

2021

annual report

MAKING LIVES BETTER



GROWTH



STABILITY



SUCCESS

To Our Shareholders

Thank You For Your Continued Support

You Can Count On Us

For 162 years and counting, Bank Five Nine has grown steadily and responsibly, deepening our roots as your hometown community bank. We are proud to serve as a source of strength for our customers, communities and employees when they need us most. We have the resources and dedication to bring an unwavering commitment to Bank Five Nine's longstanding mission: Make Lives Better.

In 2021, we did just that once again.

We sustained our community commitments and remained a top workplace for our employees. We supported customers across Wisconsin and beyond, adjusting to their needs and preferences during a time of prolonged uncertainty. We continued to safeguard the surge of customer deposits entrusted to us as a byproduct of extensive state and federal government stimulus programs in 2020 and 2021.

We made loans to customers across a spectrum of needs, from business survival to entrepreneurial expansion, first time homeownership to primary residence refinancing. We expanded our portfolio of government guaranteed loans, reducing credit risk to the bank while increasing yields. And, we continued to invest in technology to make banking with Bank Five Nine even more convenient, safe and efficient.

Through disciplined efforts to build a fortress balance sheet, your bank maintained a robust financial position throughout 2021. Bank Five Nine's holding company, Oconomowoc Bancshares, Inc., earned record net income for the year and built shareholder equity and reserve balances to their highest-ever levels. This strength was echoed in our stock trade price, which grew over 14 percent to \$440 per share at the end of the year. At the same time, we raised our annual dividend by 8.0 percent to \$4.32 per share, providing a meaningful return to our shareholders.



GROWTH

Consolidated net income grew to \$21.7 million, increasing 3.1% over 2020.



STABILITY

Our expanded portfolio of government guaranteed loans reduces risk and increases yields.



SUCCESS

Our fortress balance sheet helped us maintain a robust financial position.



Strength In Our Team

Of course, our success stems from the hard and loyal work of our employees, who we thank for their remarkable dedication and resilience. We are delighted by the high marks our employees, numbering 338 at year end, continued to give Bank Five Nine through anonymous surveys that earned our workplace local and national recognition in 2021.

For the 12th 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 sixth consecutive year, American Banker named us a "Best Banks to Work For", making Bank Five Nine the only Southeast Wisconsin headquartered institution earning this national honor in 2021.

Additionally, we were thrilled to earn two new distinctions in 2021: Bank Five Nine was recognized among the "Top Work Places USA" and named a "Top Financial Services Work Places" employer. These awards celebrate companies whose employees nominate their employers for prioritizing a people-centered culture and giving employees a voice. To earn these honors at a time when traditional work scenarios were upended is a humbling validation of the culture we have long aimed to foster.

Your Homeownership Partner

At Bank Five Nine, we have a longstanding commitment to residential mortgage lending, because we see first-hand the value of homeownership to our local communities. Our customers turn to us time and again to help reach their homeownership goals, with a loyalty earned through constant investments in people, process and technology.

Years of consistent investments positioned us incredibly well to support the unprecedented surge in home purchase financing and refinancing that began in mid-2020. Our top-notch team and technology supported record levels of residential loan processing at that time, and when U.S. mortgage volume slowed in 2021 from the extraordinary heights of 2020, we continued to experience healthy originations even as housing inventory levels were constrained.

We attribute this success to Bank Five Nine's excellence across all aspects of the business. We attract and retain top lenders who understand the nuances of our markets and maintain longstanding relationships with local real estate agents, homebuilders and customers who have proven invaluable sources of referral business. We have also built and fully staffed a premier Community Reinvestment Act lending platform, supporting our goal to help meet the needs of borrowers in low- and moderate-income neighborhoods.

In addition, the bank offers sophisticated online applications for mortgage and home equity loan products. And, we offer superior customer service, retaining the mortgage servicing rights to most of the loans we originate, whether they are sold or retained.

These attributes contributed to our solid production of nearly \$700 million in residential mortgages in 2021, raising the entire portfolio to a record \$1.4 billion at year-end, with \$1.2 billion held in our servicing portfolio.

Importantly, in addition to interest income our bank earns from lending activity, the mortgage business provides a meaningful source of non-interest income for Bank Five Nine. Loan sale gains and other income from the mortgage business totaled \$19.9 million in 2021, more than double the pre-pandemic level of \$9.6 million earned in 2019.

