

Annual Report 2020

bank **five nine**®



Making Lives Better



To Our Shareholders

Thank You For Your Continued Support

Strength, Stability and Responsible Growth

For more than 161 years, your bank has served as a source of strength and stability for our customers, communities and employees as it's grown steadily and responsibly. Never has that been truer than in 2020.

When our customers needed us most, we were there for them. When our communities needed us most, we stepped up our commitments. And, when our employees answered the call to go above and beyond, we retained every job and every Bank Five Nine location during an extraordinary year.

Thanks to our customers' support, our employees' incredible dedication and our disciplined efforts to build a fortress balance sheet, your bank ended 2020 in what may be its strongest financial position ever, as measured by liquidity, capital, reserves, and bottom-line results.

This allowed us to begin 2021 with tremendous optimism, confidence in the people of the communities we serve and an unwavering commitment to

Bank Five Nine's longstanding mission: Make Lives Better.

Becoming Bank Five Nine

Our community bank's independence, local ownership, financial strength, and mission to Make Lives Better have long distinguished us from the competition. However, with 22 Wisconsin banks and hundreds of other U.S. financial institutions using the word "First" in their names, we announced in early 2020 that we would retire the First Bank Financial Centre moniker and adopt the new Bank Five Nine brand. Paying tribute to our founders who launched this community bank in 1859, we seamlessly executed our Bank Five Nine brand transition across the organization and all branches as scheduled last year. While the bank's name, logo and colors evolved, our board, executive management team, employees, and locations remained unchanged.

The feedback on the new brand from our customers, employees and community leaders has been even more positive than we expected, and we hope you agree that Bank Five Nine is even more visible in Southeast Wisconsin today than ever before.

Make
Lives
Better

Rapid Response

Beginning in March 2020, Bank Five Nine rapidly responded to the needs of our employees and customers during the COVID-19 pandemic. Within our branch lobbies, we implemented safety protocols, including hand sanitizer stations, social distancing markers on the floors and acrylic shields at all teller lines and banker desks. To assist customers in managing their financial needs throughout the pandemic, we amended several policies, including the waiving of fees for using other banks' ATMs, partial CD withdrawals, account-to-account transfers, person-to-person electronic bill payments, and automatic overdraft protection transfers.

Last spring, when small businesses and non-profits hoped to access emergency funds from the federal Paycheck Protection Program (PPP), supervised by the U.S. Small Business Administration (SBA), Bank Five Nine immediately stepped forward. We supplemented our traditional SBA lending capabilities, which allowed us to help serve PPP applicants in April 2020, marshalling the processes, technology and talented employees that have

long made us a nationally recognized small business lender. Since then, we have continued to help small businesses to access subsequent rounds of the program, leading Bank Five Nine to become one of the nation's top community bank PPP lenders.

Answering the Call

Throughout 2020, Bank Five Nine's employees not only lived up to our mission to Make Lives Better, but went above and beyond to ensure that customers had answers, information and expert advice when they needed it most.

Ensuring that our employees can always give their best, we maintained the bank's commitment to their professional and personal development in 2020, with an emphasis on virtual and remote training and resources. For example, Bank Five Nine's leadership development program continued last year, delivering customized training for current and aspiring managers across the organization. We also continued our annual training camp for employees with 33 virtual sessions held in 2020.



Employees' collaboration, kindness and generosity are traits our organization has always celebrated, so we can't say we were surprised by how our colleagues embodied these attributes in 2020. Like many people across Wisconsin and the nation, Bank Five Nine employees had to quickly adapt to working from home, orchestrating a seamless transition to ensure uninterrupted customer access to accounts, information and our team's expertise. We were inspired to see so many employees supporting one another with patience and grace, as individuals juggled work with the needs of children and other loved ones through the challenges of 2020. To all our employees, we thank you for your incredible commitment to your coworkers and customers.

As leaders of the bank, we were humbled by the high marks our employees continued to give Bank Five Nine through anonymous surveys that earned our workplace local and national recognition in 2020. For the eleventh consecutive year, Bank Five Nine was named a Milwaukee Journal Sentinel Top Workplace, along with some of the finest companies and employers in the region. For the fifth consecutive year, American Banker named us to its annual "Best Banks to Work For" list, making Bank Five Nine the only Southeast Wisconsin headquartered institution earning this national honor in 2020.

