2017 ANNUAL REPORT

with Proxy & Financial Statements

BankFirst

NATIONAL CORPORATION

BANK FIRST NATIONAL CORPORATION
402 N. 8th Street
P.O. Box 10
Manitowoc, Wisconsin 54220-0010
(920) 652-3100

March 23, 2018

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders (the "Annual Meeting") of Bank First National Corporation (the "Corporation"), the holding company for Bank First National, which will be held on Monday, May 14, 2018, at 4:00 p.m., Central Daylight Time, at the Capitol Civic Centre located at 913 South 8th Street, Manitowoc, Wisconsin 54220. Refreshments will be served following the meeting.

The attached Notice of Annual Meeting of Shareholders and Proxy Statement describes the formal business to be acted upon at the Annual Meeting. The Corporation's Financial Statements for the fiscal year ended December 31, 2017, are also included. We expect directors and officers of the Corporation, as well as representatives of the Corporation's auditors, to be present at the Annual Meeting to respond to any shareholder questions.

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

We hope that you will plan to attend our Annual Meeting on Monday, May 14, 2018. If you have any questions regarding any of the information provided herein, please do not hesitate to contact me directly at (920) 652-3202 or mmolepske@bankfirstnational.com.

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

Sincerely,

Michael B. Molepske
President and Chief Executive Officer

BANK FIRST NATIONAL CORPORATION
402 N. 8th Street
P.O. Box 10
Manitowoc, Wisconsin 54220-0010
(920) 652-3100

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 14, 2018

DATE: Monday, May 14, 2018
TIME: 4:00 p.m. Central Time
PLACE: Capitol Civic Centre, 913 South 8th Street, Manitowoc, WI 54220

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of Bank First National Corporation (the "Corporation") will be held on Monday, May 14, 2018, at 4:00 p.m., Central Daylight Time, at the Capitol Civic Centre, 913 South 8th Street, Manitowoc, Wisconsin 54220, for the following purposes, all of which are set forth more completely in the accompanying Proxy Statement:

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

(2) To ratify the appointment of CliftonLarsonAllen LLP as the Corporation's independent auditor.

(3) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof. The Board of Directors is not aware of any other such business.

The Corporation's Board of Directors has fixed the close of business on March 5, 2018, as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting or at any adjournments or postponements thereof. Only shareholders of record as of the close of business on such date will be entitled to notice of, and to vote at, the Annual Meeting or at any adjournments or postponements thereof. If there are insufficient votes for a quorum or to approve or ratify any of the foregoing proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies by the Corporation.

By Order of the Board of Directors

Kelly M. Dvorak
Corporate Secretary

Manitowoc, Wisconsin
March 23, 2018

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

BANK FIRST NATIONAL CORPORATION
402 N. 8th Street
P.O. Box 10
Manitowoc, Wisconsin 54220-0010
(920) 652-3100

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 14, 2018

This Proxy Statement is provided by the Board of Directors of Bank First National Corporation (the "Corporation") in connection with our Annual Meeting of Shareholders (the "Annual Meeting"). It describes the proposals to be voted on at the Annual Meeting and the voting process and includes certain other information. The combined 2017 Annual Report and 2018 Proxy Statement, and the Proxy Card (collectively, the "Proxy") are being mailed to our shareholders on or around March 23, 2018.

The Annual Meeting will be held at the Capitol Civic Centre, 913 South 8th Street, Manitowoc, Wisconsin 54220, on Monday, May 14, 2018, at 4:00 p.m., Central Daylight Time, for the purposes set forth in the Notice of Annual Meeting of Shareholders.

ABOUT THE ANNUAL MEETING

Purpose of Meeting

Shareholders will vote upon the nomination of four directors for election to the Corporation's Board of Directors and ratification of appointment of independent auditors at our Annual Meeting. In addition, management will report on the Corporation's performance and will respond to questions from shareholders.

Record Date

Each share of the Corporation's common stock issued and outstanding as of the close of business on March 5, 2018 (the "Record Date") is entitled to receive notice of, and is further entitled to one vote on all matters to be voted upon at the Annual Meeting. If you were a shareholder of record on the Record Date, you are entitled to vote all the shares that you held on that date at the Annual Meeting or any postponements or adjournments thereof.

Outstanding Shares and Quorum

On the Record Date, there were 6,670,297 of common stock of the Corporation outstanding. The presence, in person or by proxy, of the holders of at least a majority of the total number of shares of outstanding common stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. Thus, the holders of common stock representing at least 3,335,149 votes will be required to establish a quorum.

Voting

The Proxy being provided by the Board of Directors enables a shareholder to vote for the election of the nominees for director and ratification of the Corporation's independent auditor or to withhold authority to vote. Under the Wisconsin Business Corporation Law ("WBCL"), directors are elected by a plurality of the votes cast by the holders of shares entitled to vote at a meeting at which a quorum is present. A "plurality" means that the nominees receiving the most votes will be elected as directors regardless of whether such nominee receives a majority of votes cast.

