



Making Lives Better

2017 | ANNUAL REPORT



Making Lives Better.

In 2017, First Bank Financial Centre continued to strengthen its enviable position as an independent financial institution that is growing profitably and responsibly by keeping our customers at the center of everything we do.

Never taking our success for granted, even as First Bank Financial Centre delivered record performance in 2017, we also took measure of how we articulate FBFC's purpose and place in the community. What we determined is that, at its core, our mission is to make lives better.

FBFC has been, and will continue to be, successful in this mission by staying true to our values of serving others with respect, integrity, passion and humility. Our vision, as a true community bank, is to achieve continued growth and deliver value to all of our partners in the following ways:

- Provide a consistent and dependable return on investment to our shareholders
- Be a financial resource that evolves to meet the changing needs of our customers
- Be a catalyst for growth, development and well-being for our communities
- Empower every employee to achieve his or her fullest potential

Consistent and dependable returns.

Many shareholders of Oconomowoc Bancshares, Inc., the holding company for First Bank Financial Centre, have maintained investments in this financial institution for multiple generations. They, and all our shareholders, have come to expect consistent and dependable returns over the long term.

In 2017, FBFC continued to perform at a high level and delivered the bank's best year ever by many different measures, with the bank's balance sheet, revenues and profitability reaching record levels.

Deposits grew to a record \$843.7 million at December 31, 2017, an increase of 3.8 percent from one year prior. Deposits reflected steady growth in account openings, number of households and growth in average balance per account. In fact, the number of households with deposit accounts at year end grew to 17,500 in 2017, up from about 16,950 in 2016.

Deposits also reflect enhancements to treasury management products and services designed for established business and municipal customers, as well as new commercial customers. We are proud to count shareholders among the thousands

Financial Highlights (in thousands)

Earnings



Capital



Deposits



Assets



On & Off Balance Sheet Loans



of small- and mid-sized business owners served by FBFC. If you're an entrepreneur who has not yet learned about the comprehensive suite of cash management products and services that your bank now offers, please give us the opportunity to introduce you to them.

The bank's liquidity position remained very strong through 2017, with cash and investments totaling \$232.2 million at year end. Coupled with increased deposits and access to Federal Home Loan Bank borrowing, we have ample liquidity to continue growing loans.

Loans totaled a record \$831.2 million on our balance sheet at December 31, 2017, an increase of 10.7 percent from one year prior. Loan production grew to \$523.3 million in 2017, our best year ever, and an increase of 4.6 percent over 2016. Growth in loan production was particularly notable in SBA and commercial lending, where FBFC continues to have a very strong pipeline in early 2018.

Total revenues grew to a record \$60.8 million, an increase of 11.9 percent over the prior year. Net interest income from loans and other earning assets, the largest component of the bank's revenue, increased 12.6 percent to a record \$35.4 million.

The second important component of the bank's revenue, which is non-interest income from services and other fees and gains, grew by 6.8 percent to a record \$17.6 million. In particular, non-interest income growth was fueled by FBFC's mortgage, SBA lending and wealth management businesses, as well as treasury management services for business and municipalities.

Our regional mortgage platform's loan and servicing fees increased by 3.6 percent in 2017, compared to the year prior.

Non-interest income derived from SBA lending grew by 18.2 percent in 2017,

as we maintained our position as a top SBA lender nationally and in Wisconsin.

Wealth management revenues declined slightly to \$784,000 last year, from \$891,000 the year prior, due to a strategic shift to focus on long-term growth in assets under management instead of immediate fee income. At the same time, we expect to see wealth management revenue growth restored in 2018, supported by the team's success in expanding assets under management, which grew 21.2 percent last year to \$178.8 million at the end of 2017.

Non-interest expense increased 10.5 percent to \$43.1 million, primarily due to investments in FBFC's local, regional and national business platforms, sales teams and marketing programs that are driving record earnings. Operating expenses were outpaced by 11.9 percent revenue growth, but we will nonetheless remain disciplined about containing costs to ensure an appropriate return on capital entrusted to us by our shareholders.

We remain disciplined on credit quality, again delivering very strong asset quality balances and ratios. For example, non-performing loans represented just 0.74 percent of FBFC's total loans, 38 basis points less than the 1.12 percent average for U.S. commercial bank and thrift peers with \$1 billion to \$3 billion in assets. Past due loans represented just 0.11 percent of total loans, which is 47 basis points less than the peer average of 0.58 percent.