Nimble Business Management

The value of Bank Five Nine's flexible and nimble business

\$700 million
production in residential mortgages in 2021



management has never been more apparent than over the last two years. With productive strategic planning, we efficiently navigated with purpose and strength. We maintained our commitment to enhance our mortgage and small business lending strategies, with great success for our customers, balance sheet and bottom line.

Mortgage Lending

The ability to retain or sell our mortgage loans to the secondary market provides a useful balance sheet and revenue management tool for Bank Five Nine. In 2017, we strategically prioritized selling a greater portion of our origination volume off-balance sheet, allowing us to support higher customer volumes while still providing our distinctive customer service. In doing so, we earn important fee revenue to diversify our revenue profile. Mortgage loan sales and servicing income has grown to represent a meaningful portion of these revenues, exceeding 50 percent of fee income in 2021.

In 2022, our industry remains flush with liquidity

\$19.9 million
in loan sales and other income in 2021

as consumers, businesses and municipalities maintained high deposit balances after receiving state and federal emergency stimulus dollars. High deposit balances at Bank Five Nine, and institutions nationwide, reflect cautious spending habits, surplus cash at businesses and municipalities and customers' limited reinvestment opportunities given the historically low-rate environment. Bank Five Nine has again been able to pivot, this time toward retaining a larger portion of our originated loans on our balance sheet to mitigate margin pressure that was widespread among banks in 2021.

SBA Lending

Lending in conjunction with the U.S. Small Business Administration (SBA) is a key part of our work to Make Lives Better for customers across Southeast Wisconsin, and beyond. The SBA's loan programs have long been important tools we can offer entrepreneurs to help them finance commercial real estate and small business investments. Our ability to originate and sell a portion of our SBA loan production also provides us with a meaningful level of loan sale fee income, diversifying our revenue profile.

Our success in meeting national SBA lending requirements has helped us grow into one of the top lenders in Wisconsin and a top 30 lender in the nation for SBA loan volume. Bank Five Nine has also earned, and rigorously maintains, its status as one of the SBA's Preferred Lender Program banks, granting us direct credit-decision-making authority so we can provide faster turn-around time to small-business applicants and highly personalized service.

Importantly, our status as an SBA Preferred Lender helped us support

local businesses and non-profits in accessing emergency funds from the federal government's Paycheck Protection Program (PPP), supervised by the SBA and administered through banks across the country in 2020 and 2021. We were quick to supplement our traditional SBA lending capabilities, leading Bank Five Nine to become one of the nation's top community bank PPP lenders. This program was an essential lifeline to small business customers across Wisconsin.

Solid Financial Position

Ample Liquidity

The company operated with a robust liquidity profile throughout 2021. Cash and investments totaled \$467.6 million on December 31, 2021, compared to \$343.2 million one year prior, and more than double the level reported prior to the pandemic's onset, on December 31, 2019.

Year-end deposits reached \$1.3 billion, growing a record \$196.2 million, or 18.3 percent from 2020, and 39.7 percent from the end of 2019, as consumers, businesses, municipalities, schools, and government agencies have not yet fully utilized cash pushed out through state and federal stimulus programs over the past two years.

Other funding sources at our disposal, when needed, include access to Federal Home Loan Bank borrowings, correspondent lines of credit and brokered deposits.

Notably, we believe our funding profile is positioned to benefit from lower costs, as customers' higher-rate deposits and the bank's borrowings roll off into 2022. We expect this scenario to improve the bank's cost of funds meaningfully,



We were quick to supplement our traditional SBA lending capabilities, leading

Bank Five Nine
to become one of
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contributing to an upward trend in our net interest margin (NIM), which is a key profitability benchmark that measures the difference between the rates a bank charges for lending and the rates paid on deposits and other funding sources.

Robust Lending

Growing customer deposits fully funded all the bank's new lending in 2021, which simply means that the deposits customers entrusted to Bank Five Nine were used to provide their neighbors with residential mortgages, home equity loans and small business financing last year. The bank's loan production exceeded \$1 billion for the second consecutive year, surpassing the billion-dollar mark for the second time in our history. Year-end loans grew to \$1.0 billion, while year-end total on- and off-balance sheet assets grew to a record \$3.0 billion, while growing a substantial \$363 million from last year. On-balance sheet assets grew 9.1 percent on higher loan, cash and investment balances. Together with abundant growth in 2020, on-balance sheet assets have grown over 29 percent from the end of 2019, prior to the pandemic's onset.

