



bank | **five nine**®
ANNUAL REPORT | 2023

Making
Lives
Better!

To Our Shareholders

Resilience, Growth & Community Commitment

We are delighted to share with you the story of Bank Five Nine's resilience and growth through 2023, a year characterized by notable economic challenges. While navigating an environment marked by instability, particularly in the financial sector, we have not only maintained but also strengthened our commitment to responsible growth and Making Lives Better in our communities.

During the first full year under the leadership of our President and CEO, Tim Schneider, Bank Five Nine continued to build upon its legacy while adapting to the new realities of our operating landscape. Our strategic focus for 2023 was centered around maintaining a robust balance sheet, navigating the complexities of an inverted yield curve, and responding to the squeeze on margins with innovative solutions. We have strived to improve our financial performance, invest in technology to enhance customer experiences, and adhere to our strategic vision with an independent and community-focused banking model.

The dedication of our team has been paramount in overcoming the intense competition and economic headwinds of the past year. Our

people-centered culture and commitment to outstanding customer service have been the cornerstones of our success. We are proud to continue being recognized as a Top Workplace by the Milwaukee Journal Sentinel for the fourteenth year in a row, and one of only a handful of companies to have won this award in each year of its existence. We were also awarded Best Bank to Work For by the American Banker for the seventh straight year. These awards are a strong testament to our positive corporate culture and the commitment of our employees and leadership team.

The year saw us effectively managing our asset quality and balance sheet growth. Despite the initial impacts of market dynamics and a significant shift in customer confidence in financial institutions, we successfully managed to grow our customer base significantly, adding nearly 1,400 new household customers. This growth, even amidst a more difficult economic environment, underscores the trust and value we have cultivated within each community we serve, highlighting our capability to attract new customers and expand our footprint when others are scaling back.

We're proud to be one of the nation's leading lenders for Small Business Administration 504 and 7a loans.



Our diverse revenue sources, including our achievements in government-guaranteed lending, have played a crucial role in our financial performance this year. We take great pride in being recognized as one of the nation's leading lenders for Small Business Administration (SBA) 504 and 7a loans. This distinction highlights our position as industry leaders and underscores our unwavering commitment to supporting small businesses, which are vital engines of our economy.

As we look forward to the future, we remain unwavering in our mission of Making Lives Better. Our strategic priorities continue to focus on growth, community engagement, and adapting to the ever-changing economic environment. In 2024, Bank Five Nine will celebrate a significant milestone, marking 165 years of operation. This remarkable achievement underscores our long-standing commitment to excellence and resilience in serving our communities. We are optimistic about the path ahead and excited about the opportunities to innovate, grow, and continue serving our communities with excellence, drawing strength from our rich history as we embrace the future.

Financial Highlights: Adapting and Thriving in a Dynamic Environment

Despite 2023's unique challenges, including significant market fluctuations and interest rate pressures, we successfully maintained a solid capital and liquidity position. This strength enabled us to expand our loan portfolio and manage our balance sheet effectively amidst evolving economic conditions. Our adversely classified assets, which are loans or assets considered impaired or of substandard credit quality, remained at historically low levels, demonstrating our stringent risk management practices and commitment to asset quality.

Our financial performance in 2023 reflects our strategic focus and operational excellence. We've

seen substantial growth in our on and off balance sheet loan portfolio, reaching approximately \$3.2 billion, with total loan growth of 10.3% over 12 months. This achievement stems from our comprehensive funding strategy, combining core deposits, borrowings, brokered deposits, and SBA 7a and Residential Secondary Market sales. Our liquidity remained robust, with cash reserves at \$44 million and an increase in borrowings and brokered deposits, ensuring support for our lending activities and customer needs.



The year 2023 was pivotal in terms of retail deposits and loan growth. Despite challenges like heightened competition and changing consumer behaviors due to inflation and higher interest rates, our proactive strategies enabled us to maintain a solid deposit base. We introduced innovative deposit strategies to attract new customers and retain existing ones, using targeted campaigns and competitive interest rates.

