupied	356	158	0	0	5
Commercial real estate - non-owner occupied	60	3	0	0	17
Construction & Development	0	0	0	36	20
Residential 1-4 family	130	233	36	68	15
Consumer	11	12	1	20	7
Other Loans	8	10	3	11	3
Total recoveries of loans previously charged off:	576	418	47	635	84
Net Loan charge-offs (recoveries)	$ 6,102	$ 2,299	$ 171	$ (397)	$ 255
Provision charged to operating expense	5,250	2,935	1,055	320	1,008
Balance at end of period	$ 11,396	$ 12,248	$ 11,612	$ 10,728	$ 10,011
Ratio of net charge offs (recoveries) during the year to average loans outstanding	0.39%	0.16%	0.02%	(0.04)%	0.03%
Ratio of allowance for loan losses to loans outstanding	0.66%	0.86%	0.83%	1.05%	1.06%

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 ALLL 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 ALLL is adequate.

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

	As of December 31									
	2019		2018		2017		2016		2015	
(in thousands, except %)	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans
Loan Type:										
Commercial & industrial	$ 2,320	17%	$ 3,021	21%	$ 2,362	19%	$ 1,905	20%	$ 2,064	23%
Commercial real estate - owner occupied	4,587	26%	3,750	29%	3,376	30%	3,238	27%	3,079	28%
Commercial real estate - non-owner occupied	1,578	20%	2,100	18%	1,987	16%	1,900	17%	1,399	14%
Construction & Development	548	8%	725	4%	945	5%	727	5%	314	5%
Residential 1-4 family	2,169	26%	2,472	26%	2,728	27%	2,685	28%	2,913	27%
Consumer	141	2%	148	2%	191	2%	189	3%	175	3%
Other Loans	53	1%	32	0%	23	0%	84	1%	67	1%
Total allowance	$11,396	100%	$12,248	100%	$11,612	100%	$10,728	100%	$10,011	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, 2019, deposit liabilities accounted for approximately 83.4% 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 $1.84 billion, $1.56 billion and $1.51 billion as of December 31, 2019, 2018 and 2017, respectively. Noninterest-bearing deposits at December 31, 2019, 2018 and 2017 were $476.5 million, $448.8 million and $436.6 million, respectively, while interest-bearing deposits were $1.37 billion, $1.11 billion and $1.07 billion at December 31, 2019, 2018 and 2017, respectively.

At December 31, 2019, we had a total of $389.0 million in certificates of deposit, including $15.6 million of brokered deposits, of which $3.0 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.

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

	December 31, 2019			December 31, 2018			December 31, 2017		
	Amount	Percent	Weighted average rate	Amount	Percent	Weighted average rate	Amount	Percent	Weighted average rate
	(dollars in thousands)								
Noninterest-bearing demand deposits	$ 495,039	29.4%	N/A	$ 408,403	27.5%	N/A	$ 337,431	28.3%	N/A
Interest-bearing checking deposits	90,273	5.4%	1.98%	99,894	6.7%	1.13%	91,828	7.7%	0.65%
Savings deposits	261,977	15.6%	0.98%	168,254	11.3%	0.52%	101,713	8.5%	0.20%
Money market accounts	440,773	26.2%	1.11%	428,052	28.8%	0.99%	437,162	36.7%	0.61%
Certificates of deposit	380,117	22.6%	2.14%	371,332	25.0%	1.57%	222,176	18.7%	1.34%
Brokered deposits	16,387	1.0%	2.95%	10,476	0.7%	2.91%	—	—	—
Total	$1,684,566	100%		$1,486,411	100%		$1,190,310	100%	

Certificates of deposit of $100,000 or greater by maturity are as follows:

	December 31, 2019	2018	2017
	(dollars in thousands)		
Less than 3 months remaining	$ 34,306	$ 26,366	$ 40,883
Over 3 to 6 months remaining	23,201	46,593	23,649
Over 6 to 12 months remaining	38,937	35,932	35,113
Over 12 months or more remaining	80,151	89,501	77,034
Total	$176,595	$198,392	$176,679

Retail certificates of deposit of $100,000 or greater totaled $176.6 million, $198.4 million and $176.7 million at December 31, 2019, 2018 and 2017, respectively. Interest expense on retail certificates of deposit of $100,000 or greater was $3.5 million, $2.5 million and $1.4 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The following table sets forth certificates of deposit (including brokered deposits) classified by interest rate as of the dates indicated:

	December 31, 2019	2018	2017
	(dollars in thousands)		
Interest Rate:			
Less than 1.00%	168	1,824	15,688
1.00% to 1.99%	165,763	164,366	302,212
2.00% to 2.99%	190,164	204,825	56,022
3.00% to 3.99%	32,911	29,142	706
Total	$389,006	$400,157	$374,628

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, 2019	2018	2017
Average daily amount of securities sold under repurchase agreements during the period	$21,522	$22,315	$26,537
Weighted average interest rate on average daily securities sold under repurcase agreements	2.14%	1.79%	1.01%
Maximum outstanding securities sold under repurchase agreements at any month-end	$45,865	$48,010	$53,745
Securities sold under repruchase agreements at period end	$45,865	$31,489	$47,568
Weighted average interest rate on securities sold under repurchase agreements at period end	1.47%	2.43%	1.44%

Lines of credit and other borrowings

The Company's other borrowings have historically consisted primarily of 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 $39.8 million of advances outstanding from the FHLB at December 31, 2019. There were no advances outstanding from the FHLB as of December 31, 2018. From time to time the Company utilized short-term FHLB advances to fund liquidity during 2018

The total loans pledged as collateral were $815.2 million, $697.3 million and $564.4 million at December 31, 2019, 2018 and 2017, respectively. Outstanding letters of credit from the FHLB totaled $14.4 million, $55.0 million and $20.7 million at December 31, 2019, 2018 and 2017, respectively.

The following table summarizes borrowings, which consist of borrowings from the FHLB, and the weighted average interest rates paid:

(dollars in thousands)	Year ended December 31, 2019	2018	2017
Average daily amount of borrowings outstanding during the period	$16,665	$ 73,464	$ 95,936
Weighted average interest rate on average daily borrowing	1.90%	1.75%	1.00%
Maximum outstanding borrowings outstanding at any month-end	$39,800	$100,000	$100,000
Borrowing outstanding at period end	$39,800	$ —	$ —
Weighted average intrest rate on borrowing at period end	1.80%	NA	NA

We maintain a $5.0 million line of credit with a commercial bank. At December 31, 2019, 2018 and 2017, we had outstanding balances on this note of $5.0 million, $-0- and $5.0 million respectively. Borrowings under this note carry interest at a variable rate with a floor of 3.50% , due in full on May 25, 2020.

We also maintain another $5.0 million line of credit with another commercial bank. There were outstanding balances on this note of $5.0 million as of December 31, 2019. There were no advances on this note at December 31, 2018 or 2017. Borrowings under this note carry interest at a variable rate with a floor of 3.25% , due in full on May 19, 2020.

During September 2017, the Company entered into subordinated note agreements with three separate commercial banks. The Company had up to twelve months from entering these agreements to borrow funds up to a maximum availability of $22.5 million. As of December 31, 2019 and 2018, the Company had borrowed $11.5 million under these agreements. These notes were all issued with 10-year maturities, carry interest at a variable rate payable quarterly, are callable on or after the sixth anniversary of their issuance dates, and qualify for Tier 2 capital for regulatory purposes.

As part of the Partnership acquisition, the Company assumed a subordinated note agreement with an outstanding balance of $7.0 million, and a fair market value adjustment of $0.2 million. The note matures on October 1, 2025, requires quarterly interest-only payments at a rate of 7.1% prior to maturity, and can be prepaid without penalty after October 1, 2020. This note qualifies for Tier 2 capital for regulatory purposes.

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, mortgage-backed securities, and corporate notes. 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 $181.5 million and included gross unrealized gains of $3.4 million and gross unrealized losses of $0.2 million at December 31, 2019. At December, 31 2018, the fair value of securities available for sale totaled $118.9 million and included gross unrealized gains of $0.8 million and gross unrealized losses of $1.4 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, 2019 are carried at their amortized cost of $43.7 million. At December 31, 2018, securities held to maturity totaled $40.8 million.

The Company recognized a net gain of $0.2 million on the sale of an investment previously classified as an "other investment" and also a net gain on sale of investment securities of $0.6 million during the year ended December 31, 2019. The Company recognized a net loss on sale of investment securities of $31,000 and $32,000 for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2019, the Company had an investment in commercial paper, issued by Toronto-Dominion Bank, with a book and fair value of $24,880,000. This commercial paper totaled more than 10% of the Company's stockholder's equity and has a maturity date of April 9, 2020.

The following table sets forth the fair value of available for sale investment securities, the amortized costs of held to maturity and the percentage distribution at the dates indicated:

	December 31,					
	2019		2018		2017	
	Amount	Percent	Amount	Percent	Amount	Percent
	(dollars in thousands)					
Available for sale securities						
U.S. Treasury securities	$ —	0%	$ —	0%	$ 498	0%
Obligations of U.S. Government sponsored agencies	12,060	7%	—	0%	—	0%
Obligations of states and political subdivisions	54,771	30%	51,893	44%	59,390	50%
Mortgage-backed securities	51,720	28%	50,569	42%	42,635	36%
Corporate notes	62,955	35%	16,444	14%	16,520	14%
Total securities available for sale	$181,506	100%	$118,906	100%	$119,043	100%
Held to maturity securities						
U.S. Treasury securities	$ 33,527	77%	$ 28,975	71%	$ 25,426	64%
Obligations of states and political subdivisions	10,207	23%	11,793	29%	14,565	36%
Total securities held to maturity	$ 43,734	100%	$ 40,768	100%	$ 39,991	100%
Total	$225,240		$159,674		$159,034	

The following tables set forth the composition and maturities of investment securities as of December 31, 2019 and December 31, 2018. 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)
	(dollars in thousands)									
At December 31, 2019										
Available for sale securities										
Obligations of U.S. Government sponsored agencies	$ —	—	$ —	—	$ —	—	$12,218	2.3%	$ 12,218	2.3%
Obligations of states and political subdivisions	1,685	3.1%	6,524	3.5%	13,153	3.7%	31,231	3.7%	52,593	3.6%
Mortgage-backed securities	1,469	2.1%	18,395	2.5%	19,514	2.9%	11,392	2.8%	50,770	2.7%
Corporate notes	45,752	1.8%	16,815	3.0%	—	0.0%	228	8.3%	62,795	2.1%
Total available for sale securities	$48,906	1.9%	$41,734	2.8%	$32,667	3.2%	$55,069	3.2%	$178,376	2.8%
Held to maturity securities										
U.S. Treasury securities	$ 3,508	2.3%	$12,501	2.6%	$17,517	2.4%	$ —	—	$ 33,526	2.4%
Obligations of states and political subdivisions	628	1.6%	4,276	2.4%	2,395	2.9%	2,909	3.8%	10,208	2.9%
Total held to maturity securities	$ 4,136	2.1%	$16,777	2.5%	$19,912	2.5%	$ 2,909	3.8%	$ 43,734	2.5%
Total	$53,042	1.9%	$58,511	2.8%	$52,579	2.9%	$57,978	3.2%	$222,110	2.7%

	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)
					(dollars in thousands)					
At December 31, 2018										
Available for sale securities										
Obligations of states and political subdivisions	3,681	3.4%	6,438	3.3%	8,092	3.5%	33,081	3.9%	51,292	3.7%
Mortgage-backed securities	1,838	1.6%	13,009	2.4%	34,810	2.9%	1,862	3.2%	51,519	2.7%
Corporate notes	—	—	11,770	2.9%	4,938	3.3%	—	—	16,708	3.0%
Total available for sale securities	$5,519	2.8%	$31,217	2.7%	$47,840	3.0%	$34,943	3.9%	$119,519	3.2%
Held to maturity securities										
U.S. Treasury securities	$1,492	2.0%	$11,020	2.6%	$16,463	2.5%	$ —	—	$ 28,975	2.5%
Obligations of states and political subdivisions	1,434	3.3%	3,140	2.1%	3,440	2.8%	3,779	3.6%	11,793	3.0%
Total held to maturity securities	$2,926	2.6%	$14,160	2.5%	$19,903	2.6%	$ 3,779	3.6%	$ 40,768	2.6%
Total	$8,445	2.7%	$45,377	2.7%	$67,743	2.9%	$38,722	3.8%	$160,287	3.0%

(1) Weighted Average Yield is shown on a fully taxable equivalent basis using a federal tax rate of 21% at December 31, 2019 and December 31, 2018, respectively.

The Company evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Consideration is given to (1) credit quality of individual securities and their issuers are assessed; (2) the length of time and the extent to which the fair value has been less than cost; (3) the financial condition and near-term prospects of the issuer; and (4) that the Company does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis.

As of December 31, 2019, 20 debt securities had gross unrealized losses, with an aggregate depreciation of 0.11% from our amortized cost basis. The largest unrealized loss percentage of any single security was 1.87% (or $6,000) of its amortized cost. The largest unrealized dollar loss of any single security was $67,000 (or 1.46%) of its amortized cost.

As of December 31, 2018, 64 debt securities had gross unrealized losses, with an aggregate depreciation of 1.11% from our amortized cost basis. The largest unrealized loss percentage of any single security was 4.98% (or $148,000) of its amortized cost. This was also the largest unrealized dollar loss of any single security.

RETURN ON AVERAGE EQUITY AND ASSETS

Over the past five years, we have consistently improved our profitability as a result of the success of our growth strategies to grow quality loans and low-cost deposits as well as the improving economic conditions in our markets during the periods indicated in the table below. The following table sets forth our ROAA, ROAE, dividend payout ratio and average shareholders' equity to average assets ratio for the periods indicated:

	Year ended December 31,				
	2019	2018	2017	2016	2015
Return on average:					
Total assets	1.37%	1.43%	1.04%	1.13%	1.14%
Stockholders' equity	13.14%	15.36%	11.26%	12.01%	11.65%
Dividend payout ratio	20%	18%	26%	25%	24%
Average shareholders' equity to average assets	10.42%	9.72%	9.22%	9.69%	9.61%

LIQUIDITY AND CAPITAL RESOURCES

Impact of Inflation and Changing Prices. Our consolidated financial statements and related notes have been prepared in accordance with GAAP. GAAP generally requires the measurement of financial position and operating results in terms of historical dollars without consideration of changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on our performance than they would on industrial companies.