Abstentions and Broker Non-Votes

Abstentions (i.e., shares for which authority is withheld to vote for a matter) are included in the determination of shares present and voting for purposes of whether a quorum exists. For the election of directors, abstentions will have no effect on the outcome of the vote because directors are elected by a plurality of the votes cast.

Proxies relating to "street name" shares that are voted by brokers or other third-party nominees on certain matters will be treated as shares present and voting for purposes of determining the presence or absence of a quorum. "Broker non-votes" (i.e., Proxies submitted by brokers or third-party nominees indicating that such persons have not received instructions from the beneficial owners or other persons entitled to vote shares as to a matter with respect to which the brokers or third-party nominees do not have discretionary power to vote) will be considered present for the purpose of establishing a quorum, but will not be treated as shares entitled to vote on such matters.

Meeting Agenda and Voting Recommendation

Proposal	Board's Recommendation	Reasons for Recommendation	See page
1. Election of four directors	FOR EACH ✔	The Board and its Governance and Nominating Committee believe the four Board nominees possess the skills, experience, and knowledge to effectively monitor performance, provide oversight, and advise management on the Corporation's long-term strategy.	5-6
2. Ratification of Independent Auditor	FOR ✔	Based on the Audit Committee's assessment of CliftonLarsonAllen LLP qualifications and performance, it believes their retention for fiscal year 2018 is in the best interest of the Corporation.	20

Solicitation and Revocation

Shareholders are requested to vote their Proxy via mail, telephone or internet. The Proxy solicited hereby, if properly voted and not revoked prior to its use, will be voted in accordance with the directions contained therein. Where no instructions are indicated, each Proxy received will be voted:

- FOR the election of the nominees for director named in this Proxy statement;
- FOR the ratification of the Corporation's independent auditor; and
- In accordance with the best judgment of the persons appointed as proxies upon the transaction of such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Voting your Proxy will not prevent you from voting in person at the Annual Meeting should you be present and wish to vote in person.

A Proxy may be revoked at any time before it is exercised by (i) filing a written notice of revocation with the Corporate Secretary of the Corporation (Corporate Secretary, Kelly M. Dvorak, Bank First National Corporation, 402 N. 8th Street, P.O. Box 10, Manitowoc, Wisconsin 54221-0010); (ii) submitting a duly executed Proxy bearing a later date; or (iii) appearing at the Annual Meeting and giving the Corporate Secretary notice of your intention to vote in person. If you are a shareholder whose shares are not registered in your own name, you will need additional documentation from your broker to vote personally at the Annual Meeting.

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

In the event there are not sufficient votes for a quorum or to approve or ratify any proposal at the time of the Annual Meeting, the Annual Meeting may be adjourned or postponed to permit the further solicitation of Proxies.

MATTERS TO BE VOTED ON AT THE ANNUAL MEETING

ELECTION OF DIRECTORS

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

There are four nominees for election to our Board of Directors at the Annual Meeting, each to serve a three-year term. Each of the director nominees is also a member of the Board of Directors of the Bank, a wholly-owned subsidiary of the Corporation. Information regarding the business experience of each nominee is included below. No nominee is being proposed for election pursuant to any agreement or understanding between any person and the Corporation. We are not aware of any family relationships among any of the directors and/or executive officers of the Corporation.

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

NOMINEES FOR ELECTION AS DIRECTORS

The following is a summary of information with respect to the director nominees, including the name and age of each director nominee, his or her experience and qualifications, each of the positions and offices he or she holds with the Corporation, his or her term of office as a director, and all periods during which he or she has served as director of the Corporation. If elected, the director nominees will hold office for a three-year term expiring in 2021.

PETER J. VAN SISTINE

Director Nominee
Age: 60

Mr. Van Sistine was Executive Vice President at FIS, recently retiring after 27 years with the company. Mr. Van Sistine currently serves as Corporate Leader for the American Diabetes Association (ADA), United Way, and is active in the American Heart Association – Heart Ball. He became a director of the Bank in September 2017 and will seek election to the Corporation's Board of Directors in 2018. Mr. Van Sistine brings to the Board of Directors extensive experience and expertise in the financial technology sector as well as a strategic and visionary approach to leadership.

ROBERT J. WAGNER

Director Nominee
Age: 68

Mr. Wagner, retired, formerly served as President of Weyauwega Milk Products and Chairman of the Board of Trega Foods, a leading cheese maker whose primary products include cheddar, mozzarella, provolone, and dairy ingredients. Mr. Wagner served on the board of directors of Waupaca Bancorporation from 2012 to 2017. He became a director of the Bank in September 2017 and will seek election to the Corporation's Board of Director's in 2018. With his extensive background in operations, supply chain management, and merger and acquisition structuring, Mr. Wagner adds significant strategic depth to the Board of Directors.