We made a strategic decision to leverage existing branches and digital platforms to provide customers with seamless experiences, fostering loyalty and trust. Our digital investment paid off, enhancing customer service without the need to expand our physical branch network. In the loan sector, we saw substantial growth, especially in government-guaranteed small business lending and targeted commercial areas. Our multifaceted funding strategy, utilizing core deposits, brokered CDs, and wholesale funding, allowed us to respond effectively to market demands and support our loan growth.

Our revenue diversification continued to bolster our growth trajectory. We experienced robust income from various sources, including margin dollars, SBA and 504 fees, and mortgage sales. The competitiveness of our loan products, particularly in the SBA 7a and 504 segments, significantly contributed to our profitability. Bank Five Nine's financial performance in 2023, marked by strong capital and liquidity, robust loan growth, and a commitment to asset quality, underscores our ability to adapt and excel in a challenging market. Our strategic approach to deposits, loans, and revenue diversification has positioned us well for continued success, and long term sustainability.

Capital Position and Liquidity: Sustaining Strength in a Dynamic Environment

Despite the economic challenges that rippled through the banking sector, our capital position remained solid throughout the year. We achieved a leverage ratio of approximately 9.5%, a reflection of our strategic financial management and careful risk assessment. Our liquidity strategies, though tested, proved resilient. We effectively balanced our mix of core deposits, borrowings, and brokered deposits, maintaining an adequate liquidity position. Within this

context, our investment portfolio, valued at approximately \$263.9 million, faced unrealized losses of about \$28.9 million. Yet, our strategic approach to liability management, particularly our use of FHLB borrowings with around \$500 million available, showcased our ability to anticipate and navigate through financial uncertainties with strategic foresight. This capability, alongside our continued utilization of brokered deposits despite their increased costs due to rising short-term rates, has been fundamental in ensuring a reliable liquidity source.

Another key highlight was the expansion of our government-guaranteed loan portfolio. This strategic initiative not only diversified our asset base but also underscored our commitment to responsible lending and robust community support. Significantly, Bank Five Nine is keenly focused on nurturing this segment of our lending business. We recognize the immense potential it holds for both community impact and our financial objectives. As such, we are dedicated to continuously exploring and capitalizing on opportunities that enhance our offerings in this domain. Our proactive approach ensures that we remain at the forefront of providing government-guaranteed lending solutions, reinforcing our role as a steadfast partner in community and economic development.

Our monthly profitability totals in 2023 reflected the effectiveness of our financial strategies and operational efficiencies. Our asset base saw substantial growth, a testament to our focus on strategic priorities like technological investment and improved financial management, all while deepening our commitment to our community banking model.

Our ability to maintain a strong capital position and ensure liquidity in a dynamic economic landscape is a source of pride. These efforts not only reflect the resilience and strength of Bank Five Nine but also reinforce our

Our loan portfolio experienced substantial growth, expanding to approximately

\$3.2 Billion

commitment to our customers, shareholders, and the broader community. A testament to our prudent management and robust financial health is our low level of uninsured deposits. This achievement underscores our commitment to safeguarding the interests of our depositors, minimizing their risk exposure, and enhancing the overall trust in our financial stewardship. Such a strategic focus on maintaining a secure and stable deposit structure is pivotal in our ongoing efforts to uphold the highest standards of financial integrity and customer service.

Operational Excellence: Adapting and Thriving Amidst Challenges

Our loan portfolio experienced substantial growth, expanding to approximately \$3.2 billion. The on-balance sheet portfolio balance saw an increase of \$259.4 million over 12 months, a clear indicator of our effectiveness in meeting the diverse financing needs of our customers and the strength of our loan origination strategies. We adeptly managed our balance sheet growth, maintaining a well-rounded funding strategy. Utilizing a mix of core deposits, borrowings, brokered deposits, and asset sales, we ensured not just liquidity but also a robust footing for sustainable growth in a volatile market.