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.

Capital Adequacy. Total shareholders' equity was $230.2 million at December 31, 2019, compared to $174.3 million at December 31, 2018, and $161.7 million at December 31, 2017. Our total shareholders' equity increased during 2018 as a result of our profitability, reduced by dividends paid and common share repurchases. Our total shareholders' equity increased during 2017 primarily as a result of the Waupaca acquisition, and to a lesser extent due to our profitability, reduced by dividends paid and common share repurchases.

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 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 Schdule		Minimum Capital Required for Capital Adequacy Plus Capital Conservation Buffer Basel III Fully Phased In		Minimum To Be Well-Capitalized Under Ptompt Corective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
					(dollars in thousands)					
At December 31, 2019										
Bank First Corporation:										
Total capital (to risk-weighted assets)	$208,900	10.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tier I capital (to risk-weighted assets)	178,882	8.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Common equity tier I capital (to risk-weighted assets)	178,882	8.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tier I capital (to average assets)	178,882	8.5%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bank First, N.A:										
Total capital (to risk-weighted assets)	$215,347	10.7%	161,163	8.0%	211,527	10.50%	211,527	10.5%	201,454	10.0%
Tier I capital (to risk-weighted assets)	203,951	10.1%	120,872	6.0%	171,236	8.50%	171,236	8.5%	161,163	8.0%
Common equity tier I capital (to risk-weighted assets)	203,951	10.1%	90,654	4.5%	141,018	7.00%	141,018	7.0%	130,945	6.5%
Tier I capital (to average assets)	203,951	9.7%	84,390	4.0%	84,390	4.00%	84,390	4.0%	105,487	5.0%
At December 31, 2018										
Bank First Corporation:										
Total capital (to risk-weighted assets)	$181,201	11.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tier I capital (to risk-weighted assets)	157,453	9.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Common equity tier I capital (to risk-weighted assets)	157,453	9.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tier I capital (to average assets)	157,453	9.1%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bank First, N.A:										
Total capital (to risk-weighted assets)	$178,668	11.2%	127,497	8.0%	157,459	9.88%	167,340	10.5%	159,372	10.0%
Tier I capital (to risk-weighted	166,420	10.4%	95,623	6.0%	125,585	7.88%	135,466	8.5%	127,497	8.0%
Common equity tier I capital (to risk-weighted assets)	166,420	10.4%	71,717	4.5%	101,679	6.38%	111,560	7.0%	103,592	6.5%
Tier I capital (to average assets)	166,420	9.6%	69,410	4.0%	69,410	4.00%	69,410	4.0%	86,762	5.0%

As previously mentioned, the Company carried $18.6 and $11.5 million of subordinated debt as of December 31, 2019 and 2018, respectively, which is included in total capital for the Company in the tables above.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND CONTINGENCIES

The Company has entered into contractual obligations and commitments. The following tables summarize the Company's contractual cash obligations and other commitments by maturity at December 31, 2019:

	Payments Due—By Period as of December 31, 2019				
CONTRACUAL OBLIGATIONS	Total	Less Than One Year	One to Three Years	Three to Five Years	After Five Years
			(dollars in thousands)		
Certificates of deposit	$389,006	$214,360	$139,029	$33,019	$ 2,598
Subordinate debt	18,500	—	—	—	18,500
Line of credit	10,000	10,000	—	—	—
Operating lease obligations	3,969	133	253	172	3,411
Total contractual cash obligations	$421,475	$224,493	$139,282	$33,191	$24,509

We believe that we will be able to meet our contractual obligations as they come due through the maintenance of adequate cash levels. We expect to maintain adequate cash levels through profitability, loan and securities repayment and maturity activity and continued deposit gathering activities. We have in place various borrowing mechanisms for both short-term and long-term liquidity needs.

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 anytime, these commitments occasionally expire without being drawn upon. Our off-balance sheet arrangements as of December 31, 2019 were as follows:

	Amounts of Commitments Expiring—By Period as of December 31, 2019				
OTHER COMMITMENTS	Total	Less Than One Year	One to Three Years	Three to Five Years	After Five Years
			(dollars in thousands)		
Unused lines of credit	$383,209	$194,890	$47,214	$28,215	$112,890
Standby and direct pay letters of credit	17,121	5,354	5,050	5,426	1,291
Credit card arrangements	11,148	—	—	—	11,148
Total commitments	$411,478	$200,244	$52,264	$33,641	$125,329

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.

Selected Quarterly Financial Data

The following is selected financial data summarizing the results of operations for each quarter in the years ended December 31, 2019 and 2018.

	2019 Quarter Ended			
(dollars in thousands, except per share data)	December 31,	September 30,	June 30,	March 31,
Interest income	$23,795	$25,489	$20,158	$19,723
Interest expense	5,015	5,176	4,784	4,523
Net interest income	18,780	20,313	15,374	15,200
Provision for loan losses	1,125	3,000	500	625
Noninterest income	3,211	3,145	2,736	3,540
Noninterest expense	11,182	12,087	9,955	9,536
Provision for income taxes	2,225	1,712	1,666	1,992
Net income attributable to Bank First Corporation	$ 7,459	$ 6,659	$ 5,989	$ 6,587
Net income available to common shareholders	$ 7,459	$ 6,659	$ 5,989	$ 6,587
Basic earnings per common share*	$ 1.05	$ 0.95	$ 0.91	$ 1.00
Diluted earnings per common share*	$ 1.04	$ 0.93	$ 0.90	$ 1.00

	2018 Quarter Ended			
(dollars in thousands, except per share data)	December 31,	September 30,	June 30,	March 31,
Interest income	$19,753	$19,510	$19,372	$19,309
Interest expense	4,240	3,974	3,604	3,027
Net interest income	15,513	15,536	15,768	16,282
Provision for loan losses	750	800	900	485
Noninterest income	2,553	2,508	3,027	3,443
Noninterest expense	9,893	9,708	10,064	9,977
Provision for income taxes	1,362	1,604	1,431	2,200
Net income attributable to Bank First Corporation	$ 6,061	$ 5,932	$ 6,400	$ 7,063
Net income available to common shareholders	$ 6,061	$ 5,932	$ 6,400	$ 7,063
Basic earnings per common share*	$ 0.91	$ 0.89	$ 0.96	$ 1.05
Diluted earnings per common share*	$ 0.91	$ 0.89	$ 0.96	$ 1.05

*Cumulative quarterly per share performance may not equal annual per share totals due to the effects of the amount and timing of capital increases. When computing earnings per share for an interim period, the denominator is based on the weighted average shares outstanding during the interim period, and not on an annualized weighted average basis. Accordingly, the sum of the quarters' earnings per share data will not necessarily equal the year to date earnings per share data.

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 tables demonstrate 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.

As of December 31, 2019:

Change in Interest Rates (in Basis Points)	Percentage Change in Net Interst Income
+400	(0.6)%
+300	(0.4)%
+200	(0.2)%
+100	0.0%
-100	(1.1)%

As of December 31, 2018:

Change in Interest Rates (in Basis Points)	Percentage Change in Net Interst Income
+400	5.0%
+300	3.9%
+200	2.7%
+100	1.5%
-100	(4.1)%

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, 2019 estimated that, in the event of an instantaneous 200 basis point increase in interest rates, the Company would experience a 3.82% 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 3.24% 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BANK FIRST CORPORATION

AND SUBSIDIARIES

Manitowoc, Wisconsin

Consolidated Financial Statements

Years Ended December 31, 2019, 2018 and 2017

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Bank First Corporation
Manitowoc, Wisconsin

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Bank First Corporation and subsidiaries (the "Company") as of December 31, 2019, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2019. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

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 audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("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 the financial statements are free of material misstatement, whether due to error or fraud.

Our audit 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 included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit 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 audit provides a reasonable basis for our opinion.

/s/ Dixon Hughes Goodman LLP

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

Atlanta, Georgia
March 11, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors
Bank First Corporation
Manitowoc, Wisconsin

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Bank First Corporation and its subsidiaries (the "Company") as of December 31, 2018, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2018 and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

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 Public Company Accounting Oversight Board (United States) (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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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 included 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.

/s/ PORTER KEADLE MOORE, LLC

We have served as the Company's auditor since 2012.

Atlanta, Georgia
March 26, 2019

BLANK

Bank First Corporation and Subsidiaries
Consolidated Balance Sheets

	December 31 2019	December 31 2018
	(In Thousands, except share and per share data)	
Assets		
Cash and due from banks	$ 33,817	$ 41,435
Interest-bearing deposits	19,242	21,830
Federal funds sold	33,393	44,478
Cash and cash equivalents	86,452	107,743
Securities held to maturity, at amortized cost ($44,803 and $40,477 fair value at December 31, 2019 and 2018, respectively)	43,734	40,768
Securities available for sale, at fair value	181,506	118,906
Loans held for sale	587	—
Loans, net	1,724,947	1,416,246
Premises and equipment, net	35,286	24,489
Goodwill	43,456	15,024
Other investments	4,933	4,555
Cash value of life insurance	24,945	24,178
Identifiable intangible assets, net	9,666	5,297
Other real estate owned ("OREO")	6,888	3,592
Investment in minority-owned subsidiaries	40,287	25,397
Other assets	7,481	6,970
TOTAL ASSETS	$2,210,168	$1,793,165
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Interest-bearing deposits	$1,366,846	$1,108,402
Noninterest-bearing deposits	476,465	448,765
Total deposits	1,843,311	1,557,167
Securities sold under repurchase agreements	45,865	31,489
Notes payable	49,790	—
Subordinated notes	18,622	11,500
Other liabilities	22,369	18,686
Total liabilities	1,979,957	1,618,842
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 - 7,902,742 and 7,368,083 shares as of December 31, 2019 and 2018, respectively Outstanding - 7,084,728 and 6,610,358 shares as of December 31, 2019 and 2018, respectively	79	74
Additional paid-in capital	63,085	27,601
Retained earnings	189,494	168,363
Treasury stock, at cost - 818,014 and 757,725 shares as of December 31, 2019 and 2018, respectively	(24,941)	(21,349)
Accumulated other comprehensive income (loss)	2,494	(366)
Total stockholders' equity	230,211	174,323
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,210,168	$1,793,165

See accompanying notes to consolidated financial statements.

Bank First Corporation and Subsidiaries
Consolidated Statements of Income

	Years Ended December 31		
	2019	2018	2017
	(In Thousands, except per share amounts)		
Interest income:			
Loans, including fees	$82,939	$72,101	$48,863
Securities:			
Taxable	3,134	2,915	1,833
Tax-exempt	1,662	1,776	1,664
Other	1,430	1,152	1,112
Total interest income	89,165	77,944	53,472
Interest expense:			
Deposits	17,875	12,382	6,443
Securities sold under repurchase agreements	461	399	272
Borrowed funds	1,162	2,064	1,017
Total interest expense	19,498	14,845	7,732
Net interest income	69,667	63,099	45,740
Provision for loan losses	5,250	2,935	1,055
Net interest income after provision for loan losses	64,417	60,164	44,685
Noninterest income:			
Service charges	3,506	3,493	2,950
Income from Ansay and Associates, LLC ("Ansay")	1,792	2,114	1,663
Income from UFS, LLC ("UFS")	2,935	2,563	2,390
Loan servicing income	550	1,478	1,158
Net gain on sales of mortgage loans	1,401	617	895
Net gain (loss) on sales of securities	634	(31)	(32)
Net gain on sale of other investments	234	—	—
Noninterest income from strategic alliances	95	90	94
Other	1,485	1,176	698
Total noninterest income	12,632	11,500	9,816
Noninterest expense:			
Salaries, commissions, and employee benefits	22,903	21,500	16,595
Occupancy	3,860	3,498	3,097
Data processing	4,509	3,619	2,939
Postage, stationery, and supplies	591	620	452
Net (gain) loss on sales and valuations of OREO	(73)	252	(49)
Advertising	268	220	183
Charitable contributions	566	985	495
Outside service fees	3,041	3,132	3,317
Amortization of intangibles	1,069	756	132
Other	6,026	5,029	3,201
Total noninterest expense	42,760	39,611	30,362
Income before provision for income taxes	34,289	32,053	24,139
Provision for income taxes	7,595	6,597	8,826
Net Income	$26,694	$25,456	$15,313
Earnings per share - basic	$ 3.91	$ 3.81	$ 2.44
Earnings per share - diluted	$ 3.87	$ 3.81	$ 2.44
Dividends per share	$ 0.80	$ 0.68	$ 0.64

See accompanying notes to consolidated financial statements

Bank First Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2019	2018	2017
	(In Thousands)		
Net Income	$26,694	$25,456	$15,313
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale securities:			
Unrealized holding gains (losses) arising during period	4,378	(1,761)	962
Amortization of unrealized holding gains on securities transferred from available for sale to held to maturity	(44)	(76)	(131)
Reclassification adjustment for (gains) losses included in net income	(634)	31	32
Income tax benefit (expense)	(840)	463	(339)
Total other comprehensive income (loss)	2,860	(1,343)	524
Comprehensive income	$29,554	$24,113	$15,837

See accompanying notes to consolidated financial statements.