Strong Credit Quality

Bank Five Nine's continued growth has been achieved while maintaining underwriting discipline and strong credit quality metrics throughout 2021. Non-performing assets declined to \$8.4 million at the end of 2021, representing 0.5 percent of total assets and improving by 40 basis points from the end of 2020. Non-performing loans declined to \$8.2 million at the end of 2021, representing 0.8 percent of total loans and improving by 44 basis points from the end of 2020. And, net charge offs of loans declined to \$506,000,

or 0.05 percent of average total loans in 2021, compared to \$673,000 in 2020.

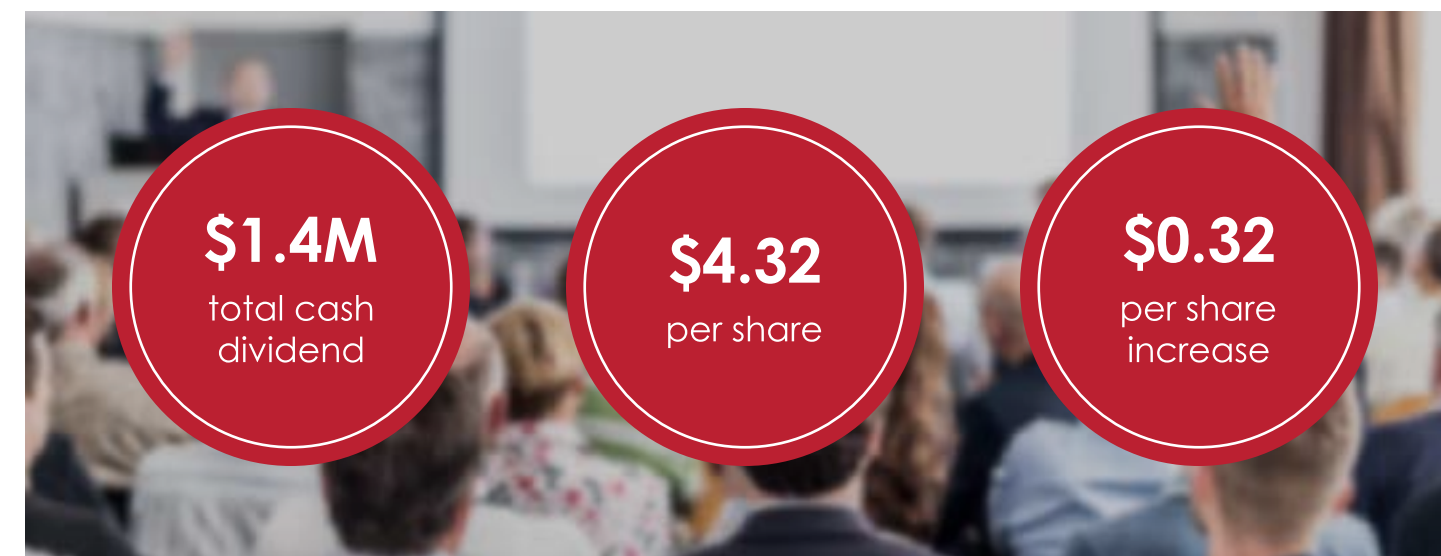
Top- and Bottom-Line Results

In spite of the unprecedented low-interest-rate environment in 2020 and 2021, the company delivered record profitability in each of the last two years.

Disciplined balance sheet management enabled Bank Five Nine to grow interest income on higher levels of earning assets, including prudent deployment of excess liquidity. Interest income of \$57.1 million expanded by 2.5 percent for 2021, while interest expense of \$8.0 million declined 31.3 percent from 2020. As a result, net interest income grew 11.4 percent to \$49.1 million in 2021. The company's NIM measured 3.5 percent for 2021, which marked a decrease of just 16 basis points from two years prior, even as the Federal Reserve cut interest rates by 150 basis points over the same period.

As we look ahead, we note that March 2022 marks the first time the Federal Reserve Board raised interest rates since 2018, and the first time the Federal Funds target rate has not been effectively zero percent in two years. Given our balance sheet positioning today, we believe an orderly and gradual rise in rates should further benefit the bank's net interest income and NIM.

Non-interest income totaled \$29.5 million for 2021, comprised primarily of fees and gains from our mortgage and SBA lending programs. Together, net interest income plus non-interest income generated revenues of \$78.6 million in 2021, slowing as expected from record top-line



results in 2020 that were boosted by extraordinary and unprecedented levels of mortgage loan activity industry-wide.