During 2017, we also continued to conservatively manage FBFC's balance sheet, while taking advantage of the rising interest rate environment created by Federal Reserve Board policymaking decisions and Fed Funds target rate hikes since late 2016.

Given rising rates, we shifted our earning asset mix last year into to a greater proportion of higher-yielding loans,

lessening the proportion of lower-yielding securities, while growing total balance sheet assets overall by 3.6 percent to \$1.14 billion. We expect this trend to continue in 2018.

At same time, we are improving our deposit mix to keep funding costs flat, in spite of the rising rate environment. We expect to continue growing our treasury management offering for commercial and municipal clients. At the same time, we will work to continue growing relationship-based “core” deposits with current and prospective retail and commercial depositors, particularly in Southeastern Wisconsin, who know and value FBFC’s exceptional commitment to service and the customer experience.

Given the significance of, and attention received by December’s Tax Cuts and Jobs Act, we wanted to touch on the positive impact of the federal tax policy changes. In addition to the lower corporate rate effective January 1, 2018, the bank’s strong operating profits were further boosted by a one-time non-cash accounting benefit from what is known as a write-up of a deferred tax liability. Taken altogether, changes in federal tax law is expected to have a very favorable impact on earnings by lowering the company’s effective tax rate to 6.4 percent for 2017, compared to 21.9 percent in 2016.

Overall, our financial performance in 2017 continues to create long-term value for our shareholders. Total stockholders’ equity increased to \$82.9 million at year end, up from \$75.1 million one year prior, while retained earnings grew to \$76.8 million from \$69.4 million in 2016. Book value grew to \$247 per share at December 31, 2017, an increase of 10.4 percent from one year prior.

We also continue to steadily improve FBFC’s return on average assets, to 0.75 percent, and return on average equity, to 10.51 percent.

In terms of financial performance, the bottom line for 2017 was FBFC’s fourth



straight year of record earnings with consolidated net income growing to \$8.3 million, an increase of 22.8 percent over the prior year.

We are very pleased to report that continued earnings growth also supported the seventh consecutive year of increased cash dividends for our shareholders. Dividend payout grew to \$1.18 million, or \$3.52 per share, an increase of \$0.07 per share over the prior year.

Meet the changing needs of our customers.

Making our customers’ lives better is a critical part of our mission, combining the high level of personalized attention they’ve come to expect from FBFC, with an ability to meet them where they want to bank with the products and services they need today and tomorrow. We do this through our growing local community bank, our statewide and regional platform, and FBFC’s national platform.

FBFC’s local community bank platform remains focused on the Southeastern Wisconsin region where this bank was founded and where many of our shareholders and employees live and work. FBFC’s 14 full-service branches in Southeast Wisconsin continue to expand the breadth and depth

of our capabilities to help individuals, businesses and communities prosper. At the same time, our community bank provides valuable relationship-based core deposits to profitably fund lending activity overall.

We continue to implement technologies that allow customers to use us how and when they choose. Just four years ago, only 29 percent of FBFC customer transactions were undertaken without an in-branch teller. In 2017, our customers chose on-teller transactions 37 percent of the time and use of our online and mobile channels continues to accelerate.

During 2017, we processed more than 23,000 mobile deposits by our customers, which is 36 percent more than the year before. We also launched Apple Pay, Samsung Pay and Android Pay, enabling customers to make payments from their deposit accounts through their mobile devices.



We're pleased to report that our online presence and responsive web design received national and international recognition when FBFC won the 2017 Bank Standard of Excellence WebAward from the Web Marketing Association.

While we appreciate accolades from the industry and our banking peers, what is most rewarding is the tremendous support we have from our customers. This is illustrated by the success of our "Refer-A-Friend" program, where current customers earn \$50 for every new retail depositor they bring to the bank, and their friend earns \$50 for opening their first account.

Our community bank is also honored to be launching a new banking product suite with benefits exclusively for U.S. military veterans. In addition, for each new personal or business checking account opened through this veterans program, FBFC will donate \$25 to Camp Hometown Heroes, a free week-long summer camp in Southeastern Wisconsin serving children of fallen U.S. service members.