Bank First Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Serial Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
	(In Thousands, except share and per share amounts)						
Balance at January 1, 2017	$ —	$67	$ 2,828	$134,773	$(10,437)	$ 292	$127,523
Net income	—	—	—	15,313	—	—	15,313
Reclassification adjustment for tax rate change	—	—	—	(161)	—	161	—
Other comprehensive income	—	—	—	—	—	524	524
Purchase of treasury stock	—	—	—	—	(3,631)	—	(3,631)
Sale of treasury stock	—	—	—	—	896	—	896
Shares issued in the acquistion of Waupaca Bancorporation, Inc. (653,523 shares)	—	7	24,677	—	—	—	24,684
Cash dividends ($0.64 per share)	—	—	—	(4,046)	—	—	(4,046)
Amortization of stock-based compensation	—	—	465	—	—	—	465
Vesting of restricted stock awards	—	—	(442)	—	442	—	—
Balance at December 31, 2017	—	74	27,528	145,879	(12,730)	977	161,728
Net income	—	—	—	25,456	—	—	25,456
Change in accounting principle in unconsolidated subsidiary	—	—	—	1,558	—		1,558
Other comprehensive loss	—	—	—	—	—	(1,343)	(1,343)
Purchase of treasury stock	—	—	—	—	(10,449)	—	(10,449)
Sale of treasury stock	—	—	—	—	1,347	—	1,347
Cash dividends ($0.68 per share)	—	—	—	(4,530)	—	—	(4,530)
Amortization of stock-based compensation	—	—	556	—	—	—	556
Vesting of restricted stock awards	—	—	(483)	—	483	—	—
Balance at December 31, 2018	—	74	27,601	168,363	(21,349)	(366)	174,323
Net income	—	—	—	26,694	—	—	26,694
Change in accounting principle in unconsolidated subsidiary	—	—	—	(100)	—	—	(100)
Other comprehensive income	—	—	—	—	—	2,860	2,860
Purchase of treasury stock	—	—	—	—	(4,205)	—	(4,205)
Issuance of treasury stock as deferred compensation payout	—	—	26	—	88	—	114
Shares issued in the acquisition of Partnership Community Bancshares, Inc. (534,659 shares)	—	5	35,298	—	—	—	35,303
Cash dividends ($0.80 per share)	—	—	—	(5,463)	—	—	(5,463)
Amortization of stock-based compensation	—	—	685	—	—	—	685
Vesting of restricted stock awards	—	—	(525)	—	525	—	—
Balance at December 31, 2019	$ —	$79	$63,085	$189,494	$(24,941)	$ 2,494	$230,211

See accompanying notes to consolidated financial statements.

Bank First Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended December 31 2019	2018	2017
	(In Thousands)		
Cash flows from operating activities:			
Net income	$ 26,694	$ 25,456	$ 15,313
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	5,250	2,935	1,055
Depreciation and amortization of premises and equipment	1,273	1,116	1,126
Amortization of intangibles	1,069	756	132
Net amortization of securities	388	406	678
Amortization of stock-based compensation	685	556	465
Accretion of purchase accounting valuations	(7,077)	(6,056)	(1,626)
Net change in deferred loan fees and costs	(216)	231	651
Expense for deferred income taxes	856	1,148	624
Change in fair value of mortgage servicing rights ("MSR") and other investments	775	(119)	224
Loss from sale and disposal of premises and equipment	23	455	—
(Gain) loss on sale of OREO and valuation allowance	(73)	252	(49)
Proceeds from sales of mortgage loans	86,057	37,891	51,365
Originations of mortgage loans held for sale	(85,983)	(37,630)	(50,898)
Gain on sales of mortgage loans	(1,401)	(617)	(895)
Realized (gain) loss on sale of securities available for sale and other investments	(868)	31	32
Undistributed income of UFS joint venture	(2,935)	(2,563)	(2,390)
Undistributed income of Ansay joint venture	(1,792)	(2,114)	(1,663)
Net earnings on life insurance	(625)	(608)	(549)
(Increase) decrease in other assets	(720)	306	278
Increase in other liabilities	1,268	1,220	4,450
Net cash provided by operating activities	22,648	23,052	18,323
Cash flows from investing activities, net of effects of business combination:			
Activity in securities available for sale and held to maturity:			
Sales	45,506	4,467	48,906
Maturities, prepayments, and calls	13,364	15,559	12,970
Purchases	(103,848)	(22,909)	(49,594)
Net increase in loans	(36,496)	(29,229)	(46,708)
Dividends received from UFS	2,108	1,505	915
Dividends received from Ansay	1,329	1,432	964
Proceeds from sale of loans acquired in business combination	—	—	13,000
Proceeds from sale of OREO	1,704	3,736	329
Proceeds from sales of other investments	984	2,671	500
Net purchases of FHLB Stock	(65)	—	—
Proceeds from life insurance	—	152	—
Proceeds from sale of premises and equipment	—	445	—
Purchases of premises and equipment	(7,268)	(7,927)	(2,825)
Investment in Ansay	(13,700)	—	—
Net cash used in business combination	(9,771)	—	(19,882)
Net cash used in investing activities	(106,153)	(30,098)	(41,425)

See accompanying notes to consolidated financial statements.

	Years Ended December 31		
	2019	2018	2017
	(In Thousands)		
Cash flows from financing activities, net of effects of business combination:			
Net increase in deposits	$ 17,506	$ 51,023	$ 34,241
Net (decrease) increase in securities sold under repurchase agreements	14,376	(16,079)	(2,538)
Proceeds from advances of borrowed funds	34,000	1,214,200	476,500
Repayment of borrowed funds	(4,000)	(1,214,200)	(476,500)
Proceeds from revolving line of credit	10,000	—	5,000
Repayment of revolving line of credit	—	(5,000)	—
Proceeds from note payable	—	—	3,500
Repayment of note payable	—	(3,500)	—
Proceeds from subordinated debt	—	—	11,500
Dividends paid	(5,463)	(4,530)	(4,046)
Proceeds from sales of common stock	—	1,347	896
Repurchase of common stock	(4,205)	(10,449)	(3,631)
Net cash provided by financing activities	62,214	12,812	44,922
Net increase (decrease) in cash and cash equivalents	(21,291)	5,766	21,820
Cash and cash equivalents at beginning of year	107,743	101,977	80,157
Cash and cash equivalents at end of year	$ 86,452	$ 107,743	$ 101,977
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 18,938	$ 14,440	$ 6,751
Income taxes	6,677	5,775	7,981
Supplemental schedule of noncash activities:			
Loans transferred to OREO	4,927	1,310	2,259
MSR resulting from sale of loans	740	356	428
Amortization of unrealized holding gains on securities transferred from available for sale to held to maturity recognized in other comprehensive income, net of tax	(35)	(60)	(80)
Change in unrealized gains and losses on investment securities available for sale, net of tax	2,895	(1,367)	604
Payment of deferred compensation through issuance of treasury stock	114	—	—
Initial recognition of right-of-use lease asset and liability	1,699	—	—
Acquisition:			
Fair value of assets acquired	$307,768	$ —	$ 418,235
Fair value of liabilities assumed	286,612	—	347,276
Net assets acquired	$ 21,156	$ —	$ 70,959
Common stock issued in acquisition	$ 35,303	$ —	$ 24,684

See accompanying notes to consolidated financial statements.

Note 1 Summary of Significant Accounting Policies

The accounting and reporting policies of Bank First Corporation and Subsidiaries ("Corporation") 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 Corporation and its wholly owned subsidiaries, Veritas Asset Holdings, LLC ("Veritas") and Bank First, National Association ("Bank"). The Bank's wholly owned subsidiaries are Bank First Investments, Inc. and TVG Holdings, Inc. ("TVG"). 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 owns 49.8% of UFS which provides data processing solutions to over 60 banks in the Midwest. TVG owns 40.0% of Ansay providing clients throughout the Midwest with superior insurance and risk management solutions.

Organization

The Corporation 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 loan 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 Corporation 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 Corporation recognizes the full fair value of the assets acquired and liabilities assumed and immediately expenses transaction costs. There is no separate recognition of the acquired allowance for loan losses on the acquirer's balance sheet as credit related factors are incorporated directly into the fair value of the net tangible and intangible assets acquired. 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 Corporation 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, 2019 and 2018 were approximately $1,900,000 and $1,013,000, respectively. The Bank is required to maintain deposits on hand or with the Federal Reserve Bank to meet specific reserve requirements. For December 31, 2019 and 2018 those required reserves were approximately $26,184,000 and $28,302,000 respectively.

Securities

Securities are classified as held to maturity or available for sale at the time of purchase. Investment securities classified as held to maturity, which management has the intent and ability to hold to maturity, are reported at amortized cost. Investment 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 net carrying value of debt securities classified as held to maturity or available for sale 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 held to maturity classification from the available for sale 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 held to maturity 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.

Unrealized gains or losses considered temporary and the noncredit portion of unrealized losses deemed other-than-temporary are reported as an increase or decrease in accumulated other comprehensive income. The credit related portion of unrealized losses deemed other-than-temporary is recorded in current period earnings. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings. The Bank evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. As part of such monitoring, the credit quality of individual securities and their issuers are assessed. In addition, management considers the length of time and extent that fair value has been less than cost, the financial condition and near-term prospects of the issuer, and that the Corporation does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis. Adjustments to market value that are considered temporary are recorded as a separate component of equity, net of tax. If an impairment of security is identified as other-than-temporary based on information available such as the decline in the credit worthiness of the issuer, external market ratings or the anticipated or realized elimination of associated dividends, such impairments are further analyzed to determine if a credit loss exists. If there is a credit loss, it will be recorded in the consolidated statement of income in the period of identification.

Other Investments

Other investments are carried at cost, or, where available, recently observable market prices, which approximates fair value, and consist of Federal Home Loan Bank of Chicago ("FHLB") stock, Federal Reserve Bank stock, Bankers' Bancorporation stock and preferred stock in a community development project. 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 generally reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. The accrual of interest on loans is calculated using the simple interest method on daily balances of the principal amount outstanding and is recognized in the period earned utilizing the loan convention applicable by loan type. Loan origination fees, net of certain direct loan origination costs, are deferred and recognized in interest income using the effective interest method over the estimated life of the loan.

The accrual of interest is discontinued when a loan becomes 90 days past due and is not both well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. When loans are placed on nonaccrual or charged off, all unpaid accrued interest is reversed and additional income is recorded only to the extent that payments are received and the collection of principal is reasonably assured. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, when the obligation has performed in accordance with the contractual terms for a reasonable period of time, and future payments of principal and interest are reasonably assured. Loans are considered impaired if it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. Total impaired loans are evaluated based on the fair value of the collateral rather than on discounted cash flow basis.

Loans and Related Interest Income - Acquired

Acquired loans are recorded at their estimated fair value at the acquisition date, and are initially classified as either purchase credit impaired ("PCI") loans (i.e. loans that reflect credit deterioration since origination and it is probable at acquisition that the Corporation will be unable to collect all contractually required payments) or purchased non-impaired loans (i.e. performing acquired loans).

PCI loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality, found in FASB ASC Topic 310-30, Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality. The Corporation estimates the amount and timing of expected principal, interest and other cash flows for each loan or pool of loans meeting the criteria above, and determines the excess of the loan's scheduled contractual principal and contractual interest payments over all cash flows expected to be collected at acquisition as an amount that should not be accreted. These credit discounts (nonaccretable marks) are included in the determination of the initial fair value for acquired loans; therefore, an allowance for loan losses is not recorded at the acquisition date. Differences between the estimated fair values and expected cash flows of acquired loans at the acquisition date that are not credit-based (accretable marks) are subsequently accreted to interest income over the estimated life of the loans using a method that approximates a level yield method if the timing and amount of the future cash flows is reasonably estimable. Subsequent to the acquisition date for PCI loans, increases in cash flows over those expected at the acquisition date result in a move of the discount from nonaccretable to accretable. Decreases in expected cash flows after the acquisition date are recognized through the provision for loan losses.

Performing acquired loans are accounted for under FASB ASC Topic 310-20, Receivables—Nonrefundable Fees and Other Costs. Performance of certain loans may be monitored and based on management's assessment of the cash flows and other facts available, portions of the accretable difference may be delayed or suspended if management deems appropriate. The Corporation's policy for determining when to discontinue accruing interest on performing acquired loans and the subsequent accounting for such loans is essentially the same as the policy for originated loans described above.

Allowance for Loan Losses - Originated
The allowance for loan losses ("ALL") is established through a provision for loan losses charged to expense as losses are estimated to have occurred. Loan losses are charged against the allowance when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

Management regularly evaluates the allowance for loan losses using general economic conditions, the Corporation's past loan loss experience, composition of the portfolio, and other relevant factors. This evaluation is inherently subjective since it requires material estimates that may be susceptible to significant change.

The ALL consists of specific reserves for certain impaired loans and general reserves for non-impaired loans. Specific reserves reflect estimated losses on impaired loans from management's analyses developed through specific credit allocations. The specific credit reserves are based on regular analyses of impaired non-homogenous loans greater than $250,000. These analyses involve a high degree of judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values. The general reserve is based on the Bank's historical loss experience which is updated quarterly. The general reserve portion of the ALL also includes consideration of certain qualitative factors such as 1) changes in lending policies and/or underwriting practices, 2) national and local economic conditions 3) changes in portfolio volume and nature, 4) experience, ability and depth of lending management and other relevant staff, 5) levels of and trends in past-due and nonaccrual loans and quality, 6) changes in loan review and oversight, 7) impact and effects of concentrations and 8) other issues deemed relevant.

Management believes that the allowance for loan losses 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 allowance for loan losses. 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 Loan Losses - Acquired
An ALL is calculated using a methodology similar to that described for originated loans. Performing acquired loans are subsequently evaluated for any required allowance at each reporting date. Such required allowance for each loan pool is compared to the remaining fair value discount for that pool. If greater, the excess is recognized as an addition to the allowance through a provision for loan losses. If less than the discount, no additional allowance is recorded. Charge-offs and losses first reduce any remaining fair value discount for the loan pool and once the discount is depleted, losses are applied against the allowance established for that pool.

For PCI loans after acquisition, cash flows expected to be collected are recast for each loan periodically as determined appropriate by management. If the present value of expected cash flows for a loan is less than its carrying value, impairment is reflected by an increase in the ALL and a charge to the provision for loan losses. If the present value of the expected cash flows for a loan is greater than its carrying value, any previously established ALL is reversed and any remaining difference increases the accretable yield which will be taken into income over the remaining life of the loan. Loans which were considered troubled debt restructurings by Partnership Community Bancshares, Inc. and Waupaca Bancorporation, Inc. prior to the acquisition are not required to be classified as troubled debt restructurings in the Corporation's consolidated financial statements unless or until such loans would subsequently meet criteria to be classified as such, since acquired loans were recorded at their estimated fair values at the time of the acquisition.