Non-interest expense totaled \$51.3 million in 2021, down \$2.6 million, or 4.9 percent compared to \$53.9 million in 2020. Our efficiency improved even as we continued to invest in our ability to serve our stakeholders. In fact, thanks to a longstanding commitment to investing in technology and top talent, Bank Five Nine has grown assets more than 40 percent and more than tripled annual net income since 2016, while maintaining a consistent workforce size over the last five years.

In 2021, Oconomowoc Bancshares, Inc. once again, delivered record net income and earnings per share. Consolidated

net income grew to \$21.7 million in 2021, increasing 3.1 percent over the year before, which itself marked an 82.1 percent increase over 2019. Return on average assets (ROAA) measured 1.5 percent in 2021 and 1.7 percent in 2020. Likewise, return on average equity (ROAE) measured a solid 14.4 percent in 2021 and 17.0 percent in 2020, up from 11.1 percent for the prior year.

These financial results and our expectations for 2022 and beyond have allowed Bank Five Nine's holding company to pay cash dividends to common stockholders of \$1.4 million in 2021, or \$4.32 per share. This represented an increase of \$0.32 per share, or 8.0 percent over 2020, and marked our 11th consecutive annual increase. Total capital at the holding company measured \$140.2 million as of December 31, 2021. This represented growth of 13.3 percent from December 31,

Financial Highlights (in thousands)

	Assets	On & Off Balance Sheet Loans	Earnings	Capital	Deposits
2021	\$1,554,325 ↑	\$2,438,897 ↑	\$21,745 ↑	\$140,221 ↑	\$1,270,277 ↑
2020	\$1,424,348	\$2,199,665	\$21,086	\$123,710	\$1,074,094
2019	\$1,203,432	\$1,706,357	\$11,580	\$102,689	\$909,017

2020, while book value per share grew to \$418 at the end of 2021 from \$369 at the end of 2020.

Making Lives Better

Improving Banking Opportunities for All

In our mission to Make Lives Better, your bank is committed to improve fair and equitable access to banking services for all in Southeast Wisconsin.

We've added lenders who specialize in helping prospective homeowners with modest incomes to finance home purchases using Bank Five Nine's own low down payment mortgage solutions, alongside more than a dozen other programs offered by federal, state, local, and non-profit agencies serving our communities.

In addition, Bank Five Nine is one of the few Wisconsin-headquartered banks, and the only one with more than \$1 billion in assets, to offer a "Bank On" certified account that serves customers looking to establish themselves financially or rebuild their credit history. We are proud to offer our Achieve checking account, which meets Bank On's national standards.

We were also honored to have our peers recognize our commitment to dynamic financial education initiatives such as Bank Five Nine's That's So Money podcast and radio program, blogs and other free online resources, as well as the use of social media to promote financial literacy in our communities. The Wisconsin Banker's Association presented its Innovation in Financial Education Award to



Bank Five Nine for the second time in 2021, and we are proud to lead the way for Wisconsin community banks on financial literacy.

Supporting our Communities

Since rebranding as Bank Five Nine in 2020, our presence across Southeast Wisconsin is stronger and more recognized than ever. We were especially grateful for the many opportunities we had to lend your bank's support to our community partners in 2021. We were thrilled that 2021 brought a return to face-to-face volunteerism, with employees contributing a combined

6,800 hours volunteered in our communities. At the corporate level, Bank Five Nine donated \$277,000 to more than 128 community initiatives and organizations throughout the year.

For example, in an especially rewarding commitment, we supported the Waukesha County Chapter of Blessings in a Backpack's work to provide food on the weekends for elementary school children who might otherwise go hungry. Our investment was specifically designed to expand the number of children reached by this vital program. Each year, Bank Five Nine helps feed over 3,000 local children, and we are proud to support the continued work of Blessings in a Backpack to reach even greater numbers in the years ahead.

Perhaps our most visible opportunity to support our communities last year came with our title sponsorship of the Bank Five Nine Amphitheater, the largest free entertainment venue at the 2021 Wisconsin State Fair. After its cancellation in 2020, the State Fair returned better than ever to commemorate 170 years of celebrating agriculture and other industries that are paramount to Wisconsin's rich history and promising future. Bank Five Nine was one of the very first sponsors in 2021 to commit to reopening



the fair last year, and we enjoyed the opportunity to bring attendees together. We were especially proud to support the many Wisconsin small businesses and entrepreneurial vendors that rely on the annual event to provide for their employees and families. We are excited to have committed our support to the 2022 Wisconsin State Fair – we hope to see you there in August!