FBFC's statewide and regional mortgage platform continues to serve customers throughout Southeastern Wisconsin, across the state, and in select, high-density markets in suburban Minneapolis and Northern Illinois. Our full-service residential real estate lending capabilities combine FBFC's hallmark personal service with state-of-the-art technology that we believe provides loan applicants with a customer experience that is second to none. Residential mortgage and home equity lending is one of our historic strengths that remains a major focus for FBFC, representing 30.0 percent of all lending at the end of 2017.

In the past few years, refinancing activity has been a significant growth driver for our mortgage business. Looking ahead, we expect the rising interest rate environment to give us increasing opportunities in purchase lending. We believe the exceptional customer experience and fair pricing offered by our mortgage platform make FBFC very well positioned to remain a successful and formidable competitor in the regional markets we serve.

FBFC's national SBA lending platform also continues to provide geographic diversity, liquidity and a valuable non-interest income stream that contributes meaningfully to the bank's top and bottom lines. Heading into 2018, we have a very strong pipeline, particularly in SBA-backed owner-occupied commercial real estate lending, as we enable entrepreneurs to invest in their facilities

and operations within select vertical industries that FBFC chooses to serve.

Catalyst for our communities.

At FBFC, leading by example as a corporate citizen is essential to our mission of making lives better. Doing so is engrained in our culture as an independent and locally owned bank, where 81 percent of our more than 300 employees and every member of our management team volunteer their time to local charitable organizations and activities. We are also pleased that FBFC has been able to donate nearly \$1 million to the communities we serve over the last five years.

As part of this commitment to our communities, we were pleased to support bipartisan legislation that was signed into Wisconsin state law in late 2017, requiring public schools to adopt academic standards for financial literacy and incorporate instruction in personal finance into the curriculum in kindergarten through 12th grade. This is a natural complement to FBFC's longtime work in this area. FBFC employees regularly serve as instructors, tutors and mentors to young people in our schools and communities, and we provide financial support to job training and vocational programs for low- to moderate-income adults.

Recently, we launched a Financial Education Centre on our website, complete with self-guided learning modules. We have also partnered with WTMJ-TV to sponsor the Today's TMJ4 Financial Fitness Zone on the Milwaukee NBC affiliate's website.

Another example of FBFC's commitment to being a catalyst for growth and success in our communities is our loan pool program. We partner with local economic and governmental leaders to provide low-interest loans for redevelopment projects aimed at putting commercial properties back on the tax rolls and increasing the number of local small businesses in urban neighborhoods. To date, FBFC has made 101 loans totaling more than \$2.3 million through this program.

Empower every employee.

Another key to succeeding in our mission to make lives better is empowering every FBFC employee to achieve his or her fullest potential.

We believe our Family Centric Vision for our workforce is vital to our success in attracting and retaining top banking talent. This includes offering a variety of work schedules to help employees balance their work/life needs, a robust health and wellness initiative, and a supportive environment overall. We also invest in employees' development, offering training and mentoring programs. We believe this commitment to our employees is not only good for our people, but for



all our stakeholders who depend on them for expertise, professionalism and exceptional customer service.

Being an employer of choice also allows us to attract some the best and brightest bankers, particularly from larger and more bureaucratic competitors that are no longer headquartered in Wisconsin. We believe FBFC's entrepreneurial culture, local decision making, flat organizational structure and leading-edge technology provide our bank with a competitive advantage in attracting highly motivated bankers who want to take great care of their customers and enjoy rewarding careers.

Our commitment to our employees was recognized by American Banker for the second consecutive year in 2017, when FBFC was named one of the "Best Banks to Work For" in the United States. We are very proud to represent our community in this prestigious ranking, as the only Milwaukee-area bank to earn this distinction from the national trade publication. We were also proud to be recognized by the Milwaukee Journal Sentinel as a Top Workplace for the eighth consecutive year.



Rich history. Bright future.

Like our hometown of Oconomowoc and the Southeast Wisconsin communities that our institution is built upon, FBFC has a rich history, but an even brighter future.

In 1859, our founding shareholders and customers could not have imagined what banking would look like in 2018. But what we share with them is a commitment to making lives better by building an independent bank that will be there to serve our children, grandchildren, and all those who will follow in our footsteps.

Doing so requires an appreciation for our successes of the past while remaining open to thoughtful and strategic changes that enhance FBFC employees' ability to take exceptional care of their customers, earning their continuing trust and confidence every day.



Mark W. Mohr

President and CEO

Nate Zastrow

Executive Vice President and CFO

Staying True to our Values

Since 1859, we've been serving our local communities with respect, integrity, passion and humility. We're proud that our employees spend nearly 15,000 hours annually volunteering with local non-profit organizations, truly enhancing the quality of life in our communities.