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 are held for sale and are initially recorded at fair value at the date of foreclosure 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 loan 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 and mortgage servicing assets and the excess of purchase price over fair value of net assets (goodwill). 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. See Note 2 for additional information on acquisitions completed in 2019 and 2017.

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 Corporation 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 Corporation evaluated goodwill and core deposit intangibles for impairment during 2019, 2018 and 2017, determining that there was no goodwill or core deposit intangible impairment.

Income Taxes
The Corporation files one consolidated federal income tax return and two 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 Corporation are recorded as treasury stock at cost.

Securities Sold Under Repurchase Agreements
The Corporation 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 Corporation may have to provide additional collateral to the counterparty, as necessary.

Off-Balance-Sheet Financial Instruments
In the ordinary course of business, the Corporation 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 6,820,225, 6,673,758, and 6,285,901 for the years ended December 31, 2019, 2018 and 2017, 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 82,391 average shares of dilutive instruments outstanding during the year ended December 31, 2019. There were no dilutive instruments outstanding during 2018 or 2017.

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, 2019 and 2018.

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 Corporation presents comprehensive income in the statement of comprehensive income.

Stock-based Compensation
The Corporation 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 (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 2018 and 2017 amounts have been reclassified to conform to the presentation used in 2019. These reclassifications had no effect on the operations, financial condition or cash flows of the Corporation.

New Accounting Pronouncements
In May 2014, the FASB issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)* (ASU 2015-14) was issued in August 2015 which defers adoption to annual reporting periods beginning after December 15, 2017 and interim reporting periods within that year. The timing of the Corporation's revenue recognition did not materially change. The Corporation's largest portions of revenue, interest and fees on loans and gain on sales of loans, are specifically excluded from the scope of the guidance, and the Corporation currently recognizes the majority of the remaining revenue sources in a manner that management believes is consistent with the new guidance. Unconsolidated subsidiaries of the Bank did have a material impact as a result of this ASU, and implementation resulted in a decrease of $100,000 to retained earnings during 2019 and an increase of $1,588,000 to retained earnings during 2018.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). This guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. Entities will be required to measure these investments at fair value at the end of each reporting period and recognize changes in fair value in net income. A practicability exception will be available for equity investments that do not have readily determinable fair values; however, the exception requires the Corporation to adjust the carrying amount for impairment and observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This guidance also changes certain disclosure requirements and other aspects of current GAAP. This guidance was effective for fiscal years beginning after December 15, 2017 and for interim reporting periods within that year. The adoption of this ASU did not have a material impact on the Corporation's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) (ASU 2016-02). Certain aspects of this ASU were updated in July 2018 by the issuance of ASU, 2018-10, *Codification Improvements to Topic 842, Leases.* The new guidance established the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. Entities are required to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. This guidance was effective for fiscal years beginning after December 15, 2018 and interim reporting periods within that year. See Note 21 for details concerning how the adoption of this ASU impacted the Corporation's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments. Certain aspects of this ASU were updated in November 2018 by the issuance of ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. The main objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. During 2019 FASB issued ASU 2019-10 which delayed the effective date of ASU 2016-13 for smaller, publicly traded companies, until interim and annual periods beginning after December 15, 2022. This delay applies to the Corporation as it was classified as a "Smaller reporting company" as defined in Rule 12b-2 of the Exchange Act as of the date ASU 2019-10 was enacted. The Corporation is currently evaluating the impact of ASU 2016-13 on the consolidated financial statements, although the general expectation in the banking industry is that the implementation of this standard will result in higher required balances in the allowance for loan losses.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendments in this ASU were issued to address concerns over the cost and complexity of the two-step goodwill impairment test and resulted in the removal of the second step of the test. The amendments require an entity to apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This ASU is intended to reduce the cost and complexity of the two-step goodwill impairment test and is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted for testing performed after January 1, 2017. Upon adoption, the amendments should be applied on a prospective basis and the entity is required to disclose the nature of and reason for the change in accounting principle upon transition. The adoption of this guidance is not expected to have a significant impact on the Corporation's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The amendments in this ASU shortened the amortization period for certain callable debt securities held at a premium. Specifically, the amendments required the premium to be amortized to the earliest call date. The amendments did not require an accounting change for securities held at a discount as discounts continue to be accreted to maturity. This ASU was intended to more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities. In most cases, market participants price securities to the call date that produces the worst yield when the coupon is above current market rates and prices securities to maturity when the coupon is below market rates. As a result, the amendments more closely aligned interest income recorded on bonds held at a premium or a discount with the economics of the underlying instrument. This ASU was intended to reduce diversity in practice and was effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Upon adoption, the amendments were applied using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity was to provide disclosures about a change in accounting principles. The adoption of this guidance did not have an impact on the Corporation's consolidated financial statements as all premiums within its securities portfolio were already being amortized to the earliest call date prior to implementation.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The amendments of this ASU better align an entity's accounting and financial reporting for hedging activities with the economic objectives of those activities. The ASU was effective for fiscal years beginning after December 15, 2018 and interim reporting periods within that fiscal year, with early adoption permitted. The adoption of this guidance did not have a significant impact on the Corporation's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Stock Compensation—Improvements to Nonemployee Share-Based Payment Accounting*, which simplified several aspects of the accounting for nonemployee share-based payment transactions for acquiring goods or services from nonemployees. The amendment was effective for the fiscal years beginning after December 15, 2018, with early adoption permitted. The adoption of this guidance did not have a significant impact on the Corporation's consolidated financial statements.

Note 2 Acquisitions

Partnership Community Bancshares, Inc.

On July 12, 2019, the Corporation completed a merger with Partnership Community Bancshares, Inc. ("Partnership"), a bank holding company headquartered in Cedarburg, Wisconsin, pursuant to the Agreement and Plan of Bank Merger, dated as of January 22, 2019 and as amended on April 30, 2019, by and among the Corporation and Partnership, whereby Partnership merged with and into the Corporation, and Partnership Bank, Partnership's wholly-owned banking subsidiary, merged with and into the Bank. Partnership's principal activity was the ownership and operation of Partnership Bank, a state-chartered banking institution that operated four branches in Wisconsin at the time of closing. The merger consideration totalled approximately $49,588,000.

Pursuant to the terms of the Merger Agreement, Partnership shareholders had the option to receive either 0.34879 shares of the Corporation's common stock or $17.3001 in cash for each outstanding share of Partnership common stock, and cash in lieu of any remaining fractional share. The stock versus cash elections by the Partnership shareholders were subject to final consideration being made up of approximately $14,285,000 in cash and 534,659 shares of Corporation common stock, valued at approximately $35,303,000 (based on a value of $66.03 per share on the closing date).

The purpose of the merger was for strategic reasons beneficial to the Corporation. The acquisition is consistent with its plan to drive growth and efficiency through increased scale, leverage the strengths of each bank across the combined customer base, enhance profitability, and add liquidity and shareholder value.

The Corporation accounted for the transaction under the acquisition method of accounting, and thus, the financial position and results of operations of Partnership prior to the consummation date were not included in the accompanying consolidated financial statements. The accounting required assets purchased and liabilities assumed to be recorded at their respective fair values at the date of acquisition. The Corporation determined 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 will be subject to refinement for up to one year after the consummation as additional information becomes available relative to the closing date fair values.

The fair value of the assets acquired and liabilities assumed on July 12, 2019 was as follows:

(in thousands)	As Recorded by Partnership Community Bancshares	Fair Value Adjustments	As Recorded by Bank First Corporation
Cash, cash equivelants and securities	$ 21,447	$ (291)	$ 21,156
Other investments	441		441
Loans	276,279	(957)	275,322
Premises and equipment, net	6,066	(2,940)	3,126
Core deposit intangible	—	4,236	4,236
Other assets	3,668	(181)	3,487
Total assets acquired	$307,901	$ (133)	$307,768
Deposits	$268,653	$ 154	$268,807
Subordinated debt	7,000	195	7,195
Other borrowings	9,800	(18)	9,782
Other liabilities	841	(13)	828
Total liabilities assumed	$286,294	$ 318	$286,612
Excess of assets acquired over liabilties assumed	$ 21,607	$ (451)	$ 21,156
Less: purchase price			49,588
Goodwill			$ 28,432

Waupaca Bancorporation, Inc.

On October 27, 2017, the Corporation completed a merger with Waupaca Bancorporation, Inc. ("Waupaca"), a bank holding company headquartered in Waupaca, Wisconsin, pursuant to the Agreement and Plan of Bank Merger, dated as of May 11, 2017 and as amended on July 20, 2017, by and among the Corporation, BFNC Merger Sub, LLC, a wholly-owned subsidiary of the Corporation, and Waupaca, whereby Waupaca merged with and into the Corporation, and First National Bank, Waupaca's wholly-owned banking subsidiary, was merged with and into the Bank. Waupaca's principal activity was the ownership and operation of First National Bank, a national banking institution that operated eight (8) branches in Wisconsin at the time of closing. The merger consideration totalled approximately $78,060,000, 70% of which was distributed in cash and 30% of which was distributed in the form of Corporation common stock.

The fair value of the assets acquired and liabilities assumed on October 27, 2017 was as follows:

(in thousands)	As recorded by Waupaca Bancorporation, Inc.	Fair Value Adjustment	As recorded by Bank First Corporation
Cash, cash equivalents and securities	$ 62,174	$ (400)	$ 61,774
Loans	337,548	1,716	339,264
Other real estate owned	3,348	(640)	2,708
Premises and equipment, net	7,661	(4,105)	3,556
Core deposit intangible	—	3,097	3,097
Other assets	8,182	(346)	7,836
Total assets acquired	$418,913	$ (678)	$418,235
Deposits	$344,798	$ 810	$345,608
Other liabilities	1,605	63	1,668
Total liabilities assumed	$346,403	$ 873	$347,276
Excess of assets acquired over liabilities assumed	$ 72,510	$(1,551)	$ 70,959
Less: purchase price			78,060
Goodwill (originally recorded)			7,101
Refinement to fair value estimates during 2018			(61)
Goodwill (after refinement)			$ 7,040

Note 3 Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2019				
Obligations of U.S. Government sponsored agencies	$ 12,218	$ —	$ (158)	$ 12,060
Obligations of states and political subdivisions	52,594	2,197	(20)	54,771
Mortgage-backed securities	50,770	988	(38)	51,720
Corporate notes	62,794	172	(11)	62,955
Total available for sale securities	$178,376	$3,357	$ (227)	$181,506
December 31, 2018				
Obligations of states and political subdivisions	$ 51,292	$ 709	$ (108)	$ 51,893
Mortgage-backed securities	51,519	66	(1,016)	50,569
Corporate notes	16,708	—	(264)	16,444
Total available for sale securities	$119,519	$ 775	$(1,388)	$118,906

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2019				
U.S. Treasury securities	$33,527	$1,076	$ (22)	$34,581
Obligations of states and political subdivisions	10,207	15	—	10,222
Total held to maturity securities	$43,734	$1,091	$ (22)	$44,803
December 31, 2018				
U.S. Treasury securities	$28,975	$ 92	$(389)	$28,678
Obligations of states and political subdivisions	11,793	6	—	11,799
Total held to maturity securities	$40,768	$ 98	$(389)	$40,477

At December 31, 2019, unrealized losses in the investment securities portfolio related to debt securities. The unrealized losses on these debt securities arose primarily due to changing interest rates and are considered to be temporary. From the December 31, 2019 tables above, 1 out of 15 U.S. Treasury securities, 5 out of 5 U.S. Government sponsored agency securities, 5 out of 101 obligations of states and political subdivisions, 8 out of 82 mortgage-backed securities, and 1 out of 7 corporate notes contained unrealized losses. At December 31, 2019 and 2018, management has both the intent and ability to hold securities containing unrealized losses.

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	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2019 - Available for Sale						
Obligations of U.S. Government sponsored agencies	$12,059	$(158)	$ —	$ —	$12,059	$ (158)
Obligations of states and political subdivisions	5,636	(19)	999	(1)	6,635	(20)
Mortgage-backed securities	4,038	(26)	2,187	(12)	6,225	(38)
Corporate notes	3,925	(11)	—	—	3,925	(11)
Totals	$25,658	$(214)	$ 3,186	$ (13)	$28,844	$ (227)
December 31, 2019 - Held to Maturity						
U.S. Treasury securities	$ 2,958	$ (22)	$ —	$ —	$ 2,958	$ (22)
December 31, 2018 - Available for Sale						
Obligations of states and political subdivisions	$10,024	$ (64)	$ 4,132	$ (44)	$14,156	$ (108)
Mortgage-backed securities	13,352	(183)	31,718	(833)	45,070	(1,016)
Corporate notes	—	—	12,531	(264)	12,531	(264)
Totals	$23,376	$(247)	$48,381	$(1,141)	$71,757	$(1,388)
December 31, 2018 - Held to Maturity						
U.S. Treasury securities	$ 8,422	$ (46)	$11,580	$ (343)	$20,002	$ (389)

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, 2019 (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	$ 47,437	$ 47,446	$ 4,136	$ 4,151
Due after one year through 5 years	23,339	23,783	16,777	17,120
Due after 5 years through ten years	13,153	13,843	19,912	20,623
Due after 10 years	43,677	44,714	2,909	2,909
Subtotal	127,606	129,786	43,734	44,803
Mortgage-backed securities	50,770	51,720	—	—
Total	$178,376	$181,506	$43,734	$44,803

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):

	2019	2018	2017
Proceeds from sales of securities	$45,506	$4,467	$48,906
Gross gains on sales	657	41	73
Gross losses on sales	(23)	(72)	(105)

As of December 31, 2019 and 2018, 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 $137,640,000 and $69,679,000, respectively.