Commitment to Community Banking

As a true community bank, Bank Five Nine is committed to achieving continued growth and delivering value to our partners in the years to come. We intend to provide a consistent and dependable return on investment to our shareholders, many of whom are customers and neighbors. We will act as a champion for the growth, development and well-being for our communities, offering financial resources that evolve to meet the changing needs of our customers. And, we will do so by empowering our employees to achieve their fullest potential.

While we are proud to share Bank Five Nine's accomplishments from last year, our primary focus is on the road ahead, and our strategic plans continue to reflect our board and leadership team's unwavering commitment to independence, local ownership and financial strength. On behalf of the entire Bank Five Nine team, we thank you for your continued support and interest in our community bank.

We look forward to seeing many of you at our annual shareholder meeting in April. In the meantime, we continue our pledge to Make Lives Better and we wish you and your families a prosperous 2022.



Mark W. Mohr
Mark W. Mohr
President and CEO



Nate Zastrow
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	2019	2020	2021
Cash & Cash Equivalents	46,572	194,992	212,159
Investments	162,002	148,189	255,424
Loans, Net	914,488	995,823	1,002,442
Premises & Equipment	30,443	32,665	31,776
Servicing Assets	16,715	18,246	19,085
Other Real Estate	5,276	997	438
Other Assets	27,936	33,436	33,001
Total Assets	1,203,432	1,424,348	1,554,325

Liabilities & Capital	2019	2020	2021
Deposits	909,017	1,074,094	1,270,277
Borrowed Funds	165,876	184,233	106,439
Subordinated Debentures	18,036	26,112	26,177
Other Liabilities	7,814	16,119	11,211
Capital	102,689	123,710	140,221
Total Liabilities & Capital	1,203,432	1,424,348	1,554,325
Book Value Per Share	\$306	\$369	\$418

Income Statement	2019	2020	2021
Interest Income	55,501	55,703	57,092
Interest Expense	(15,383)	(11,669)	(8,019)
Net Interest Income	40,118	44,034	49,073
Provision for Loan Losses	(800)	(4,000)	(600)
Net Interest Income After Provision for Loan Losses	39,318	40,034	48,473
Non-interest Income	21,053	40,246	29,518
Non-interest Expense	(47,289)	(53,914)	(51,259)
Income Before Income Tax Expense	13,082	26,366	26,732
Income Tax Expense	(1,502)	(5,280)	(4,987)
Net Income	11,580	21,086	21,745
Earnings Per Share	\$34.56	\$62.92	\$64.89

Selected Other Bank Data	2019	2020	2021
Return on Average Assets	1.03%	1.70%	1.49%
Return on Average Equity	11.06%	17.01%	14.39%
Net Interest Margin	3.65%	3.70%	3.49%
Non-performing Assets to Total Assets	1.68%	0.94%	0.54%
Allowance for Loan Losses as a Percent of Total Loans	0.61%	0.88%	0.89%
Leverage Ratio	9.40%	10.11%	10.47%
Risk Based Capital Ratio	12.52%	15.74%	15.54%



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,

After 162 years in business, our bank had a year in 2021 unlike any other.

There were challenges we could have never imagined. From political unrest to a pandemic that seemed to go on forever, our world has changed and now looks much different than it did just a few short years ago.

Yet one thing remains the same: Bank Five Nine continues to be an investment you can rely on.

By nearly every standard, our bank achieved record performance in 2021. Our investors saw us reach new highs in net income and shareholder value while we provided our customers a calm in the storm; a safe place for their deposits and a source of lending to achieve business and homeownership dreams.

I am particularly proud of the fact that we continue to be an employer that is

recognized locally and nationally as a great place to work. Our team works tirelessly to make lives better for our customers, and we have an obligation to provide them with an environment where they can grow, thrive and provide for their families. In a time of uncertainty, I can think of no greater honor and responsibility.

As we look ahead to the next year, I am confident that we will continue to serve our communities admirably while achieving continued, consistent growth for you, our shareholders.

On behalf of the Board of Directors, thank you for your investment. 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



Branch Locations

To find a branch near you, visit
bankfivenine.com



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