Our liquidity position remained strong, a crucial aspect in a year marked by economic shifts. With cash reserves and a prudent approach to managing deposits and borrowings, we ensured that our liquidity was not just adequate but strategically aligned to support our growth plans. Our approach to operations continued to be deeply rooted in customer service. The significant growth in our customer base and the opening of a substantial number of new deposit accounts are testaments to our commitment to serving the evolving needs of our customers.

The past year posed unique challenges, from fluctuating interest rates to evolving customer expectations. Our response was a blend of strategic planning and agile execution, allowing us to navigate these challenges effectively and maintain our competitive edge. Despite the various external pressures, our profitability metrics demonstrated our operational efficiency. By optimizing our revenue sources, controlling costs, and leveraging opportunities in our core business areas, we continued to strengthen our financial health. Our ability to adapt, combined with a steadfast commitment to our customers and strategic vision, has positioned us for continued success.

Asset Quality Metrics

Our proactive risk management strategies and vigilant credit assessment processes were instrumental in 2023. This diligence ensured that only a minimal portion of our portfolio consisted of substandard loans. Our focus on such rigorous asset management reflects our dedication to maintaining a robust and stable asset base.

Our effective risk management extended to managing various credit concentrations and was mitigated by geographical diversification and use of a variety of SBA loan structures. The legal and regulatory environments, while beyond our direct control, have consistently shown positive asset quality reviews, affirming our compliance and risk management effectiveness.

Key asset quality indicators remained strong throughout the year. Our allowance for loan and lease losses (ALLL) balance was \$9.1 million with an unallocated reserve of \$3.5 million. The classified ratio stood at around 1.2%, reflecting the overall health of our loan portfolio. Furthermore, our conservative loan-to-value ratios in SBA and mortgage lending underscore the value of our collateral.

As we consider managing asset quality, 2023 tested our resilience, and our steadfast commitment to maintaining high standards. Bank Five Nine’s robust asset quality was a testament to our disciplined risk management and strategic foresight.

Strategic Investment Portfolio Management

Recognizing the need for cautious investment strategies, we managed our investment ladder with a keen eye on liquidity needs, limiting new purchases while replacing run-off strategically. This approach ensured that we maintained a balanced portfolio, prepared for future liquidity requirements and collateral obligations.

In 2023, we made a pivotal move by increasing our stake in tax-advantaged investments. Although the benefits of this investment have yet to be reflected in our financial statements, our cautious approach—validated by both external and internal evaluations—aims to effectively reduce our federal tax liabilities. This strategic decision is anticipated to enhance our financial performance while affirming our commitment to responsible investing. Our investment portfolio, meticulously assembled

with a duration of 4.07 years and a yield of 2.18%, strikes a balance between generating income and managing interest rate risk prudently. With a strategy that minimizes credit risk, we underscore our ability to navigate market volatility successfully.

Our asset quality within the investment portfolio remained strong. The diligence in portfolio management affirmed our confidence in the overall health of our investments. By balancing sustainable investments, ensuring consistent cash flow, and maintaining a robust risk management framework, we not only navigated the challenges of the year but also laid a strong foundation for future growth and sustainability.

Industry Leadership and Community Commitment

In 2023, Bank Five Nine further solidified its position as a premier institution in the banking sector, underlining our commitment to excellence across various domains. A key achievement was continuing our dominance as a top SBA 504 producer nationally, a testament to our dedication to providing comprehensive financial solutions to our customers.

This year also marked our 14th consecutive recognition as a Top Workplace by Milwaukee Journal Sentinel, affirming our commitment to fostering a positive and engaging work environment. We believe deeply that our employees are integral to our success and continue to invest in their development and well-being.

Our community engagement efforts in 2023 reached new heights. Our employees collectively contributed nearly 9,000 hours of volunteer work, underscoring our commitment to community service and social responsibility. We actively participated in community-building events like the Wisconsin State Fair and various local gatherings, reinforcing our role as a community partner beyond our financial services.