Your support of our bank ensures that we can continue to make lives better throughout Southeast Wisconsin for generations to come.

Condensed Financial Statement

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

Balance Sheet

Assets	2015	2016	2017
Cash and cash equivalents	16,713	16,620	25,246
Investments	205,903	256,484	206,994
Loans, net	683,509	750,829	831,229
Premises and equipment	29,510	32,988	31,745
Servicing Assets	12,167	13,362	14,905
Other Real Estate	3,216	3,278	3,749
Other Assets	22,211	24,068	23,119
Total Assets	973,229	1,097,629	1,136,987

Liabilities & Capital	2015	2016	2017
Deposits	732,489	812,529	843,695
Borrowed Funds	149,227	189,440	189,622
Subordinated debentures	17,972	17,988	17,984
Other Liabilities	2,402	2,567	2,747
Capital	71,139	75,105	82,939
Total Liabilities & Capital	973,229	1,097,629	1,136,987

Income Statement	2015	2016	2017
Interest income	33,724	37,845	43,194
Interest expense	(4,953)	(6,431)	(7,822)
Net interest income	28,771	31,414	35,372
Provision for loan losses	(885)	(150)	(925)
Net interest income after provision for loan losses	27,886	31,264	34,447
Non-interest income	12,986	16,447	17,561
Non-interest expense	(33,271)	(39,036)	(43,122)
Income before income tax expense	7,601	8,675	8,886
Income tax expense	(1,553)	(1,900)	(566)
Net income	6,048	6,775	8,320
Earnings per share	\$18.05	\$20.22	\$24.83

Selected Other Data	2015	2016	2017
Book Value Per Share	\$212	\$224	\$247
Return on average assets	0.68%	0.67%	0.75%
Return on average equity	8.83%	9.13%	10.51%
Net interest margin	3.58%	3.39%	3.42%
Non-performing assets to total assets	0.69%	0.77%	0.85%
Allowance for loan losses as a percent of total loans	0.82%	0.80%	0.62%
Leverage Ratio	8.03%	7.47%	7.80%
Risk Based Capital Ratio	14.19%	13.49%	13.16%



Board of Directors

(Listed left to right, Back row first)

Mark T. McCune
First Bank Financial Centre

Mark W. Mohr
First Bank Financial Centre

Craig S. Schiefelbein
Observation Tower LLC

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

James P. Siepmann
Siepmann Realty Corporation

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

Pat Hammer
Rogers Behavioral Health System

Board of Directors

Dear Shareholders,

As your Board, we've always believed that banking is a noble profession. Every day we help families save money or purchase their dream home. We help entrepreneurs realize their dream of starting a business. And we help our local communities thrive through volunteerism and charitable giving.

For those reasons and more, we were excited to adopt a new mission statement for the bank this year: Make Lives Better. It's a succinct and bold statement that empowers our employees do what they do best — positively impact the people and communities we serve.

In return, we are proud to provide a best-in-class work environment for our team, and a stable, dependable return on investment for our shareholders.

One person who shares our vision is Peter Roehl, who has been committed to improving the quality of life in Oconomowoc for decades. For that reason, we are excited to welcome Pete back to our Board of Directors in 2018. His shared passion

for helping others, and his experience and knowledge within our bank will again be a real asset.

As the banking industry continues to evolve to meet the changing needs of customers, it's imperative that we stay on top of the latest trends and technologies to ensure our success. I have every confidence that our management team will successfully navigate these changes and continue to provide our customers with the positive experiences they expect.

Our bank is not the same today as it was even ten years ago. Yet through all that has changed, and through the evolution that is to come, one thing has always remained the same: our commitment to making the lives of all our stakeholders better.

And that commitment will never waiver.