ROBERT D. GREGORSKI

Director Since 2010
Age: 56

Mr. Gregorski is the founder and principal of Gregorski Development, LLC, a commercial real estate development company based in Menasha, WI. Mr. Gregorski became a director of the Corporation in April 2011 and Bank in October 2010. Mr. Gregorski brings to the Board of Directors extensive experience and expertise in real estate development. The knowledge garnered throughout his tenure with Gregorski Development positions him to be a valuable asset in a variety of contexts and committee roles, including analyzing the Bank's commercial real estate loan portfolio.

KATHERINE M. REYNOLDS

Director Since 1992
Age: 67

Ms. Reynolds is a partner in the law firm of Michael Best & Friedrich, LLP. Her practice concentrates primarily on wealth planning and local government law, serving clients throughout northeast Wisconsin. Ms. Reynolds' community activities include serving as a member of the Board of Directors of the Manitowoc Symphony Orchestra, member and Chair of the Manitowoc County Ethics Committee, and member and Secretary of the St. Francis of Assisi Parish Finance Council. She is a former member of the City of Manitowoc Police and Fire Commission, and a former director and Secretary of Shady Lane, Inc. Ms. Reynolds has been a director of the Corporation and Bank since 1992. Ms. Reynolds brings to the Board significant legal experience and expertise, having spent her entire professional career in private practice in Manitowoc County. Her legal background and experience and attention to detail add great value to the Board of Directors, most notably in her role as Chair of the Governance and Nominating Committee.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors recommends you vote "FOR" each of the above nominees for election to the Board of Directors.

DIRECTORS CONTINUING IN OFFICE

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

Directors Whose Terms Expire in 2019

MICHAEL G. ANSAY

Director Since 2010
Age: 63

As sitting Chairman of the Board of Directors of the Corporation, Mr. Ansay is also Chairman and Chief Executive Officer of Ansay & Associate and is responsible for developing long-term strategic plans and implementing the mission, vision, and values of the agency to deliver high quality, customer-focused solutions. Mr. Ansay is a managing member of Ansay Real Estate, Ansay Development Corporation, and Ansay International. Mr. Ansay became a director of the Corporation and Bank in February 2010, was appointed Vice Chairman in February 2012, and assumed the role of Chairman in January 2013. Mr. Ansay is a visionary leader and adds strategic depth to the Board of Directors. He has extensive experience managing growth and successfully adapting to change.

MICHAEL B. MOLEPSKE

Director Since 2009
Age: 57

Mr. Molepske was appointed President and Chief Executive Officer of the Corporation and Bank in May 2010 and December 2008, respectively. He is currently President and Chief Executive Officer of the Corporation and Chief Executive Officer of the Bank. Mr. Molepske has been with Bank First since 2005 in the capacities of Chief Executive Officer, President, Senior Loan Officer, Regional President, and Executive Officer. Mr. Molepske currently serves on the Board of Directors for RCS Foundation, Rahr-West Museum Foundation, and American Barefoot Club, a division of USA Water Ski. He is a director and treasurer of the Bank's data processing subsidiary, UFS, LLC. He is also a director and President of TVG Holdings, Inc., the Bank's entity that holds its investment in Ansay & Associates, LLC. Mr. Molepske also serves as President of Veritas Asset Holdings, LLC, the Corporation's troubled asset liquidation subsidiary. He is also a member of the Bank's Senior Management Team.

Mr. Molepske is a proven leader with the vision and ability to successfully execute the Bank's strategic initiatives. His attention to detail and extensive knowledge of the financial sector enables him to anticipate change and quickly adapt in a highly dynamic industry. Mr. Molepske's primary objective is to ensure the Bank's affairs are carried out competently, ethically, in accordance with the law, and in the best interest of employees, customers, and shareholders. Under his leadership, Bank First has experienced exceptional growth, strong asset quality, and profitability.

Directors Whose Terms Expire in 2020

DONALD R. BRISCH

Director Since 2006
Age: 66

Mr. Brisch, retired, formerly served as the President and Vice President of Operations for Rockwell Lime Co. in Manitowoc, a leading producer of dolomitic lime, chemical grade limestone, and crushed limestone aggregate products for the manufacturing, energy, and construction industries. Active in his community, Donald currently serves on the Board of Holy Family Memorial Hospital in Manitowoc. Mr. Brisch became a director of the Corporation and Bank in 2006. Mr. Brisch, as former President and Vice President of Operations for Rockwell Lime Co., adds strategic and operational depth to the Board of Directors.