Bank Five Nine was named a **Milwaukee Journal Sentinel Top Workplace** and made **American Banker's Best Banks to Work For** list.



Tech Investments Pay Dividends in '20

To give our employees state-of-the-art tools and allow customers to bank when, where and how they prefer, Bank Five Nine has made significant technology investments over the last five years.

While customers remain welcome to use all our branches, they are increasingly relying on mobile devices and online tools for some or even all of their interactions with Bank Five Nine. In addition, many employees needed to securely leverage our organization's technology capabilities when they worked remotely.

Thanks to years of investments and preparation, our systems and platforms were more than ready to handle 2020's extraordinary influx in volume, for the benefit of all we serve.

Some of our digital and mobile banking enhancements in recent years include:

- Best-in-class mobile and digital banking for securely managing money, payments and cards
- Zelle® peer-to-peer (P2P) payments via the Bank Five Nine mobile app
- Online applications for mortgage and home equity loans
- Online deposit account opening for consumers
- Online SBA loan applications for small businesses
- Robust back-office technology platforms to enable responsive customer service while eliminating paper

Financial Performance

Thanks to our customers' support, employees' dedication and years of judicious investments in technology and our brand, Bank Five Nine's holding company –

Oconomowoc Bancshares, Inc. – delivered record performance in 2020.

Ample Liquidity

Growing customer deposits to record levels provided ample liquidity to meet borrowers' needs last year. Cash and investments totaled \$343.2 million on December 31, 2020, compared to \$208.6 million one year prior. Deposits grew to \$1.07 billion on December 31, 2020, surpassing the billion dollar mark for the first time and growing a record \$165.1 million last year. Balances reflected continued expansion of households with deposit accounts at Bank Five Nine, which grew by another 10 percent in 2020.

Our abundant liquidity reflects our growing relationships with customers in Southeast Wisconsin and beyond, while many small business and non-profit customers kept relatively high account balances as they maintained cash reserves, where possible, during the uncertainty of 2020.

Our community bank customers provide valuable "core deposits" that, in the current rate environment, allow us to enhance the bank's financial strength for the benefit of all our stakeholders. Other funding sources at our disposal, when needed, include access to Federal Home Loan Bank borrowings and brokered deposits.

Customer deposits also fully funded all of the bank's new lending in 2020, which simply means that the deposits they entrusted to Bank Five Nine were used to provide their neighbors and other customers with residential mortgages, home equity loans and small business financing last year.

Record Lending

For the sixth consecutive year, the bank's loan production hit a new annual record, growing to \$1.27 billion in 2020, up 84.71 percent from 2019.

Year-end loans were \$1.01 billion on the bank's balance sheet in 2020, surpassing the billion dollar mark for the first time and growing a record \$86.5 million last year. Year-end total on- and off-balance-sheet assets grew to a record \$2.20 billion, surpassing the two billion dollar mark for the first time and growing a record \$493.3 million last year.

Funding Home Ownership

Not all financial institutions make a consistent commitment to residential mortgage lending, a cyclical and highly regulated business that requires investments in people, process and technology to ensure success. At Bank Five Nine though, helping Wisconsin families to realize their homeownership dreams has been a priority since our community bank's founding.

We have continually invested in and repositioned this business, particularly over the last five years. After Bank Five Nine's excellent mortgage performance in 2019, we entered 2020 with a strong and well-respected team of lenders, along with best-in-class people and technology to support residential loan processing.

So, when the Federal Reserve took emergency measures in March 2020 to effectively drop its target interest rate to zero, demand for home purchase financing and refinancings was supercharged, fueling what is widely viewed to be the biggest year ever for the U.S. mortgage industry.



Households
grew by
over 10%

Implemented
online SBA loan
applications for
small businesses

Your community bank was very well prepared. Bank Five Nine increased mortgage loan production by 86.73 percent to \$900.8 million in 2020, hitting a new record high for the third consecutive year.

In addition to interest income our bank earns from lending activity, the mortgage business is an important source of non-interest income for Bank Five Nine. Gains and other income from the mortgage business hit a new record level for the sixth consecutive year, growing to \$30.1 million in 2020 and more than tripling from 2019's \$9.6 million.