Financial Highlights (in thousands)

	Assets	On & Off Balance Sheet Loans	Earnings	Capital	Deposits
2023	\$1,971,500 ↑	\$3,216,819 ↑	\$10,679	\$144,860 ↑	\$1,563,740 ↑
2022	\$1,676,734	\$2,914,866	\$16,742	\$131,887	\$1,398,488
2021	\$1,554,325	\$2,438,897	\$21,745	\$140,221	\$1,270,277



**Innovative Marketing and Community Impact:
The “Tim’s Treat” Campaign**

The ‘Tim’s Treat’ social media campaign, under the leadership of CEO Tim Schneider, has become a cornerstone of our community involvement and innovative marketing efforts. This initiative showcases Tim’s personal commitment to community ties through visits to small businesses associated with Bank Five Nine, engaging in acts of kindness and generosity, positioning it as a vital part of our larger social media strategy. These platforms generate over 600,000 brand impressions annually, embodying our mission to Make Lives Better. The campaign has led to several new account inquiries, demonstrating its direct impact. Its main goal is to differentiate us in a crowded market—a goal it has successfully achieved—providing a unique opportunity to stand out. This hands-on approach, combined with our comprehensive social media efforts, has significantly boosted our visibility and engagement, strengthening community relationships and advancing our mission.

By integrating social media outreach with community service, ‘Tim’s Treat’ has significantly enhanced our presence and reinforced customer loyalty. Its success is reflected in increased engagement, positive feedback, and more inquiries about opening accounts, highlighting our strong community connection. The campaign’s innovative nature earned it the WBA’s inaugural Marketing Excellence Award, confirming our leadership in merging marketing with community impact.

Looking forward, we are committed to building on the ‘Tim’s Treat’ success, continuing to forge strong community ties and drive growth and loyalty through innovative strategies. This campaign exemplifies our commitment to combining business success with significant community involvement, setting a new benchmark for corporate community engagement.

The Road Ahead: Poised for Continued Success

As we look towards 2024 and beyond, Bank Five Nine is poised for continued success. Our operational and financial strategies, robust balance sheet, and deep community engagement put us in an excellent position to meet future challenges and seize opportunities, especially in key markets in Southeast Wisconsin. In line with our 2024 strategic framework, we are setting ambitious financial objectives that include continued loan growth with a particular focus on expanding our Small Business Administration (SBA) 504 and 7a lending programs.

These efforts are aimed at supporting small businesses and fostering economic development within the communities we serve. Additionally, we are targeting margin growth through strategic asset and liability management, aiming to navigate the complexities of an inverted yield curve, higher inflation, and a tight labor market. Our approach will be characterized by stringent decision-making processes designed to shield Bank Five Nine from these adverse conditions and ensure our long-term resilience and profitability. We are excited about the potential of the coming years,

committed to a disciplined approach to risk management, and dedicated to excellence as the cornerstones of our sustained success strategy.

We express our sincere gratitude to our shareholders for their unwavering support. Bank Five Nine remains committed to fulfilling its promises, driving long-term success, and continuing to enrich the lives of our shareholders, customers, and the communities we serve. We look forward with optimism and anticipation to a future filled with opportunities and growth.



Tim Schneider
Tim Schneider,
President and CEO



Nate Zastrow
Nate Zastrow,
Executive Vice President
and CFO

“We are excited about the potential of the coming years, committed to a disciplined approach to risk management, and **dedicated to excellence** as the cornerstones of our sustained success strategy.”



Consolidated Financial Highlights

Oconomowoc Bancshares, Inc.