MICHAEL P. DEMPSEY

Director Since 2014
Age: 65

Mr. Dempsey joined Bank First in June 2010 as Executive Vice President and Chief Operating Officer. He is currently President of the Bank. Mr. Dempsey currently serves on the Greater Oshkosh Economic Development Finance Committee, Oshkosh Chamber Economic Development Advisory Board, President of Waterfest, Inc., and is an active EAA AirVenture Volunteer and member among many other Fox Valley community organizations. Mr. Dempsey became a director of the Corporation and Bank in 2014. He also serves on the Bank's Senior Management Team.

In 2010, Mr. Dempsey joined the Bank as Executive President and Chief Operating Officer. He was later named President of the Bank in 2015. In this role, he is responsible for driving the Bank to establish, achieve and surpass sales, profitability, and business goals. He also provides leadership and guidance to ensure the mission and core values of the organization are upheld.

DAVID R. SACHSE

Director Since 2010
Age: 65

Mr. Sachse is President and Owner of Landmark Consultants, Inc., a consulting, research, and entrepreneurship business formed in 1993. Mr. Sachse currently serves on the Board of Directors for the Sheboygan County Economic Development Corporation and is an active member of the Sheboygan County Economics Club. He became a director of the Corporation and Bank in June 2010. With his extensive background in financial planning and analysis, internal audit and compliance, and acquisition structuring, Mr. Sachse offers a diverse range of business skills.

Mr. Sachse currently serves as Chairman of the Board of Directors of Landmark Group, Inc. and its wholly-owned subsidiary HTT, Inc., a company that designs and manufactures dies and metal stampings. David also currently serves on the Board of Directors of Ansay & Associates, an independent insurance agency in Wisconsin. Additionally, Mr. Sachse serves as minority owner and/or advisor to five successful ventures in eastern Wisconsin, including Nutrients, Milwaukee Forge, Heresite, DRS Central, and Terra Compactor. Mr. Sachse provides financial and operational counsel to these companies.

EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

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

KEVIN M. LEMAHIEU

Age: 46

Mr. LeMahieu joined Bank First in August 2014 as Chief Financial Officer. In this role, he oversees the Bank's finance and reporting functions. Mr. LeMahieu brings to the Senior Management Team significant financial expertise, having served his entire professional career in the public accounting and finance fields. Under his direction, these functions have been recognized by the Bank's external auditing firms for exceptional reporting practices and procedures.

OFFICERS OF THE BOARD OF DIRECTORS

Chairman: Michael G. Ansay
President and Chief Executive Officer: Michael B. Molepske
Chief Financial Officer: Kevin M. LeMahieu
Executive Officer: Michael P. Dempsey
Corporate Secretary: Kelly M. Dvorak

CORPORATE GOVERNANCE

Board Leadership Structure

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

Role of Board in the Oversight of Risk

The Board takes an active role in overseeing all areas of risk to the Corporation, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk, and operational risk. This oversight is done through various Board committees, all of whom report directly to the Board. In addition, as a result of the merger with Waupaca Bancorporation, the Bank has established the role of Enterprise Risk Manager, who has been charged with forming and leading the Enterprise Risk Management Committee. This new role and committee will assist the Bank and the Corporation in more effectively assessing and managing risk to all segments of the Bank's operations, as well as developing and implementing improved processes to reduce identified risks.

Board Self-Evaluation

Each director completes a self-evaluation on an annual basis, which is reviewed by the Chairman of the Board.

Director Independence

The Board has evaluated the independence of its directors in accordance with Securities and Exchange Commission ("SEC") regulations. Based on those standards, the Board has determined that Mr. Brisch, Ms. Reynolds, Mr. Sachse, Mr. Van Sistine, and Mr. Wagner do not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and that each of those directors is independent as that term is defined by SEC regulations. The Board has also determined that Mr. Ansay, Mr. Dempsey, Mr. Gregorski, and Mr. Molepske do have relationships that may give the appearance of interfering with the exercise of independent judgment in carrying out the responsibilities of a director, and that each of those directors is not independent as the term is defined by SEC regulations. Mr. Dempsey and Mr. Molepske are not independent because they are currently executive officers of the Corporation and of the Bank. Mr. Ansay is not independent because he is currently the Chief Executive Officer of Ansay & Associates, LLC, an affiliate of the Bank. Mr. Gregorski is not independent because he currently owns, or has owned within the last three years, properties used as Bank branches, and the Bank makes lease payments to entities solely owned by Mr. Gregorski. The Board has further determined that each director who serves on the Audit, Compensation and Retirement, and Governance and Nominating Committees satisfies the independence requirements for such committees.

Code of Business Conduct and Ethics

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

COMMITTEES OF THE BOARD OF DIRECTORS

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

Meeting Attendance

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

In 2017, all incumbent directors attended at least 75% of the aggregate number of Board meetings and meetings of the committees on which they served. In addition, all of the incumbent directors who were serving as directors at such time attended last year's Annual Meeting of Shareholders. We expect, but do not require, directors to attend the Annual Meeting.