While U.S. mortgage volume may not match the extraordinary heights reached in 2020, we continue to expect healthy contributions from this business as Bank Five Nine continues to help Wisconsin customers meet their residential financing needs.

Small Businesses Benefit from Our Know-How

In addition to our work to help small businesses access federal PPP funds, traditional SBA lending was an important contributor to Bank Five Nine's profitable growth in loans and production in 2020, as it has been in prior years. The SBA's loan programs have long been important tools we can offer entrepreneurs to help them finance commercial real estate that they own and operate small businesses out of. Bank Five Nine remains one of the largest SBA lenders in the state and the nation.

Top- and Bottom-Line Results

Bank Five Nine's disciplined balance sheet management enabled the company to grow interest income on higher levels of loans and other earning assets, as well as non-

interest income on fees and gains from our mortgage, and SBA lending programs. Together, net interest income plus non-interest income generated revenues of \$96.0 million in 2020, representing a 25.34 percent increase over the bank's top line in 2019.

Net interest income on higher levels of loans, fees from federal PPP loan forgiveness and other earning assets grew to \$44.0 million in 2020, up 9.76 percent from 2019.

Net interest margin (NIM) – a key profitability benchmark that measures the difference between the yields a bank charges for lending and the rates paid on deposits and other funding sources – came in at 3.70 percent for 2020. NIM in 2020 reflected Bank Five Nine's balance sheet strength and discipline, increasing by 5 basis points, even as the Fed cut interest rates by 150 basis points over the same period.

Non-interest income growth was largely driven by fees and gains from our mortgage and SBA lending programs, increasing to \$40.3 million in 2020, growing 91.17 percent over the year before.

Non-interest expense totaled \$53.9 million in 2020, compared to \$47.3 million in 2019, as we continue to invest in our ability to serve record numbers of households and our community.

Credit Quality

Even with the challenges faced by our local and national economies in 2020, Bank Five Nine's credit quality metrics continued to improve. Non-performing assets declined to \$13.4 million at the end of 2020, representing 0.94 percent

Financial Highlights (in thousands)

	Assets	On & Off Balance Sheet Loans
2020	\$1,424,348 ↑	\$2,199,665 ↑
2019	\$1,203,432	\$1,706,357
2018	\$1,176,636	\$1,632,672



of total assets and improving by 74 basis points from the end of 2019. Non-performing loans declined to \$12.6 million at the end of 2020, representing 1.24 percent of total loans and improving by 39 basis points from the end of 2019. And, net charge offs of loans declined to \$673,000, or 0.07 percent of average total loans, in 2020, compared to \$693,000 in 2019.

While credit quality remained strong in 2020, we took a conservative approach to construct a balance sheet that was as “recession proof” as possible. In particular, we meaningfully increased the bank’s allowance for loan losses in 2020, prudently building our general reserves and fortifying the balance sheet. By the end of 2020, we took the bank’s allowance for loan losses up to \$8.9 million at the end of 2020, increasing these balance sheet reserves by 59.19 percent from the end of 2019. To build the allowance, the bank accrued a non-cash provision expense of \$4.0 million

on our 2020 income statement, a 400 percent increase over the year prior.

Even after expensing the loan loss provision at a level that was five times higher than in 2019, in order to build reserves, Bank Five Nine delivered record net income and earnings per share for our shareholders in 2020.

Consolidated net income grew to \$21.1 million in 2020, increasing 82.09 percent over the year before. In addition, return on Bank Five Nine’s average assets (ROAA) improved to 1.70 percent in 2020 from 1.03 percent in 2019, while return on average equity (ROAE) improved to 17.01 percent in 2020 from 11.06 percent the year before.

These financial results allowed the company to pay cash dividends to common stockholders of \$1.3 million in 2020,

Earnings

\$21,086 ↑

\$11,580

\$8,218

Capital

\$123,710 ↑

\$102,689

\$88,983

Deposits

\$1,074,094 ↑

\$909,017

\$897,988

or \$4.00 per share. This represented a \$0.24 per share increase over the prior year, making 2020 the tenth consecutive year that this company has raised cash dividends for shareholders.

Strong Capital Position

The company grew capital significantly in 2020, driven primarily by 20.99 percent growth in retained earnings from Bank Five Nine's lending and fee generating businesses, as well as continued discipline in managing the bank's investment portfolio. Total capital grew by 20.47 percent last year to \$123.7 million on December 31, 2020, while book value per share grew to \$369 at the end of 2020 from \$306 at the end of 2019.