Note 4 Loans

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

	2019	2018
Commercial/industrial	$ 302,538	$ 297,576
Commercial real estate - owner occupied	459,782	416,097
Commercial real estate - non-owner occupied	353,723	252,717
Construction and development	132,296	60,927
Residential 1-4 family	448,605	368,673
Consumer	29,462	26,854
Other	10,440	6,369
Subtotals	1,736,846	1,429,213
ALL	(11,396)	(12,248)
Loans, net of ALL	1,725,450	1,416,965
Deferred loan fees and costs	(503)	(719)
Loans, net	$1,724,947	$1,416,246

A summary of the activity in the allowance for loan losses by loan type as of December 31, 2019 and December 31, 2018 is as follows (dollar amounts in thousands):

	Commercial / Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Total
ALL - January 1, 2019	$ 3,021	$ 3,750	$ 2,100	$ 725	$ 2,472	$ 148	$ 32	$ 12,248
Charge-offs	(1,229)	(4,994)	(62)	—	(276)	(76)	(41)	(6,678)
Recoveries	11	356	60	—	130	11	8	576
Provision	517	5,475	(520)	(177)	(157)	58	54	5,250
ALL - December 31, 2019	2,320	4,587	1,578	548	2,169	141	53	11,396
ALL ending balance individually evaluated for impairment	760	80	—	—	—	—	—	840
ALL ending balance collectively evaluated for impairment	$ 1,560	$ 4,507	$ 1,578	$ 548	$ 2,169	$ 141	$ 53	$ 10,556
Loans outstanding - December 31, 2019	$302,538	$459,782	$353,723	$132,296	$448,605	$29,462	$10,440	$1,736,846
Loans ending balance individually evaluated for impairment	1,878	960	—	—	—	—	—	2,838
Loans ending balance collectively evaluated for impairment	$300,660	$458,822	$353,723	$132,296	$448,605	$29,462	$10,440	$1,734,008

	Commercial / Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Total
ALL - January 1, 2018	$ 2,362	$ 3,376	$ 1,987	$ 945	$ 2,728	$ 191	$ 23	$ 11,612
Charge-offs	(35)	(2,374)	—	(83)	(140)	(48)	(37)	(2,717)
Recoveries	2	158	3	—	233	12	10	418
Provision	692	2,590	110	(137)	(349)	(7)	36	2,935
ALL - December 31, 2018	3,021	3,750	2,100	725	2,472	148	32	12,248
ALL ending balance individually evaluated for impairment	566	353	—	—	160	—	—	1,079
ALL ending balance collectively evaluated for impairment	$ 2,455	$ 3,397	$ 2,100	$ 725	$ 2,312	$ 148	$ 32	$ 11,169
Loans outstanding - December 31, 2018	$297,576	$416,097	$252,717	$60,927	$368,673	$26,854	$6,369	$1,429,213
Loans ending balance individually evaluated for impairment	5,667	7,796	—	—	702	—	—	14,165
Loans ending balance collectively evaluated for impairment	$291,909	$408,301	$252,717	$60,927	$367,971	$26,854	$6,369	$1,415,048

A summary of past due loans as of December 31, 2019 are as follows (dollar amounts in thousands):

	30-89 Days Past Due Accruing	90 Days or more Past Due and Accruing	Non-Accrual	2019 Total
Commercial/industrial	$ 235	$ —	$1,923	$2,158
Commercial real estate - owner occupied	1,124	—	2,513	3,637
Commercial real estate - non-owner occupied	—	—	75	75
Construction and development	768	11	—	779
Residential 1-4 family	805	307	550	1,662
Consumer	70	36	32	138
Other	—	—	—	—
	$3,002	$354	$5,093	$8,449

A summary of past due loans as of December 31, 2018 are as follows (dollar amounts in thousands):

	30-89 Days Past Due Accruing	90 Days or more Past Due and Accruing	Non-Accrual	2018 Total
Commercial/industrial	$ 76	$ —	$ 8,001	$ 8,077
Commercial real estate - owner occupied	59	—	10,311	10,370
Commercial real estate - non-owner occupied	—	58	233	291
Construction and development	—	—	—	—
Residential 1-4 family	275	362	1,549	2,186
Consumer	9	3	5	17
Other	—	—	—	—
	$419	$423	$20,099	$20,941

Credit Quality:

We utilize a numerical risk rating system for commercial relationships whose total indebtedness equals $250,000 or more. All other types of relationships (ex: residential, consumer, commercial under $250,000 of indebtedness) 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 Corporation 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.

The breakdown of loans by risk rating as of December 31, 2019 is as follows (dollar amounts in thousands):

	Pass (1-5)	6	7	8	Total
Commercial/industrial	$ 290,180	$ 5,329	$ 7,029	$ —	$ 302,538
Commercial real estate - owner occupied	422,336	5,603	31,843	—	459,782
Commercial real estate - non-owner occupied	344,278	8,774	671	—	353,723
Construction and development	132,266	—	30	—	132,296
Residential 1-4 family	447,630	256	719	—	448,605
Consumer	29,430	—	32	—	29,462
Other	10,440	—	—	—	10,440
	$1,676,560	$19,962	$40,324	$ —	$1,736,846

The breakdown of loans by risk rating as of December 31, 2018 is as follows (dollar amounts in thousands):

	Pass (1-5)	6	7	8	Total
Commercial/industrial	$ 277,993	$ 7,309	$12,274	$—	$ 297,576
Commercial real estate - owner occupied	375,614	5,670	34,789	24	416,097
Commercial real estate - non-owner occupied	249,625	—	3,092	—	252,717
Construction and development	60,866	—	61	—	60,927
Residential 1-4 family	364,289	664	3,718	2	368,673
Consumer	26,835	—	18	1	26,854
Other	6,369	—	—	—	6,369
	$1,361,591	$13,643	$53,952	$27	$1,429,213

The ALL represents management's estimate of probable and inherent credit losses in the loan portfolio. Estimating the amount of the ALL requires the exercise of significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogenous loans based on historical loss experience, and consideration of other qualitative factors such as current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset on the consolidated balance sheets. Loan losses are charged off against the ALL, while recoveries of amounts previously charged off are credited to the ALL. A provision for loan losses ("PFLL") is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors.

The ALL consists of specific reserves for certain individually evaluated impaired loans and general reserves for collectively evaluated non-impaired loans. Specific reserves reflect estimated losses on impaired loans from management's analyses developed through specific credit allocations. The specific reserves are based on regular analyses of impaired, non-homogenous loans greater than $250,000. These analyses involve a high degree of judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values. The general reserve is based in part on the Bank's historical loss experience which is updated quarterly. The general reserve portion of the ALL also includes consideration of certain qualitative factors such as 1) changes in lending policies and/or underwriting practices, 2) national and local economic conditions, 3) changes in portfolio volume and nature, 4) experience, ability and depth of lending management and other relevant staff, 5) levels of and trends in past-due and nonaccrual loans and quality, 6) changes in loan review and oversight, 7) impact and effects of concentrations and 8) other issues deemed relevant.

There are many factors affecting ALL; some are quantitative while others require qualitative judgment. The process for determining the ALL (which management believes adequately considers potential factors which might possibly result in credit losses) includes subjective elements and, therefore, may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional PFLL could be required that could adversely affect the Corporation's earnings or financial position in future periods. Allocations of the ALL may be made for specific loans but the entire ALL is available for any loan that, in management's judgment, should be charged off or for which an actual loss is realized. As an integral part of their examination process, various regulatory agencies review the ALL as well. Such agencies may require that changes in the ALL be recognized when such regulators' credit evaluations differ from those of management based on information available to the regulators at the time of their examinations.

A summary of impaired loans individually evaluated as of December 31, 2019 is as follows (dollar amounts in thousands):

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Total
With an allowance recorded:								
Recorded investment	$1,878	$ 960	$ —	$ —	$ —	$ —	$ —	$2,838
Unpaid principal balance	1,878	960	—	—	—	—	—	2,838
Related allowance	760	80	—	—	—	—	—	840
With no related allowance recorded:								
Recorded investment	$ —	$2,938	$ —	$ —	$ —	$ —	$ —	$2,938
Unpaid principal balance	—	2,938	—	—	—	—	—	2,938
Related allowance	—	—	—	—	—	—	—	—
Total:								
Recorded investment	$1,878	$3,898	$ —	$ —	$ —	$ —	$ —	$5,776
Unpaid principal balance	1,878	3,898	—	—	—	—	—	5,776
Related allowance	760	80	—	—	—	—	—	840
Average recorded investment	$3,773	$5,847	$ —	$ —	$351	$ —	$ —	$9,971

A summary of impaired loans individually evaluated as of December 31, 2018 is as follows (dollar amounts in thousands):

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Total
With an allowance recorded:								
Recorded investment	$5,667	$2,099	$ —	$ —	$523	$ —	$ —	$ 8,289
Unpaid principal balance	5,667	2,099	—	—	523	—	—	8,289
Related allowance	566	353	—	—	160	—	—	1,079
With no related allowance recorded:								
Recorded investment	$ —	$5,697	$ —	$ —	$179	$ —	$ —	$ 5,876
Unpaid principal balance	—	5,697	—	—	179	—	—	5,876
Related allowance	—	—	—	—	—	—	—	—
Total:								
Recorded investment	$5,667	$7,796	$ —	$ —	$702	$ —	$ —	$14,165
Unpaid principal balance	5,667	7,796	—	—	702	—	—	14,165
Related allowance	566	353	—	—	160	—	—	1,079
Average recorded investment	$2,834	$4,036	$ —	$ —	$706	$ —	$ —	$ 7,576

An analysis of interest income on impaired loans for the years ended December 31 follows (dollar amounts in thousands):

	2019	2018	2017
Interest income in accordance with orignial terms	$ 651	$1,020	$ 113
Interest income recognized	(129)	(416)	(109)
Reduction in interest income	$ 522	$ 604	$ 4

The following table presents loans acquired with deteriorated credit quality as of December 31, 2019 and 2018. No loans in this table had a related allowance at December 31, 2019 and 2018, and therefore, the below disclosures were not expanded to include loans with and without a related allowance (dollar amounts in thousands).

	December 31, 2019		December 31, 2018	
	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
Commercial & Industrial	$ 191	$ 212	$ 555	$ 701
Commercial real estate - owner occupied	518	785	1,558	2,069
Commercial real estate - non-owner occupied	—	—	233	475
Construction and development	213	237	171	171
Residential 1-4 family	901	1,031	1,664	1,828
Consumer	—	—	—	—
Other	—	—	—	—
	$1,823	$2,265	$4,181	$5,244

Due to the nature of these loan relationships, prepayment expectations have not been considered in the determination of future cash flows. Management regularly monitors these loan relationships, and if information becomes available that indicates expected cash flows will differ from initial expectations, it may necessitate reclassification between accretable and non-accretable components of the original discount calculation.

The following table represents the change in the accretable and non-accretable components of discounts on loans acquired with deteriorated credit quality during the year ended December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Accretable discount	Non-accretable discount	Accretable discount	Non-accretable discount
Balance at beginning of period	$ 318	$ 745	$ 583	$800
Acquired balance, net	44	333	—	—
Reclassifications between accretable and non-accretable	858	(858)	55	(55)
Accretion to loan interest income	(998)	—	(320)	—
Disposals of loans		—	—	—
Balance at end of period	$ 222	$ 220	$ 318	$745

A troubled debt restructuring ("TDR") includes a loan modification where a borrower is experiencing financial difficulty and we grant a concession to that borrower that we would not otherwise consider except for the borrower's financial difficulties. A TDR may be either on accrual or nonaccrual status based upon the performance of the borrower and management's assessment of collectability. If a TDR is placed on nonaccrual status, it remains there until a sufficient period of performance under the restructured terms has occurred at which time it is returned to accrual status, generally six months. As of December 31, 2019 and 2018 the Corporation had specific reserves of $-0- and $353,000 for TDR's respectively, and none of them have subsequently defaulted.

The following table presents the troubled debt restructurings during the year ended December 31, 2019:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial & Industrial	1	$113	$113
Commercial Real Estate	1	61	61
Residential 1-4 Family	2	372	196
Totals		$546	$370

The following table presents the troubled debt restructurings during the year ended December 31, 2018:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commerical Real Estate	2	$5,396	$5,044

Note 5 Related Party Matters

Directors, executive officers, and principal shareholders of the Corporation, 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 Corporation, 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):

	2019	2018
Balances at beginning	$ 84,103	$ 65,749
New loans and advances	27,886	59,684
Repayments	(43,435)	(41,330)
Balance at end	$ 68,554	$ 84,103

Deposits from directors, executive officers, principal shareholders, and their affiliates totaled approximately $25,527,000 and $14,127,000 as of December 31, 2019 and 2018, 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 Corporation 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 for the years ended December 31 in servicing rights assets that are measured at fair value (dollar amounts in thousands):

	2019	2018
Fair value at beginning of year	$ 3,085	$ 2,610
MSR asset acquired	1,859	—
Servicing asset additions	740	356
Loan payments and payoffs	(821)	(475)
Changes in valuation inputs and assumptions used in the valuation model	(576)	594
Amount recognized through earnings	(592)	475
Fair value at end of year	$ 4,287	$ 3,085
Unpaid principal balance of loans serviced for others (in thousands)	$554,374	$316,480
Mortgage servicing rights as a percent of loans serviced for others	0.77	0.97

During the years ended December 31, 2019 and 2018, the Corporation utilized economic assumptions in measuring the initial value of MSRs for loans sold whereby servicing is retained by the Corporation. The economic assumptions used at December 31, 2019 and 2018 included constant prepayment speed of 12.1 and 8.3 months, respectively, and a discount rate of 10.00% for both years. 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 Corporation originates under. The assumptions used by the Corporation are hypothetical and supported by a third party valuation. The Corporation's methodology for estimating the fair value of MSRs is highly sensitive to changes in assumptions.

The carrying value of the mortgage servicing rights is included with intangible assets and approximates fair market value at December 31, 2019 and 2018. Changes in fair value are recognized through the income statement as loan servicing income.