BANK FIRST NATIONAL CORPORATION BOARD OF DIRECTORS

		Director		Committee Memberships*			
Name	Age	Since	Independent	AC	CC	GN	EC
Michael G. Ansay	63	2010	No				
Donald R. Brisch	66	2006	Yes	M	C	M	M
Michael P. Dempsey	65	2014	No				
Robert D. Gregorski	56	2010	No				
Michael B. Molepske	57	2009	No				
Katherine M. Reynolds	67	1992	Yes		M	C	M
David R. Sachse	65	2010	Yes	C			M
Peter J. Van Sistine	60	New	Yes		M		M
Robert J. Wagner	68	New	Yes	M		M	M

AC: Audit Committee
CC: Compensation & Retirement Committee
GN: Governance & Nominating Committee
EC: Executive Committee

C Chair M Member

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

Audit Committee

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

- retain, evaluate and, as necessary, terminate the Corporation's independent auditors;*
- review and approve the scope of the annual internal and external audits;
- review and pre-approve the engagement of our independent auditors to perform non-audit services and the related fees;*
- meet independently with our internal auditing staff, independent auditors, and Senior Management;
- review the integrity of our financial reporting process;
- review our financial statements and disclosures; and
- review disclosures from our independent auditors regarding compliance with the independence standards of the American Institute of Certified Public Accountants ("AICPA"); Securities and Exchange Commission ("SEC"); and appropriate banking regulations.

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

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

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

<u>Compensation and Retirement Committee</u>

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

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

The Committee grants sole discretion for market-based compensation adjustments and long-term incentive stock grants for employees who are not members of Senior Management to the Chief Executive Officer and Vice President of Human Resources. The Committee is comprised of the three independent directors, whose independence has been determined in accordance with SEC regulations.

Compensation Committee Interlocks and Insider Participation:

In 2017, Donald R. Brisch, Robert D. Gregorski, and Katherine M. Reynolds served on the Compensation and Retirement Committee. No Compensation and Retirement Committee member has ever been an officer or employee of the Corporation or the Bank. No executive officer of the Corporation or the Bank served as a director or member of the compensation committee of any other entity whose executive officers served as a member of the Corporation's Board or as a member of the Corporation's Compensation and Retirement Committee.

Executive Committee

The Executive Committee is a forum for discussion of matters of policy, practice, and long-term planning. The Committee consists of only independent directors and can be called at the request of any two members, but at least twice annually.

Governance and Nominating Committee

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

- making recommendations to the Board regarding the size and composition of the Board;
- establishing and recommending to the Board criteria for the selection of new directors;
- identifying and recruiting Board candidates, consistent with criteria approved by the Board;
- recommending to the Board candidates for Board membership;
- selecting the director nominee(s) for the next annual meeting of shareholders;
- determining the appropriate committee structure of the Board;
- reviewing all Corporation and Bank policies requiring Board approval on an annual basis;
- making recommendations to the Board concerning policy changes;
- overseeing the corporate governance of the Corporation and the Bank;
- reviewing the Bylaws of the Corporation and the Bank as necessary; and
- ensuring complete and accurate reporting to the SEC and other regulatory bodies as required by law.

The Committee is comprised of three independent directors, whose independence has been determined in accordance with SEC regulations.

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

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

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

DIRECTOR COMPENSATION

The Compensation and Retirement Committee reviews the compensation paid to non-employee directors annually. Our objective for compensation to our directors is to pay at or near the median of our peer group with direct compensation. Direct compensation includes annual retainer fees and long-term incentive stock (equity ownership). Every three years, a compensation analysis is completed by a third-party administrator, specializing in executive and board compensation. In November 2016, our third-party administrator, The McLagan Group, felt our Board compensation was aligned with our compensation philosophy. They recommended increasing the retainer fee for the Chairman of the Board from $10,000 annually to $15,000, effective in 2017. Mr. Molepske and Mr. Dempsey do not receive additional compensation for serving as directors.

Compensation Structure for Non-Employee Directors

Base annual retainer..	$32,000
Annual stock awards	$10,000
Annual Chair of the Board retainer	$15,000
Annual Audit Committee chair retainer..	$5,000
Annual Compensation and Retirement Committee chair retainer..	$5,000
Annual Governance and Nominating Committee chair retainer....	$5,000

Fiscal Year 2017 Non-Employee Director Compensation

Director	Fees Earned ($)	Stock Awarded ($) (a)	Dividends on Unvested Stock Awards ($)	Total Compensation ($)
Michael G. Ansay	47,000	10,000	204	57,204
Donald R. Brisch	37,000	10,000	204	47,204
Robert D. Gregorski	32,000	10,000	204	42,204
Katherine M. Reynolds	37,000	10,000	204	47,204
David R. Sachse	37,000	10,000	204	47,204
Peter J. Van Sistine	21,334	0	0	21,334
Robert J. Wagner	21,334	0	0	21,334

(a) In May 2017, the Corporation granted restricted stock to its non-employee directors pursuant to the Corporation's 2011 Equity Plan ("Equity Plan"). Each director received 286 shares of restricted stock at a fair value price of $35.05 per share, with a one-year vesting restriction. Stock award values are computed in accordance with the FASB ASC Topic 718.