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

Balance Sheet

Assets	2021	2022	2023
Cash & Cash Equivalents	212,159	21,649	43,601
Investments	255,424	232,454	235,247
Loans, net	1,002,442	1,329,248	1,588,627
Premises & Equipment	31,776	31,350	31,198
Servicing Assets	19,085	17,549	16,673
Other Real Estate	438	269	352
Other Assets	33,001	44,215	55,802
Total Assets	1,554,325	1,676,734	1,971,500

Liabilities & Capital

	2021	2022	2023
Deposits	1,270,277	1,398,488	1,563,740
Borrowed Funds	106,439	111,500	226,300
Subordinated Debentures	26,177	26,242	26,308
Other Liabilities	11,211	8,617	10,292
Capital	140,221	131,887	144,860
Total Liabilities & Capital	1,554,325	1,676,734	1,971,500

Book Value Per Share	\$418	\$394	\$432
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Income Statement

	2021	2022	2023
Interest Income	57,092	67,090	92,541
Interest Expense	(8,019)	(9,384)	(39,712)
Net Interest Income	49,073	57,706	52,829
Provision for Loan Losses	(600)	—	—
Net Interest Income After Provision for Loan Losses	48,473	57,706	52,829
Non-interest Income	29,845	14,587	11,976
Non-interest Expense	(51,586)	(52,157)	(53,369)
Income Before Income Tax Expense	26,732	20,136	11,436
Income Tax Expense	(4,987)	(3,394)	(757)
Net Income	21,745	16,742	10,679
Earnings Per Share	\$64.89	\$49.96	\$31.87

Selected Other Bank Data:

	2021	2022	2023
Return on Average Assets	1.50%	1.10%	0.70%
Return on Average Equity	14.4%	11.4%	7.50%
Net Interest Margin	3.50%	3.90%	3.10%
Non-performing Assets to Total Assets	0.50%	0.20%	0.20%
Allowance for Loan Losses as a Percent of Total Loans	0.90%	0.70%	0.57%
Leverage Ratio	10.5%	10.5%	9.50%
Risk Based Capital Ratio	15.5%	13.0%	11.4%



Board of Directors

(Listed left to right, Back row first)

Peter G. Roehl
Roehl Corporation

James P. Siepmann
Siepmann Realty Corporation

Mark T. McCune
Bank Five Nine

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

Mark W. Mohr
Bank Five Nine (retired)

Larry Tomsyck
Ernst & Young LLC (retired)

Tim Schneider
President and CEO
Bank Five Nine

Pat Hammer
Rogers Behavioral Health System
(retired)

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

Monica Stern
Village of Grafton

Craig S. Schiefelbein
Observation Tower LLC

Dear Shareholders,

A year ago, I had the privilege of introducing you to our new President & CEO, Tim Schneider. Tim joined Bank Five Nine after successfully building a bank of his own in Manitowoc. Tim has hit the ground running. He and his wife, Heather, quickly immersed themselves in our organization and the communities we serve.

Tim and our entire executive team have done a masterful job of navigating a challenging environment while building upon an already strong culture for our employees. Where many financial services organizations may be struggling, we continue to have great optimism for what's ahead.

I am incredibly proud that the culture of our Bank is a source of strength and inspiration. Bank Five Nine continues to be a place where people want to work. We've maintained our Top Workplace status both locally and nationally, and our number of open positions is as low as it's been in years. It's not uncommon for employees to celebrate a work anniversary with us of 5, 10, or even 20 years.

I am equally proud of the number of customers who have been with us for that long or longer. We have many 3rd and 4th generation customers walk through our doors just like their parents

and grandparents did before them, and it's our honor to continue to meet their needs.

As much as we love to see our customers face-to-face, we know that executing routine transactions digitally is what many customers want. In 2024 you will see us implement a major overhaul of our digital banking platform to better serve these customers. This new platform will allow those same customers to better manage their money, setting them up for greater financial prosperity.

Our retail teams continue to excel, adding nearly 1,400 households in 2023 alone. We are building for the future, ensuring that we are able to capitalize on opportunities moving forward.

I am grateful for this opportunity to serve as your Board Chairman and thank you for your continued support of our wonderful Bank. I hope you share in my enthusiasm for our bright future.

Sincerely,

Robert W. Snyder
Chairman

Executive Management

Tim Schneider
President,
Chief Executive Officer

Mark T. McCune
Executive Vice President,
Chief Lending Officer

Nate Zastrow
Executive Vice President,
Chief Financial Officer

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