Note 7 Premises and Equipment

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

	2019	2018
Land and land improvements	$ 4,584	$ 3,363
Buildings and building improvements	31,754	23,408
Furniture and equipment	5,360	6,177
Totals	41,698	32,948
Less accumulated depreciation	8,111	8,459
Right-of-use lease asset (see Note 21)	1,699	—
Premises and equipment, net	$35,286	$24,489

Included in buildings and improvements at December 31, 2019 and 2018, is $6,169,000 and $764,000, 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 $1,272,000, $1,116,000, and $1,126,000 for the years ended December 31, 2019, 2018, and 2017, respectively.

Note 8 Other Real Estate Owned

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

	2019	2018
Beginning of year	$ 3,592	$ 6,270
Transfers in	4,927	1,310
Gain (loss) on sale of OREO and valuation allowance	73	(252)
Sales	(1,704)	(3,736)
End of year	$ 6,888	$ 3,592

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

	2019	2018	2017
Beginning of year	$2,208	$2,078	$2,094
Additions charged to expense	13	130	—
Valuation relieved due to sale of OREO	(100)	—	(16)
End of year	$2,121	$2,208	$2,078

As of December 31, 2019, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was $408,000.

Note 9 Investment in Minority-owned Subsidiaries

The Corporation has a 49.8% membership interest in UFS. The business operations of UFS consist of providing data processing and other information technology services to the Corporation and other financial institutions. As of December 31, 2019 and 2018, UFS had total assets of $25,489,000 and $22,140,000 and liabilities of $3,661,000 and $1,905,000, respectively. The Corporation's investment in UFS was $10,732,000 and $10,005,000 at December 31, 2019 and 2018, respectively. The investment is accounted for on the equity method. The Corporation's undistributed earnings from its investment in UFS were approximately $2,935,000, $2,563,000, and $2,390,000 for the years ended December 31, 2019, 2018 and 2017, respectively. Data processing service fees paid by the Corporation to UFS were approximately $3,248,000 $2,514,000, and $2,069,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

The Corporation has a contract with UFS that was renewed for five years on January 1, 2018.

The Corporation's proportionate share of earnings of UFS flow through to its tax return. Deferred income taxes of approximately $1,124,000 and $939,000 were provided to account for the difference in the tax and book basis of assets and liabilities held at UFS at December 31, 2019 and 2018, respectively. During 2019, 2018 and 2017, the Corporation received $2,108,000, $1,505,000 and $915,000 in dividends from UFS, respectively.

TVG, the insurance subsidiary of the Bank, maintained a 40.0% investment in Ansay at December 31, 2019, an increase from 30.0% at December 31, 2018 due to a purchase of member interest on October 1, 2019. 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, 2019 and 2018, Ansay had total assets of $79,781,000 and $63,951,000 and liabilities of $42,838,000 and $45,289,000, respectively. The Corporation's investment in Ansay, which is accounted for using the equity method, was $29,555,000 and $15,392,000 at December 31, 2019 and 2018, respectively. The Corporation recognized undistributed earnings of approximately $1,792,000, $2,114,000 and $1,663,000 and received dividends of $1,329,000, $1,432,000 and $964,000 from its investment in Ansay during the years ended December 31, 2019, 2018 and 2017, respectively.

As of December 31, 2019 and 2018, Ansay had term loans with the Bank totaling approximately $19,124,000 and $21,799,000, respectively. Ansay has an available revolving line of credit of $1,000,000 with the Corporation with $367,000 outstanding as of December 31, 2019.

Ansay maintained deposits at the Bank totaling $17,495,000 and $6,009,000 as of December 31, 2019 and 2018, respectively.

The CEO of Ansay, Michael G. Ansay, serves as Chairman of the Board of the Corporation. As a related party, during 2019, 2018 and 2017 the Corporation purchased director and officer fidelity bond and commercial insurance coverage through Ansay spending approximately $225,000, $165,000 and $164,000, respectively.

The Corporation's proportionate share of earnings of Ansay flow through to its tax return. Deferred income taxes of approximately $1,385,000 and $1,299,000 were provided to account for the difference in the tax and book basis of assets and liabilities held at Ansay as of December 31, 2019 and 2018, respectively.

Note 10 Identifiable Intangible Assets

The gross carrying amount and accumulated amortization of intangible assets (excluding goodwill) for the years ended December 31 are as follows (dollar amounts in thousands):

	2019		2018	
	Gross Carrying Amount	Intangible Accumulated Amortization	Gross Carrying Amount	Intangible Accumulated Amortization
Core deposit intangible	$ 7,333	$1,954	$3,097	$885
Mortgage servicing rights	4,287	—	3,085	—
Totals	$11,620	$1,954	$6,182	$885

Amortization expense was $1,069,000, $756,000 and $132,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

Mortgage servicing rights are carried at fair value; therefore, there is no amortization expense. The following table shows the estimated future amortization expense of amortizing intangible assets. The projections of amortization expense are based on existing asset balances as of December 31, 2019 (dollar amounts in thousands):

	Core Deposit Intangible
2020	$1,335
2021	1,130
2022	925
2023	720
2024	516
Thereafter	753
Total	$5,379

Note 11 Goodwill

Goodwill was $43,456,000 at December 31, 2019 and $15,024,000 at December 31, 2018. As detailed in Note 2, there were additions to the carrying amount of goodwill in 2019 of approximately $28,432,000 related to the Partnership acquisition.

Note 12 Deposits

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

	2019	2018
Noninterest-bearing demand deposits	$ 476,465	$ 448,765
Interest-bearing demand deposits	184,843	92,107
Savings deposits	792,997	616,138
Time deposits	373,430	382,450
Brokered certificates of deposit	15,576	17,707
Total deposits	$1,843,311	$1,557,167

Time deposits of $250,000 or more were approximately $55,948,000 and $81,663,000 at December 31, 2019 and 2018, respectively.

The scheduled maturities of time deposits at December 31, 2019, are summarized as follows (dollar amounts in thousands):

2020	$214,360
2021	113,074
2022	25,955
2023	25,161
2024	7,858
Thereafter	2,598
Total	$389,006

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 Corporation (seller) repurchase identical securities as those that are sold. The securities underlying the agreements were under the Corporation's control.

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

	2019	2018	2017
Outstanding balance at the end of the year	$45,865	$31,489	$47,568
Weighted average interest rate at the end of the year	1.47%	2.43%	1.44%
Average balance during the year	$21,522	$22,315	$26,537
Average interest rate during the year	2.14%	1.79%	1.01%
Maximum month end balance during the year	$45,865	$48,010	$53,745

Note 14 Notes Payable

There were $39,800,000 and $-0- of advances outstanding from the FHLB at December 31, 2019 and 2018, respectively. At December 31, 2019, $1,400,000 of these borrowings mature within twelve months and are considered short-term, with the remaining $38,400,000 considered long-term. From time to time the Bank utilized additional 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:

	Maturity	Rate	2019	2018
			(dollars in thousands)	
Fixed rate, fixed term	01/27/2020	1.42%	$ 1,000	$ —
Fixed rate, fixed term	11/02/2020	1.28%	400	—
Fixed rate, fixed term	01/22/2021	1.67%	2,000	—
Fixed rate, fixed term	01/25/2021	2.37%	5,000	—
Fixed rate, fixed term	01/27/2021	1.60%	1,000	—
Fixed rate, fixed term	11/03/2021	1.46%	400	—
Fixed rate, fixed term	08/08/2022	1.76%	10,000	—
Fixed rate, fixed term	08/08/2023	1.74%	10,000	—
Fixed rate, fixed term	08/08/2024	1.75%	10,000	—
			$39,800	$ —

Future maturities of borrowings at December 31, 2019, were as follows (dollars in thousands):

2020	$ 1,400
2021	8,400
2022	10,000
2023	10,000
2024	10,000
	$39,800

At December 31, 2019 and 2018, respectively, total loans available to be pledged as collateral on FHLB borrowings were approximately $815,200,000 and $697,300,000 and, of that total, $373,100,000 and $316,200,000 qualified as eligible collateral. The Bank owned $2,230,000 and $1,700,000 of FHLB stock at December 31, 2019 and 2018, respectively. In addition to the fixed rate, fixed term advances noted above, as of December 31, 2019 and 2018, the Bank had $14,400,000 and $55,000,000 of credit outstanding from the FHLB, respectively, which consisted entirely of letters of credit. At December 31, 2019 and 2018, the Bank had available liquidity of $318,900,000 and $261,200,000 for future draws, respectively. FHLB stock is included in other investments at December 31, 2019 and 2018. This stock is recorded at cost, which approximates fair value.

The Corporation maintains a $5,000,000 line of credit with a commercial bank. There were outstanding balances on this note of $5,000,000 as of December 31, 2019. There were no outstanding balances on this note at December 31, 2018. Borrowings under this note carry interest at a variable rate with a floor of 3.50% (4.05% at December 31, 2019), due in full on May 25, 2020.

The Corporation maintains a $5,000,000 line of credit with another commercial bank. There were outstanding balances on this note of $5,000,000 as of December 31, 2019. There were no outstanding balances on this note at December 31, 2018. Borrowings under this note carry interest at a variable rate with a floor of 3.25% (4.05% at December 31, 2019), due in full on May 19, 2020.

Note 15 Subordinated Debt

During September 2017, the Corporation entered into subordinated note agreements with three separate commercial banks. The Corporation had up to twelve months from entering these agreements to borrow funds up to a maximum availability of $22,500,000. As of December 31, 2019 and 2018, the Corporation had borrowed $11,500,000 under these agreements. These notes were all issued with 10-year maturities, carry interest at a variable rate payable quarterly, are callable on or after the sixth anniversary of their issuance dates, and qualify for Tier 2 capital for regulatory purposes.

As part of the Partnership acquisition, the Corporation assumed a subordinated note agreement with an outstanding balance of $7,000,000, and a fair market value adjustment of $195,000. The note matures on October 1, 2025, requires quarterly interest-only payments at a rate of 7.1% prior to maturity, and can be prepaid without penalty after October 1, 2020. This note qualifies for Tier 2 capital for regulatory purposes.

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):

	2019	2018	2017
Current tax expense:			
Federal	$4,327	$3,349	$6,340
State	2,412	2,100	1,862
Total current	6,739	5,449	8,202
Deferred tax expenses (benefit):			
Impact of change in tax rate from tax legislation	—	—	642
Federal	620	815	(12)
State	236	333	(6)
Total deferred	856	1,148	624
Total provision for income taxes	$7,595	$6,597	$8,826

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):

	2019	2018	2017
Tax expense at statutory rate	$ 7,201	$ 6,731	$ 8,449
Increase (decrease) in taxes resulting from:			
Tax-exempt interest	(1,320)	(1,105)	(1,279)
State taxes (net of Federal benefit)	1,923	1,674	1,210
Cash surrender value of life insurance	(131)	(128)	(192)
ESOP dividend	(93)	(81)	(121)
Tax credits	(39)	(91)	(117)
Nondeductible expenses associated with acquisition	—	—	160
Deferred tax rate differential from tax legislation	—	—	642
Other	54	(403)	74
Total provision for income taxes	$ 7,595	$ 6,597	$ 8,826

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Corporation'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):

	2019	2018
Deferred tax assets:		
Deferred compensation	$ 1,036	$ 1,089
Premises and equipment	398	214
Allowance for loan losses	3,104	3,336
Accrued vacation and severance	35	36
Other real estate owned	360	352
Unrealized loss on securities available for sale	—	97
Other	244	95
Total deferred tax assets	5,177	5,219
Deferred tax liabilities:		
Investment in acquisition and discount accretion	(148)	(162)
Mortgage servicing rights	(1,168)	(840)
Other investments	(248)	(209)
Prepaid expenses	(63)	(66)
Investment in minority owned subsidiaries	(2,509)	(2,238)
Goodwill and other intangibles	(1,000)	(1,049)
Purchase accounting	(339)	—
Unrealized gain on securities available for sale	(743)	—
Total deferred tax liabilities	(6,218)	(4,564)
Net deferred tax (liability) asset	$(1,041)	$ 655

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 Corporation 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, 2019 and 2018, there was no liability for uncertain tax positions. Federal income tax returns for 4 years ended December 31, 2016 through 2019 remain open and subject to review by applicable tax authorities. State income tax returns for 5 years ended December 31, 2015 through 2019 remain open and subject to review by applicable tax authorities.

On December 22, 2017, the President of the United States signed the Tax Cuts and Jobs Act which, among other provisions, reduced the corporate income tax rate from 35% to 21%. As a result, the Corporation recorded a write down to its net deferred tax asset of approximately $642,000 as of December 31, 2017. The write down resulted in an equivalent increase in tax expense.

Note 17 Employee Benefit Plans

Employee Stock Ownership Plan

The Corporation 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 Corporation's stock. As of December 31, 2019 and 2018, the plan held 432,795 and 502,963 shares, respectively. These shares are included in the calculation of the Corporation's earnings per share. The Corporation 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 2019, 2018, and 2017. The Corporation made additional discretionary contributions to the plan of $505,000, $656,000, $532,000 in 2019, 2018 and 2017, respectively. Total expense associated with the plans was approximately $957,000, $1,061,000 and $842,000 in 2019, 2018 and 2017, respectively.

Share-based Compensation

The Corporation has made restricted share grants during 2019, 2018 and 2017 pursuant to the Bank First National Corporation 2011 Equity Plan. The purpose of the Plan is to provide financial incentives for selected employees and for the non-employee Directors of the Corporation, thereby promoting the long-term growth and financial success of the Corporation. The Corporation stock to be offered under the Plan pursuant to Stock Appreciation Rights ("SAR"), performance unit awards, and restricted stock and unrestricted Corporation stock awards must be Corporation stock previously issued and outstanding and reacquired by the Corporation. The number of shares of Corporation stock that may be issued pursuant to awards under the Plan shall not exceed, in the aggregate, 659,250. As of December 31, 2019, 177,462 shares of Corporation stock has been awarded under the 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. For the year ended December 31, 2019, 2018 and 2017, compensation expense of $685,000, $556,000 and $465,000, respectively, was recognized related to restricted stock awards.

As of December 31, 2019, there was $1,548,000 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 2.65 years. The aggregate grant date fair value of restricted stock awards that vested during 2019 was approximately $526,000.