Mr. Van Sistine and Mr. Wagner joined the Bank Board in August 2017, and their fees were prorated.

Non-Qualified Deferred Compensation for Non-Employee Directors

This table provides information about the directors' contributions, earnings and balances under our Non-Qualified Deferred Compensation Plan, in fiscal year 2017. The Corporation does not contribute to the Deferred Compensation Plan, and in fiscal year 2017, there were no withdrawals by or distributions to directors.

Director	Contributions ($)	Earnings ($)	Deferred Comp. Balance ($)
Michael G. Ansay	47,000	13,994	60,994
Donald R. Brisch	37,000	203,958	764,986
Robert D. Gregorski	32,000	116,769	440,035
Katherine M. Reynolds	37,000	411,283	1,535,402
David R. Sachse	37,000	145,606	548,149
Peter J. Van Sistine	0	0	0
Robert J. Wagner	0	0	0

The Corporation's Deferred Compensation Plan is unfunded and unsecured. It allows directors to defer a specific percentage or dollar amount of their retainer fees, up to 100%. Earnings are notional gains or losses credited or debited to the participant's account based on changes in the value of the Corporation's common stock including dividends paid. Bank First does not contribute to the Deferred Compensation Plan or guarantee any returns on participant contributions.

When a director elects to participate in the Deferred Compensation Plan, the director must specify the percentage or dollar amount of his or her retainer fee to be deferred, and the timing of the distributions. The total deferred compensation to be paid to a director shall be an amount equal to the director's deferral account balance as of the close of the plan year during which he or she retires, terminates, or becomes disabled or upon death. No withdrawals are permitted prior to the previously elected distribution date, other than hardship withdrawals as permitted by applicable law.

Director Stock Ownership

To align the interests of our directors and shareholders, the Board of Directors believes that directors should have a significant stake in the Corporation through share ownership. Each director must own Corporation shares within the first five years of membership equal in value to a minimum of five times the base annual retainer fees payable to a director. All our directors have complied with this policy as of fiscal year 2017.

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of shares of the Corporation's common stock as of March 5, 2018, by (i) each director and director nominee of the Corporation, (ii) each of the executive officers of the Bank, (iii) all directors and executive officers as a group, and (iv) all shareholders known to us who may be considered a beneficial owner of more than 5% of the outstanding shares of the Corporation's common stock.

Common Stock

Beneficial Owner (a)	Number of Shares	Percent of Class
Directors:		
Michael G. Ansay	82,585	1.2
Michael P. Dempsey (Executive Officer)	57,283	*
Donald R. Brisch	8,376	*
Robert D. Gregorski	19,876	*
Michael B. Molepske (Executive Officer)	90,528	1.4
Katherine M. Reynolds	9,214	*
David R. Sachse	74,294	1.1
Peter J. Van Sistine	1,000	*
Robert J. Wagner	43,806	*
Executive Officers who are not Directors:		
Kevin M. LeMahieu	12,777	*
All directors and executive officers of the Corporation	399,739	6.0
Other Material Shareholders		
Richard S. Molepske (b)	430,000	6.4

Represents less than 1% of the total number of shares of common stock outstanding on the Record Date.

(a) A beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: 1) voting power which includes the power to vote, or to direct the voting of, such security; and/or 2) investment power which includes the power to dispose, or to direct the disposition of, such security.

(b) Beneficial ownership of shares of the Corporation's common stock as of March 5, 2018.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

Related-Party Transactions

The Audit Committee is responsible for reviewing and approving all related-party transactions, as well as reviewing the procedures used to identify related parties and any transactions with related parties. Under SEC regulations, the Corporation is required to disclose any transaction occurring in the last fiscal year or that is currently proposed in an amount that exceeds $120,000, in which the Corporation was or is a participant, and in which an executive officer or director of the Corporation, or an immediate family member thereof, had or will have a direct or indirect material interest. All transactions between the Corporation or the Bank and executive officers, directors, principal shareholders (that we are aware of) and affiliates thereof, will, to the best of our efforts, contain terms no less favorable to the Corporation or the Bank than could have been obtained by them in arms' length negotiations with unaffiliated persons and will be reviewed and approved by the Audit Committee.

The Bank's wholly-owned subsidiary, TVG Holdings, Inc., owns 30.0% of Ansay & Associates, LLC. Michael G. Ansay, Chairman of the Board of Directors of the Corporation is Chairman and Chief Executive Officer of Ansay & Associates.