The company's strong capital position also reflects our successful \$20.3 million subordinated debt offering in October 2020. The company was able to take advantage of the capital markets through an oversubscribed offering of subordinated debt to institutional fixed income investors at very attractive rates. This capital raise further fortified our balance sheet without diluting our common stockholders, positioning us well for 2021.

Stepping Up Community Commitments

Bank Five Nine's financial strength continues to allow us to maintain our commitments to communities across Southeast Wisconsin.

Face-to-face volunteerism and engagement are at the core

of how we make a positive impact on our communities, but that of course was curtailed in 2020. We provided virtual and remote volunteer support wherever possible, and we stepped up Bank Five Nine's financial commitments to community and philanthropic programs, donating more than \$340,000 in 2020. This represented a 37.65 percent increase in our community bank's philanthropic giving in 2020, compared to the year before.

We also sought to target the impact of our community activities to the unique needs faced by our customers and communities last year. For example, we launched Bank Five Nine's Feed Our Front Line initiative in April 2020, supporting 18 of our small business customers in the local restaurant industry by ordering more than \$20,000 in meals from them, providing lunches for 1,400 health care workers at 14 hospitals and health care facilities in Southeast Wisconsin.

In addition, we continued our efforts to improve fair and equitable access to banking services and career opportunities for all in Southeast Wisconsin. For example, we're one of the only banks headquartered in the state – and one of only 60 financial institutions in the nation – to offer a "Bank On" certified account that has been commended by the Federal Deposit Insurance Corporation (FDIC) and other federal agencies. We designed Bank Five Nine's Achieve checking account to meet Bank On's national standards and serve customers looking to establish themselves financially or rebuild their credit history. Bank Five Nine has also





developed a Low Down Payment mortgage solutions program, designed for prospective homeowners with modest incomes who require down-payment or closing-cost assistance.

Bank Five Nine is very proud to be participating in BankWork\$ for the second consecutive year in 2020, as well. To help young adults from low-income communities in Southeast Wisconsin build meaningful careers in banking, we joined Employ Milwaukee and other institutions to provide training, placement assistance and coaching at Bank Five Nine. BankWork\$ remained a valuable source of new-hire talent for us in 2020 and will continue to be in 2021.

At Bank Five Nine, we're also committed to using our voice to ensure that the good work of local organizations gets the recognition it deserves. Bank Five Nine's That's So Money program airs weekly on Milwaukee radio WISN-AM 1130 and is available as a free podcast, with each program dedicated to financial education and showcasing the work of a local nonprofit organization or small business. The Morning Blend on Milwaukee's NBC television affiliate TMJ4 with Bank Five Nine is another venue allowing us to profile local nonprofits, awarding each participating organization \$1,000. Together, That's So Money and The Morning Blend enabled Bank Five Nine to call attention to 64 nonprofits and other organizations in our community in 2020.

True Community Banking

U.S. community banks like ours play a unique and crucial role in the lives of everyday citizens, and this proved to be especially true in 2020.

Community bank owners are closely tied to the localities they serve. At Bank Five Nine, many of our stockholders are customers. Most live in or are deeply connected to Southeast Wisconsin, with some families passing shares of this bank down through generations of ownership.

Community banks also pride themselves on local decision making and taking the long view. At Bank Five Nine, our directors, officers and employees live right here in Southeast Wisconsin. We appreciate how our neighbors, friends and families are not only counting on us to do right by them as their bank, but as a major local employer and a highly engaged corporate citizen. At Bank Five Nine, we think about how our decisions impact customers, employees and our community for years to come, working to ensure that this institution remains well positioned to Make Lives Better for future generations.

On behalf of the entire team, we continue to pledge our very best to you. We wish you and your families a healthy 2021, and we thank you for your continued support and interest in Bank Five Nine.



Mark W. Mohr

President and CEO



Nate Zastrow

Executive Vice President
and CFO

Consolidated Financial Highlights

Oconomowoc Bancshares, Inc.