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Restricted Stock				
Outstanding at beginning of year	51,776	$34.27	53,619	$26.59
Granted	17,015	56.62	17,982	46.55
Vested	(17,212)	30.54	(19,825)	24.36
Forfeited or cancelled	(903)	41.01	—	—
Outstanding at end of year	50,676	$43.03	51,776	$34.27

Deferred Compensation Plan

The Corporation 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 Corporation 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 $23,000, $28,000, and $31,000 for the years ended December 31, 2019, 2018 and 2017, respectively. The vested present value of future payments of approximately $437,000 and $521,000 at December 31, 2019 and 2018, respectively, is included in other liabilities. During 2019 and 2018 the discount rate used to present value the future payments of this obligation was 4.95%.

The Corporation had a nonqualified deferred compensation plan which permitted eligible participants to defer a portion of their compensation. The benefits were generally payable beginning with the earlier of attaining age 70 or resignation from the Corporation. During 2017, this plan was amended to require that benefits paid from the plan be paid in shares of common stock of the Corporation. Prior to this amendment, benefit distributions could be paid either in shares of common stock, or a cash distribution equal to the accumulated value of the benefits owed. As of December 31, 2019 and 2018, the obligations under this plan were valued at $3,368,000 and

$3,477,000, respectively, and were included in other liabilities. Expense associated with this plan was approximately $144,000 in 2017. There was no expense associated with this plan during 2019 or 2018. On February 19, 2019, the Board of Directors of Bank First Corporation approved the termination of the Bank First National Amended and Restated Nonqualified Deferred Compensation Plan, effective March 1, 2019. As a result of this termination, all benefits owed must be paid no sooner than one year and no later than two years following the termination.

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, 2019 totaled approximately $28,100,000. 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.

The Economic Growth, Regulatory Relief, and Consumer Protection Act, signed into law in May 2018 raised the threshold for those bank holding companies subject to the Federal Reserve's Small Bank Holding Company Policy Statement to $3 billion. As a result, as of the effective date of that change in 2018, the Corporation was no longer required to comply with the risk-based capital rules applicable to the Bank. The Federal Reserve may, however, require smaller bank holding companies to maintain certain minimum capital levels, depending upon general economic conditions and a bank holding company's particular condition, risk profile and growth plans.

Under regulatory guidance for non-advanced approaches institutions, the Bank is required to maintain minimum amounts and ratios of common equity Tier I capital to risk-weighted assets. Additionally, under Basel III rules, the decision was made to opt-out of including accumulated other comprehensive income in regulatory capital. As of December 31, 2019 and 2018, the Bank met all capital adequacy requirements to which they are subject.

Beginning in 2016, an additional conservation buffer was added to the minimum requirements for capital adequacy purposes, subject to a three year phase-in period. As of December 31, 2018, the buffer was 1.88%. The capital conservation buffer was fully phased in January 1, 2019 at 2.50%.

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

	Actual		For Capital Adequacy Purposes		Minimum Capital Adeqaucy with Capital Buffer		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019								
Total capital (to risk-weighted assets):								
Corporation	$208,900	10.35%	NA	NA	NA	NA	NA	NA
Bank	$215,347	10.69%	$161,163	8.00%	$211,527	10.50%	$201,454	10.00%
Tier 1 capital (to risk-weighted assets):								
Corporation	$178,882	8.86%	NA	NA	NA	NA	NA	NA
Bank	$203,951	10.12%	$120,872	6.00%	$171,236	8.50%	$161,163	8.00%
Common Equity Tier 1 capital (to risk-weighted assets):								
Corporation	$178,882	8.86%	NA	NA	NA	NA	NA	NA
Bank	$203,951	10.12%	$ 90,654	4.50%	$141,018	7.00%	$130,945	6.50%
Tier 1 capital (to average assets):								
Corporation	$178,882	8.46%	NA	NA	NA	NA	NA	NA
Bank	$203,951	9.67%	$ 84,390	4.00%	$ 84,390	4.00%	$105,487	5.00%
December 31, 2018								
Total capital (to risk-weighted assets):								
Corporation	$181,201	11.35%	NA	NA	NA	NA	NA	NA
Bank	$178,668	11.21%	$127,497	8.00%	$157,459	9.88%	$159,372	10.00%
Tier 1 capital (to risk-weighted assets):								
Corporation	$157,453	9.86%	NA	NA	NA	NA	NA	NA
Bank	$166,420	10.44%	$ 95,623	6.00%	$125,585	7.88%	$127,497	8.00%
Common Equity Tier 1 capital (to risk-weighted assets):								
Corporation	$157,453	9.86%	NA	NA	NA	NA	NA	NA
Bank	$166,420	10.44%	$ 71,717	4.50%	$101,679	6.38%	$103,592	6.50%
Tier 1 capital (to average assets):								
Corporation	$157,453	9.06%	NA	NA	NA	NA	NA	NA
Bank	$166,420	9.59%	$ 69,410	4.00%	69,410	4.00%	$ 86,762	5.00%

Note 19 Segment Information

The Corporation, 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 Corporation also offers a full-line of insurance services through its equity investment in Ansay and offers data processing services through its equity investment in UFS.

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

Note 20 Commitments and Contingencies

The Corporation 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, 2019 and 2018, respectively, was $14,793,000 and $3,314,000.

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):

	Notional Amount	
	2019	2018
Commitments to extend credit:		
Fixed	$ 49,741	$ 57,911
Variable	333,468	268,541
Credit card arrangements	11,148	7,119
Letters of credit	17,121	25,261

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 $11,492,000 of direct pay letters of credit and $5,629,000 of standby letters of credit. 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. Standby letters of credit are conditional lending commitments issued by the Corporation to guaranty the performance of a customer to a third party. 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 Corporation generally holds collateral supporting these commitments. The majority of the Corporation's loans, commitments, and letters of credit have been granted to customers in the Corporation'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 February 2016, the FASB established Topic 842, Leases, by issuing ASU No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Subsequently, amendments ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018- 11, Targeted Improvements were issued. ASC 842 establishes a right-of-use ("ROU") model that requires a lessee to recognize 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 Corporation leases certain properties under operating leases that resulted in the initial recognition of ROU lease assets of approximately $1,699,000 and corresponding lease liabilities of the same value on the Corporation's Consolidated Balance Sheets.

ASC 842 was effective on January 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Corporation chose to use the effective date approach. As such, all periods presented after January 1, 2019 are under ASC 842 whereas periods presented prior to January 1, 2019 are in accordance with prior lease accounting of ASC 840. Financial information was not updated and the disclosures required under ASC 842 was not provided for dates and periods before January 1, 2019.

ASC 842 provides a number of optional practical expedients in transition. The Corporation has elected the 'package of practical expedients,' which permits the Corporation not to reassess under the new standard the prior conclusions about lease identification, lease classification and initial direct costs. The Corporation 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 leases inception. The practical expedient pertaining to land easements is not applicable to the Corporation.

ASC 842 also requires certain accounting elections for ongoing application of ASC 842. The Corporation 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 Corporation 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. Consequently, ASC 842's changed guidance on contract components will not significantly affect our financial reporting. Similarly, ASC 842's narrowed definition of initial direct costs will not significantly affect financial reporting.

Lessee Leases

The Corporation'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 Corporation 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 Corporation liable for damages.

For operating leases, the lease liability and ROU asset (before adjustments) are recorded at the present value of future lease payments. ASC 842 requires the use of the lease interest rate; however, this rate is typically not known. As an alternative, ASC 842 permits the use of an entity's fully secured incremental borrowing rate. The Corporation is electing to utilize the Wall Street Journal Prime Rate on the date of lease commencement.

	Year ended December 31, 2019 (dollar amounts in Thousands)
Amortization of ROU Assets - Operating Leases	$ 45
Interest on Lease Liabilities - Operating Leases	87
Operating Lease Cost (Cost resulting from lease payments)	132
New ROU Assets - Operating Leases	1,744
Weighted Average Lease Term (Years) - Operating Leases	31.56
Weighted Average Discount Rate - Operating Leases	5.50%

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total operating lease liabilities as of December 31, 2019 is as follows (dollar amounts in thousands):

	December 31, 2019
Operating lease payments due:	
Within one year	$ 133
After one but within two years	140
After two but within three years	113
After three but within four years	86
After four years but within five years	86
After five years	3,411
Total undiscounted cash flows	3,969
Discount on cash flows	(2,270)
Total operating lease liabilities	$ 1,699

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.

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

	Instruments Measured At Fair Value	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Assets				
Securities available for sale				
Obligations of U.S. Government sponsored agencies	$12,060	$—	$12,060	$ —
Obligations of states and political subdivisions	54,771	—	54,771	—
Mortgage-backed securities	51,720	—	51,720	—
Corporate notes	62,955	—	62,955	—
Mortgage servicing rights	4,287	—	4,287	—
December 31, 2018				
Assets				
Securities available for sale				
Obligations of states and political subdivisions	$51,893	$—	$51,493	$400
Mortgage-backed securities	50,569	—	50,569	—
Corporate notes	16,444	—	16,444	—
Mortgage servicing rights	3,085	—	3,085	—

Fair value of assets measured on a recurring basis using significant unobservable inputs (Level 3) are as follows (dollar amounts in thousands):

	2019	2018
Total securities at beginning of year	$ 400	$ 500
Included in earnings	—	—
Included in other comprehensive income	—	—
Purchases, issuance, and settlements	(400)	(100)
Transfer in and/or out of level 3	—	—
Total securities at end of year	$ —	$ 400

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

	Assets Measured At Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
OREO	$ 6,888	$ —	$ —	$ 6,888
Impaired Loans, net of impairment reserve	6,847	—	—	6,847
	$13,735	$ —	$ —	$13,735
December 31, 2018				
OREO	$ 3,592	$ —	$ —	$ 3,592
Impaired Loans, net of impairment reserve	20,872	—	—	20,872
	$24,464	$ —	$ —	$24,464

The following is a description of the valuation methodologies used by the Corporation 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
As of December 31, 2019				
OREO	Third party appraisals, sales contracts or brokered price opinions	Collateral discounts and estimated costs to sell	0% - 61%	33.5%
Impaired loans	Third party appraisals and discounted cash flows	Collateral discounts and discount rates	0% - 100%	6.1%
As of December 31, 2018				
OREO	Third party appraisals, sales contracts or brokered price opinions	Collateral discounts and estimated costs to sell	0% - 40%	18.6%
Impaired loans	Third party appraisals and discounted cash flows	Collateral discounts and discount rates	0% - 100%	9.3%

The following methods and assumptions were used by the Corporation to estimate fair value of financial instruments.

Cash and cash equivalents - Fair value approximates the carrying amount.

Securities - The fair value measurement is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data.

Loans held for sale - Fair value is based on commitments on hand from investors or prevailing market prices.

Loans - Fair value of variable rate loans that reprice frequently are based on carrying value. Fair value of other loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings. Fair value of impaired and other nonperforming loans are estimated using discounted expected future cash flows or the fair value of the underlying collateral, if applicable.

Other investments - The carrying amount reported in the consolidated balance sheets for other investments approximates the fair value of these assets.

Mortgage servicing rights - Fair values were determined using the present value of future cash flows.

Cash value of life insurance - The carrying amount approximates its fair value.

Deposits - Fair value of deposits with no stated maturity, such as demand deposits, savings, and money market accounts, by definition, is the amount payable on demand on the reporting date. Fair value of fixed-rate time deposits is estimated using discounted cash flows applying interest rates currently offered on similar time deposits.

Securities sold under repurchase agreements - The fair value of securities sold under repurchase agreements with variable rates or due on demand is the amount payable at the reporting date. The fair value of securities sold under repurchase agreements with fixed terms is estimated using discounted cash flows with discount rates at interest rates currently offered for securities sold under repurchase agreements of similar remaining values.

Notes payable and Subordinated notes - Rates currently available to the Corporation for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. Fair value of borrowings is estimated by discounting future cash flows using the current rates at which similar borrowings would be made. Fair value of borrowed funds due on demand is the amount payable at the reporting date.

Off-balance-sheet instruments - Fair value is based on quoted market prices of similar financial instruments where available. If a quoted market price is not available, fair value is based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the company's credit standing. Since this amount is immaterial, no amounts for fair value are presented.

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

	Carrying	Fair Value			
December 31, 2019	amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	$ 86,452	$86,452	$ —	$ —	$ 86,452
Securities held to maturity	43,734	—	44,803	—	44,803
Securities available for sale	181,506	—	181,506	—	181,506
Loans held for sale	587	—	—	587	587
Loans, net	1,724,947	—	—	1,723,542	1,723,542
Other investments, at cost	4,933	—	—	4,933	4,933
Mortgage servicing rights	4,287	—	4,287	—	4,287
Cash surrender value of life insurance	24,945	24,945	—	—	24,945
Financial liabilities:					
Deposits	$1,843,311	$ —	$ —	$1,783,638	$1,783,638
Securities sold under repurchase agreements	45,865	—	45,865	—	45,865
Notes payable	49,790	—	49,790	—	49,790
Subordinated notes	18,622	—	18,622	—	18,622

	Carrying	Fair Value			
December 31, 2018	amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	$ 107,743	$107,743	$ —	$ —	$ 107,743
Securities held to maturity	40,768	—	40,477	—	40,477
Securities available for sale	118,906	—	118,506	400	118,906
Loans, net	1,416,246	—	—	1,400,538	1,400,538
Other investments, at cost	4,555	—	—	4,555	4,555
Mortgage servicing rights	3,085	—	3,085	—	3,085
Cash surrender value of life insurance	24,178	24,178	—	—	24,178
Financial liabilities:					
Deposits	$1,557,167	$ —	$ —	$1,449,552	$1,449,552
Securities sold under repurchase agreements	31,489	—	31,489	—	31,489
Subordinated notes	11,500	—	11,500	—	11,500

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 Corporation'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 Corporation.