The Bank's Sheboygan office is leased from an entity owned by Director Robert Gregorski, FNB Sheboygan, LLC. The Bank entered into the lease agreement in 2006, which was effective as of 2008, and an amended lease agreement in 2010. The initial lease was for a term of twenty years, and called for payments of approximately $23,120 per month. It is the Bank's intention to purchase the property in the spring of 2018. The Bank's Appleton office is also subject to a ground lease with Gregorski Development, LLC, an entity also owned by Mr. Gregorski. The Bank entered into the lease in 2014, for an initial term of forty years. The lease calls for payments of $6,250 per month. In 2017, the Bank paid approximately $352,440 in lease payments to the Gregorski related entities. Management believes that the terms of the lease are no less favorable to the Corporation or the Bank than would have been achieved with an unaffiliated third party.

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

Loans to Related Persons

In accordance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, to the best of our knowledge, all loans to executive officers, directors, principal shareholders, and any affiliates thereof, are made on the same terms, including interest rates, loan fees, and collateral as those prevailing at the time for comparable transactions with the general public and do not involve more than the normal risk of repayment or present other unfavorable features. During 2017, no executive officer, director, principal shareholder (that we are aware of), or any affiliate of the Corporation or the Bank had loans outstanding at preferred interest rates from the Corporation or the Bank.

DIRECTOR NOMINATIONS, SHAREHOLDER PROPOSALS, AND SHAREHOLDER COMMUNICATIONS

Any shareholder of the Corporations who is a shareholder of record at the time of giving notice as provided in the Corporation's Bylaws, who is entitled to vote at the Annual Meeting, and who complies with the requirements set forth below may present business at an annual meeting.

Director Nominations

The Governance and Nominating Committee will consider nominations for directors submitted by shareholders in accordance with the Corporation's Bylaws. Notice of shareholder nominations for directors must be made in writing, delivered personally or by mail, to the Corporate Secretary of the Corporation, Kelly M. Dvorak, 402 N. 8th Street, P.O. Box 10, Manitowoc, WI 54221-0010, no later than 30 days nor more than 120 days prior to the Annual Meeting, or in the case of a special meeting, not later than the close of business on the tenth day following the day on which notice of the special meeting was communicated to the shareholders, in order to be considered. Each nomination must be signed and dated by the shareholder who intends to make the nomination, and shall include the name and address of the nominating shareholder, the number of shares held of record by the shareholder, a representation that the shareholder is entitled to vote at the Annual Meeting and intends to appear in person or by proxy at the meeting to make the nomination, and background information about the nominee.

It is the policy of the Governance and Nominating Committee to consider all timely and properly submitted nominations for directors. See the section entitled "Governance and Nominating Committee" for a summary of the Committee's selection process and criteria. Nominations not made in accordance with the specified requirements will be disregarded. No director nominations were received from shareholders in connection with the 2018 Annual Meeting.

Shareholder Proposals

Proposals made by shareholders and intended for inclusion in the materials for next year's Annual Meeting must be made in writing and must be received by the Corporate Secretary of the Corporation, Kelly M. Dvorak, 402 N. 8th Street, P.O. Box 10, Manitowoc, WI 54221-0010, no later than 120 days before the date the Proxy was released to shareholders in connection with the 2018 Annual Meeting. Therefore, in order to be included in the proxy statement for the 2019 Annual Meeting, shareholder proposals must be received no later than November 23, 2018. However, in the event the 2019 Annual Meeting is held more than 30 days before or after May 14, 2019, the deadline for receipt of proposals must be any date that allows a reasonable time before the Corporation begins to print and send its proxy materials. The deadline for inclusion of a shareholder proposal in the proxy materials for a special meeting is likewise a date that allows a reasonable time before the Corporation provides the proxy materials for the special meeting to its shareholders. Proposals must include a brief description of the proposal and the reason it is being brought before the meeting, the proponent's name and address and the number of shares the shareholder beneficially owns, and any material interest of the proponent in the proposal. Proposals that are not timely and properly submitted will be disregarded.

Shareholder Communications

Shareholders wishing to communicate with the Board, with a particular director, or with the Corporate Secretary, may do so in writing directed to the Corporate Secretary of the Corporation, Kelly M. Dvorak, 402 N. 8th Street, P.O. Box 10, Manitowoc, WI 54221-0010. The Corporate Secretary will forward any such communications to the Chairman of the Board or to a specified director for consideration at the next scheduled Board meeting.

EXECUTIVE OFFICER COMPENSATION

Fiscal Year 2017 Compensation Tables

This table contains information about compensation awarded to our executive officers for the fiscal years ended December 31, 2017, 2016, and 2015.