(In thousands, except per share data) as of December 31

Balance Sheet

Assets	2018	2019	2020
Cash & Cash Equivalents	22,975	46,572	194,992
Investments	165,197	162,002	148,189
Loans, Net	912,303	914,488	995,823
Premises & Equipment	31,400	30,443	32,665
Servicing Assets	15,768	16,715	18,246
Other Real Estate	2,999	5,276	997
Other Assets	25,994	27,936	33,436
Total Assets	1,176,636	1,203,432	1,424,348

Liabilities & Capital	2018	2019	2020
Deposits	897,988	909,017	1,074,094
Borrowed Funds	168,160	165,876	184,233
Subordinated Debentures	18,010	18,036	26,112
Other Liabilities	3,495	7,814	16,119
Capital	88,983	102,689	123,710
Total Liabilities & Capital	1,176,636	1,203,432	1,424,348
Book Value Per Share	\$266	\$306	\$369

Income Statement	2018	2019	2020
Interest Income	49,108	55,501	55,703
Interest Expense	(11,243)	(15,383)	(11,669)
Net Interest Income	37,865	40,118	44,034
Provision for Loan Losses	(630)	(800)	(4,000)
Net Interest Income After Provision for Loan Losses	37,235	39,318	40,034
Non-interest Income	15,570	21,053	40,246
Non-interest Expense	(43,945)	(47,289)	(53,914)
Income Before Income Tax Expense	8,860	13,082	26,366
Income Tax Expense	(642)	(1,502)	(5,280)
Net Income	8,218	11,580	21,086
Earnings Per Share	\$24.52	\$34.56	\$62.92

Selected Other Bank Data	2018	2019	2020
Return on Average Assets	0.78%	1.03%	1.70%
Return on Average Equity	8.96%	11.06%	17.01%
Net Interest Margin	3.58%	3.65%	3.70%
Non-performing Assets to Total Assets	2.55%	1.68%	0.94%
Allowance for Loan Losses as a Percent of Total Loans	0.60%	0.61%	0.88%
Leverage Ratio	8.95%	9.40%	10.11%
Risk Based Capital Ratio	11.95%	12.52%	15.74%



Board of Directors

(Listed left to right, Back row first)

Mark T. McCune
Bank Five Nine

Craig S. Schiefelbein
Observation Tower LLC

Charles J. Folkman, Jr.
Vice Chairman
L.F. George, Inc.

Pat Hammer
Rogers Behavioral Health System

James P. Siepmann
Siepmann Realty Corporation

Mark W. Mohr
Bank Five Nine

Larry Tomsyck
Ernst & Young LLC (retired)

Monica Stern
Village of Grafton

Robert W. Snyder
Board Chairman
Snyder and Ek, S.C.

Maureen Stapleton
Stapleton Realty and Appraisal

Peter G. Roehl
Roehl Corporation

Dear Shareholders,

2020 was a remarkable year for our bank in many regards.

Most visibly, we changed our name to Bank Five Nine. Our employees and customers have embraced the new name, logo and colors, and our visibility in the market has increased dramatically. This improvement gives us a true competitive edge moving forward as it allows us to differentiate our bank from the multiple banks using "First" in their names.

Yet as proud as I am of the successful brand conversion, I am perhaps even more proud of the work we did to support our customers and communities during the COVID-19 pandemic.

Inside our offices we took critical steps to protect our employees by adopting safety practices early. While we did close our lobbies for several weeks, we were able to assist customers at the same high level of service they deserve throughout the year.

Our position as a leading SBA lender in the nation gave us a head start in

being able to support small businesses with PPP loans. These businesses are the lifeblood of our communities, and we were honored to step up and get them the assistance they so desperately needed. Along the way, our nimbleness and expertise earned us the trust and relationships of many new customers, proving yet again why our community bank model is so valued by the small business community.

Of course, our commitment didn't stop there. Our employees continued to volunteer where they could, and our charitable giving program awarded more grants than in previous years. In a year that was challenging for many, our bank continued to stay true to our mission to Make Lives Better.

On behalf of the entire Board of Directors, I wish you and your families a safe, healthy and happy year ahead.

Robert W. Snyder
Chairman

Executive Management

Mark W. Mohr
President,
Chief Executive Officer

Mark T. McCune
Executive Vice President,
Chief Lending Officer

Nate Zastrow
Executive Vice President,
Chief Financial Officer
& Treasurer