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 Corporation's entire holdings of a particular instrument. Because no market exists for a significant portion of the Corporation'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 2019	December 31 2018
	(In Thousands)	
Assets		
Cash and cash equivalents	$ 63	$ 72
Investment in Bank	254,299	183,290
Investment in Veritas	4,852	2,381
Other assets	557	978
TOTAL ASSETS	$259,771	$186,721
Liabilities and Stockholders' Equity		
Liabilities		
Notes payable	$ 10,000	$ —
Subordinated notes	18,500	11,500
Other liabilities	1,060	898
Total liabilities	29,560	12,398
Stockholders' equity:		
Common stock	79	74
Additional paid-in capital	63,085	27,601
Retained earnings	189,494	168,363
Treasury stock, at cost	(24,941)	(21,349)
Accumulated other comprehensive income	2,494	(366)
Total stockholders' equity	230,211	174,323
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$259,771	$186,721

Statements of Income

	Years Ended December 31 2019	2018	2017
	(In Thousands)		
Income:			
Dividends received from Bank	$16,335	$22,275	$19,480
Equity in undistributed earnings of subsidiaries	11,361	4,029	(3,773)
Other income	234	74	—
Total income	27,930	26,378	15,707
Other expenses	1,611	1,404	648
Benefit for income taxes	(375)	(482)	(254)
Net income	$26,694	$25,456	$15,313

Statements of Cash Flows

	Years Ended December 31, 2019	2018	2017
	(In thousands)		
Cash flow from operating activities:			
Net income	$ 26,694	$ 25,456	$ 15,313
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock compensation	685	556	465
Equity in earnings of subsidiaries (includes dividends)	(27,696)	(26,304)	(15,707)
Changes in other assets and liabilities:			
Other assets	(329)	(49)	(44)
Other liabilities	(33)	(90)	457
Net cash provided by (used in) operating activities	(679)	(431)	484
Cash flows from investing activities, net of effects of business combination:			
Sale of other investments	750	—	—
Dividends received from Bank	16,335	22,275	19,480
Dividends received from Veritas	—	—	450
Net cash used in business combination	(14,241)	—	(33,378)
Contribution to subsidiaries	(2,620)	—	—
Net cash provided by (used in) investing activities	224	22,275	(13,448)
Cash flows from financing activities, net of effects of business combination:			
Proceeds from (repayment of) revolving line of credit	10,000	(5,000)	5,000
Proceeds from (repayment of) senior term debt	—	(3,500)	3,500
Proceeds from subordinated notes	—	—	11,500
Cash dividends paid	(5,463)	(4,530)	(4,046)
Issuance of common stock	114	1,347	896
Repurchase of common stock	(4,205)	(10,449)	(3,631)
Net cash provided by (used in) financing activities	446	(22,132)	13,219
Net increase (decrease) in cash and cash equivalents	(9)	(288)	255
Cash and cash equivalents at beginning	72	360	105
Cash and cash equivalents at end	**$ 63**	**$ 72**	**$ 360**
Supplemental schedule of noncash activities:			
Amortization of unrealized holding gains on securities transferred from available for sale to held to maturity recognized in other comprehensive income, net of tax	$ (35)	$ (60)	$ (80)
Change in unrealized gains and losses on investment securities available for sale, net of tax	2,958	(1,367)	604

Note 24 Earnings Per Common Share

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

	Years ended December 31, 2019	2018	2017
Net income from operations (in thousands)	$ 26,694	$ 25,456	$ 15,313
Weighted average common shares outstanding	6,820,225	6,673,758	6,285,901
Effect of dilutive potential common shares	82,391	—	—
Diluted weighted average common shares outstanding	6,902,616	6,673,758	6,285,901
Earnings per share - basic	$ 3.91	$ 3.81	$ 2.44
Earnings per share - diluted	$ 3.87	$ 3.81	$ 2.44

Note 25 Quarterly Results of Operations

2019 Quarters	Fourth	Third	Second	First
	(Dollars in Thousands, Except Share and Per Share Data)			
Interest income	$ 23,795	$ 25,489	$ 20,158	$ 19,723
Interest expense	5,015	5,176	4,784	4,523
Net interest and dividend income	18,780	20,313	15,374	15,200
Provision for loan losses	1,125	3,000	500	625
Net interest and dividend income after provision for loan losses	17,655	17,313	14,874	14,575
Noninterest income	3,211	3,145	2,736	3,540
Noninterest expense	11,182	12,087	9,955	9,536
Income before provision for income taxes	9,684	8,371	7,655	8,579
Provision for income taxes	2,225	1,712	1,666	1,992
Net income	$ 7,459	$ 6,659	$ 5,989	$ 6,587
Share data				
Average shares outstanding, basic	7,084,728	7,036,807	6,577,016	6,574,362
Average shares outstanding, diluted	7,182,854	7,134,674	6,675,794	6,608,273
Earnings per share, basic	$ 1.05	$ 0.95	$ 0.91	$ 1.00
Earnings per share, diluted	$ 1.04	$ 0.93	$ 0.90	$ 1.00

2018 Quarters	Fourth	Third	Second	First
	(Dollars in Thousands, Except Share and Per Share Data)			
Interest income	$ 19,753	$ 19,510	$ 19,372	$ 19,309
Interest expense	4,240	3,974	3,604	3,027
Net interest and dividend income	15,513	15,536	15,768	16,282
Provision for loan losses	750	800	900	485
Net interest and dividend income after provision for loan losses	14,763	14,736	14,868	15,797
Noninterest income	2,553	2,508	3,027	3,443
Noninterest expense	9,893	9,708	10,064	9,977
Income before provision for income taxes	7,423	7,536	7,831	9,263
Provision for income taxes	1,362	1,604	1,431	2,200
Net income	$ 6,061	$ 5,932	$ 6,400	$ 7,063
Share data				
Average shares outstanding, basic and diluted	6,647,586	6,661,337	6,672,344	6,714,347
Earnings per share, basic and diluted	$ 0.91	$ 0.89	$ 0.96	$ 1.05

Note 26 Pending Merger Transaction

On November 20, 2019, the Corporation entered into an Agreement and Plan of Merger with Tomah Bancshares, Inc. ("Timberwood"), a Wisconsin Corporation, under which Timberwood will merge with and Into the Corporation and Timberwood's banking subsidiary, Timberwood Bank, will merge with and into the Bank. The transaction is expected to close in the second quarter of 2020 and is subject to, among other items, approval by the shareholders of Timberwood. Merger consideration consists of 100% common stock of the Corporation, and will total roughly $32,600,000, subject to the fair market valuation of the Corporation's common stock on the date of closing. Based on results as of December 31, 2019, the combined company would have total assets of approximately $2.4 billion, loans of approximately $1.8 billion and deposits of approximately $2.0 billion.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As previously disclosed by the Company in a Current Report on Form 8-K filed with the SEC on October 11, 2019, on October 1, 2019, Porter Keadle Moore, LLC ("PKM") informed the Audit Committee of the Company that due to a practice combination with Wipfli, LLC, PKM had decided to resign as the Company's independent registered public accounting firm, effective as of October 11, 2019. On October 11, 2019, the Audit Committee of the Company engaged Dixon Hughes Goodman, LLP ("DHG") as the Company's independent registered public accounting firm.

As previously disclosed by the Company in a Current Report on Form 8-K filed with the SEC on December 6, 2018, on November 29, 2018, the Audit Committee of the Company decided to dismiss CliftonLarsonAllen LLP ("CLA") as the Company's independent registered public accounting firm and re-engage PKM as the Company's independent registered public accounting firm.

On February 27, 2018 the Audit Committee approved CLA to serve as the Company's independent registered public accounting firm for the year ending December 31, 2018. Therefore, CLA had not audited the Company's financial statements for the two most recent fiscal years, and hence there is no report of CLA that contains any adverse opinion or disclaimer of opinion, or is qualified or modified as to uncertainty, audit scope or accounting principles. In addition, during the interim period from February 27, 2018 through November 29, 2018, there were no "disagreements" (as described in Item 304(a)(1) (iv) of Regulation S-K and the related instructions) between the Company and CLA on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to CLA's satisfaction, would have caused CLA to make reference in connection with CLA's opinion to the subject matter of the disagreement.

Prior to February 27, 2018, PKM had previously served as the Company's independent registered accounting firm during the years ended December 31, 2017 and 2016, and the subsequent interim period from January 1, 2018 through February 27, 2018 when PKM was dismissed and CLA was approved. PKM was also engaged on a one-time basis from May 24, 2018 to August 15, 2018 to reissue its report on the Company's consolidated financial statements for the years ended December 31, 2017 and 2016 under the standards of the Public Company Accounting Oversight Board in connection with the Company's filing of its Form 10 Registration Statement with the SEC.

Therefore, during the year ended December 31, 2017 and the subsequent interim period from January 1, 2018 through February 27, 2018 and from May 24, 2018 through August 15, 2018, and from November 29, 2018 through October 11, 2019 (1) the Company has consulted PKM regarding the application of accounting principles to a number of transactions and audit opinions on the Company's financial statements, and PKM has provided written reports and/or oral advice to the Company that PKM concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issues, and (2)(i) the Company did not have any disagreements with PKM on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PKM, would have caused PKM to make reference to the subject matter of the disagreements in connection with its report on the consolidated financial statements for such periods, and (ii) there were no "reportable events" as defined in Item 304(a)(1)(v) of Regulation S-K.

In addition, during the interim period from February 27, 2018 through May 24, 2018 and from August 15, 2018 through November 29, 2018, the Company did not consult PKM regarding (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and no written report or oral advice was provided to the Company that PKM concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue, and (2) any matter that was the subject of a "disagreement" or a "reportable event", each as defined in Regulation S-K Item 304(a)(1)(iv) and Item 304(a)(1)(v), respectively.

Also, during the interim period from October 11, 2019 through the filing of this annual report (1) the Company has consulted DHG regarding the application of accounting principles to a number of transactions and audit opinions on the Company's financial statements, and DHG has provided written reports and/or oral advice to the Company that DHG concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issues, and (2)(i) the Company did not have any disagreements with DHG on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of DHG, would have caused DHG to make reference to the subject matter of the disagreements in connection with its report on the consolidated financial statements for such periods, and (ii) there were no "reportable events" as defined in Item 304(a)(1)(v) of Regulation S-K.

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, 2019 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, 2019, 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, 2019. 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).

Based on this assessment management has determined that, as of December 31, 2019, the Company's internal control over financial reporting is effective based on the specified criteria.

This Annual Report does not include an attestation report from our registered public accounting firm regarding our internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit emerging growth companies, which we are, to provide only Management's Annual Report on Internal Control over Financial Reporting in this Annual Report

Changes in Internal Controls

There was no change in our internal control over financial reporting that occurred during the fourth quarter ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control 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

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 2020 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 2020 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, 2019 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	481,874
Total at December 31, 2019	0	$0	481,874

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 2020 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 2020 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 2020 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, 2019 and 2018

Consolidated statements of income for the years ended December 31, 2019, 2018 and 2017

Consolidated statements of comprehensive income for the years ended December 31, 2019, 2018 and 2017

Consolidated statements of changes in shareholders' equity for the years ended December 31, 2019, 2018 and 2017

Consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017

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	Agreement and Plan of Merger, dated May 11, 2017, by and among Bank First National Corporation, BFNC Merger Sub, LLC, and Waupaca Bancorporation, Inc. (filed as Exhibit 2.1 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).
2.2	First Amendment to Agreement and Plan of Merger, dated July 20, 2017, to that certain Agreement and Plan of Merger, dated as of May 11, 2017, by and among Bank First National Corporation, BFNC Merger Sub, LLC, and Waupaca Bancorporation, Inc. (filed as Exhibit 2.2 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).
2.3	Agreement and Plan of Merger, dated January 22, 2019, by and between Bank First Corporation and Partnership Community Bancshares, Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on January 23, 2019 and incorporated herein by reference).
3.1	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).
3.2	Amended and Restated Bylaws of Bank First Corporation (filed as Exhibit 3.2 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.)

Exhibit No.	Description
4.1	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).
4.2	Description of Registered Securities.
10.1	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).*
10.2	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).*
10.3	Bank First Amended and Restated Nonqualified Deferred Compensation Plan (filed as Exhibit 10.2 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).*
10.4	Amendment to Bank First Amended and Restated Nonqualified Deferred Compensation Plan. (File No. 001-38676) filed with the SEC on March 26, 2019 and incorporated herein by reference).*
21	Subsidiaries of Bank First Corporation.
23.1	Consent of Independent Registered Public Accounting Firm (Dixon Hughes Goodman, LLP).
23.2	Consent of Independent Registered Public Accounting Firm (Porter Keadle Moore, LLC).
24	Power of Attorney contained on the signature pages of this 2019 Annual Report on Form 10-K and incorporated herein by reference.
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.
101	Interactive Data File.

* 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

March 11, 2020	By: /s/ Michael B. Molepske Michael B. Molepske Chief Executive Officer and President (Principal Executive Officer)
March 11, 2020	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.

/s/ Michael G. Ansay Michael G. Ansay	Chairman of the Board, Director	March 11, 2020
/s/ Mary-Kay H. Bourbulas Mary-Kay H. Bourbulas	Director	March 11, 2020
/s/ Donald R. Brisch Donald R. Brisch	Director	March 11, 2020
/s/ Michael P. Dempsey Michael P. Dempsey	Director	March 11, 2020
/s/ Robert D. Gregorski Robert D. Gregorski	Director	March 11, 2020
/s/ Judy L. Heun Judy L. Heun	Director	March 11, 2020
/s/ Michael B. Molepske Michael B. Molepske	Director	March 11, 2020
/s/ Katherine M. Reynolds Katherine M. Reynolds	Director	March 11, 2020
/s/ David R. Sachse David R. Sachse	Director	March 11, 2020
/s/ Peter J. Van Sistine Peter J. Van Sistine	Director	March 11, 2020

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Exhibit 31.1

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: March 11, 2020

By: /s/Michael B. Molepske
Michael B. Molepske
Chief Executive Officer and President

Exhibit 31.2

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: March 11, 2020

By: /s/Kevin M. LeMahieu
Kevin M. LeMahieu
Chief Financial Officer

Exhibit 32

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 and President 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, 2019 (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: March 11, 2020

By: /s/ Michael B. Molepske
Michael B. Molepske
Chief Executive Officer and President

Date: March 11, 2020

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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