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

Branch Locations

Brookfield

18815 W. Capitol Dr.
 (262) 957-3535

12600 W. North Ave.
 (262) 957-2150

Germantown

N112 W17100 Mequon Rd.
 (262) 250-3800

Glendale

5555 N. Port Washington Rd.
 (414) 290-3222

Grafton

2300 Washington St.
 (262) 377-2300

Hartford

940 Bell Ave.
 (262) 673-0920

Hartland

800 Cardinal Ln.
 (262) 369-9900

Menomonee Falls

N56 W14044 Silver Spring Dr.
 (262) 252-1302

Mequon

11715 N. Port Washington Rd.
 (262) 518-5100

Milwaukee

400 E. Wisconsin Ave.
 (414) 290-2800

Oconomowoc

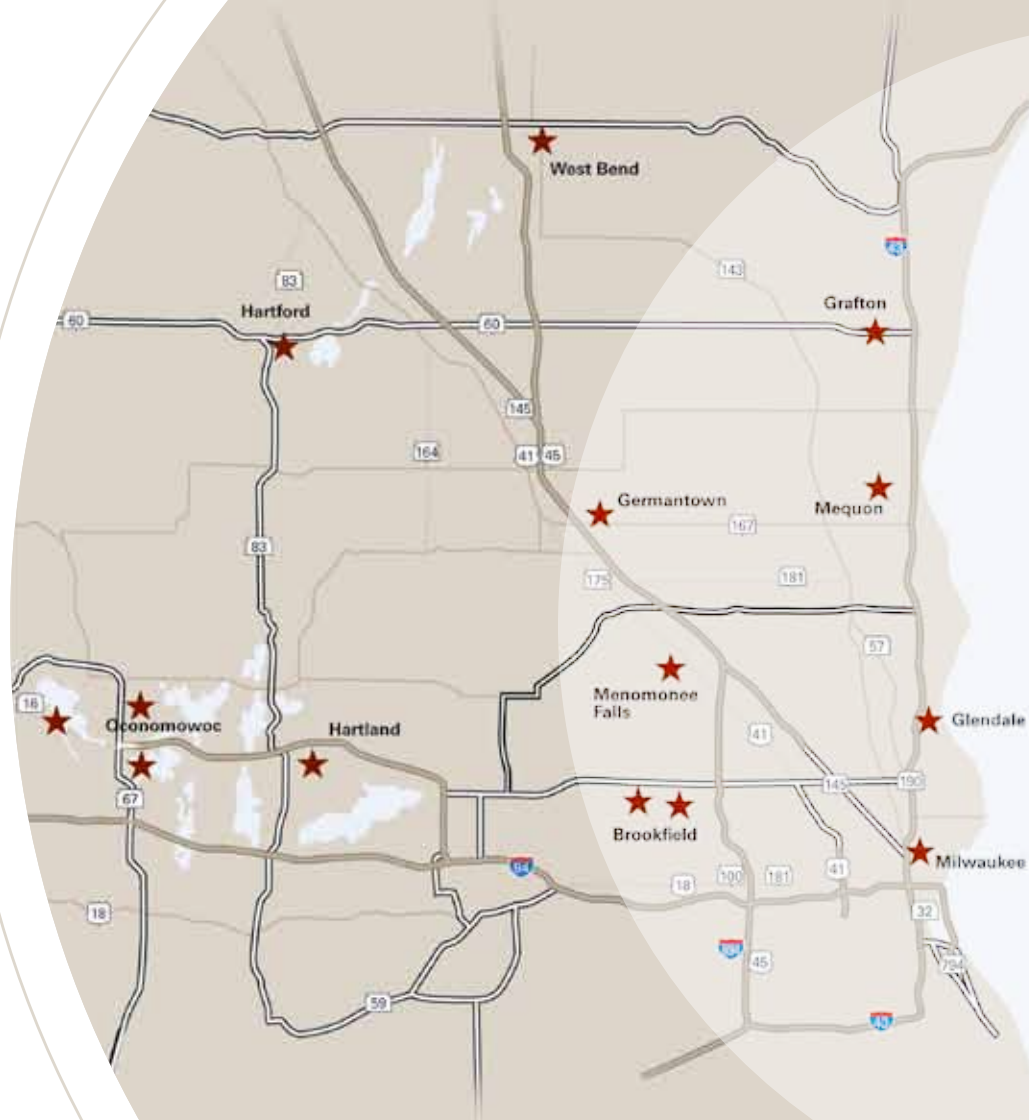
155 W. Wisconsin Ave.
 (262) 569-9900
 (888) 569-9909

W359 N5900 Brown St.
 (262) 569-3055

1300 Summit Ave.
 (262) 567-3300

West Bend

1811 W. Washington St.
 (262) 338-9900



Lobby and drive-thru hours available anytime at FBFCWI.com
24-hour telephone banking: (888) 569-5066



MEMBER FDIC
 NMLS #: 410817