Name & Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards (a) ($)	All Other Compensation (b) ($)	Total Compensation ($)
Michael B. Molepske	2017	413,221	206,611	165,288	61,525	846,645
President & Chief	2016	403,142	174,634	136,325	67,128	781,229
Executive Officer(Director)	2015	391,400	168,760	130,645	57,015	747,718
Michael P. Dempsey	2017	288,220	95,013	95,013	36,769	515,015
Executive Officer	2016	281,190	95,013	95,025	36,213	507,441
(Director)	2015	273,000	91,053	91,160	35,791	490,897
Kevin LeMahieu	2017	194,750	68,163	68,163	22,153	353,229
Chief Financial Officer	2016	190,000	54,361	54,425	18,746	317,532
	2015	170,000	48,000	48,098	17,529	283,529

(a) Restricted stock awards are granted in March of each year for the performance results of the prior year pursuant to the Corporation's 2011 Equity Plan. These awards vest equally over five years from the date of grant. The Outstanding Equity Awards table further outlines the granted and vested shares for the executive officers. Stock award values are computed in accordance with the FASB ASC Topic 718.

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

All Other Compensation

Executive Officer	Broad-based benefits ($) (a)	Excess Benefit Plan ($) (b)	Dividends on Unvested Stock Awards ($)	Business Development ($)
Michael B. Molepske	22,950	28,000	9,952	0
Michael P. Dempsey	22,950	0	6,385	7,000
Kevin M. LeMahieu	19,516	0	2,389	0

(a) Broad-based benefits are available to substantially all of our employees and include amounts contributed by the Bank pursuant to the Bank's retirement plan, year-end holiday cash gift, clothing allowance, fitness reimbursement and life insurance premiums.

(b) In 2012, the Compensation and Retirement Committee adopted an excess benefit plan for Michael B. Molepske. The plan was designed solely for the purpose of providing benefits to Mr. Molepske in excess of the limitations on contributions and benefits imposed by section 415 of the Internal Revenue Code of 1986. In 2017, $28,000 was contributed as other compensation through this plan.

Non-Qualified Deferred Compensation for Executive Officers

This table provides information about the executives officers' contributions, earnings and balances under our non-qualified Deferred Compensation Plan in fiscal year 2017. Bank First does not contribute to the Deferred Compensation Plan, and in fiscal year 2017 there were no withdrawals by or distributions to executive officers.

Executive Officer	Contributions ($)	Earnings ($)	Deferred Comp Balance ($)
Michael B. Molepske	0	34,911	128,486
Michael P. Dempsey	28,704	120,904	457,001
Kevin M. LeMahieu	0	0	0

Bank First's Deferred Compensation Plan is unfunded and unsecured. It allows participating employees to defer a specific percentage or dollar amount of their base salary and/or bonus, up to 100%. Employee participation in the Deferred Compensation Plan is limited to the Senior Management Team, including executive officers. Earnings are notional gains or losses credited or debited to the participant's account based on changes in the value of the Corporation's common stock including dividends paid. Bank First does not contribute to the Deferred Compensation Plan or guarantee any returns on participant contributions.

When an employee elects to participate in the Deferred Compensation Plan, the employee must specify the percentage or dollar amount of base salary and/or bonus award to be deferred, and the timing of the distributions. The total deferred compensation to be paid to a participating employee shall be an amount equal to the participating employee's deferral account balance as of the close of the plan year during which he or she retires, terminates, or becomes disabled or upon death. No withdrawals are permitted prior to the previously elected distribution date, other than hardship withdrawals as permitted by applicable law.

Outstanding Equity Awards

Executive Officer	Shares Granted in 2017	Shares Unvested as of December 31, 2017	Market Value of Shares Unvested (a)
Michael B. Molepske	3,895	14,970	$669,159
Michael P. Dempsey	2,715	9,694	$433,322
Kevin M. LeMahieu	1,555	3,952	$176,654

(a) The market value of restricted stock is the number of shares unvested multiplied by the December 31, 2017 stock price of $44.70. These restricted stock shares vest equally over five years from the date of grant.

INDEPENDENT PUBLIC ACCOUNTING FIRM

FEES BILLED BY PORTER KEADLE MOORE, LLC

This table presents fees for professional audit services rendered by Porter Keadle Moore, LLC ("Porter Keadle Moore") for the audit of the Corporation's annual financial statements during the years ended December 31, 2017 and 2016, and fees billed for other services rendered by Porter Keadle Moore during those periods.

Year Ended December 31	2017	2016
Audit fees	$ 160,000	$ 142,000
Audit-related fees	6,000	1,000
Tax fees	17,000	17,000
All other fees	0	0
Total	$ 183,000	$ 160,000

Audit fees

These amounts represent fees of Porter Keadle Moore for the audit of our annual consolidated financial statements, the audit of internal controls over financial reporting, and the services that an independent auditor would customarily provide in connection with subsidiary audits,

statutory requirements, regulatory filings, and similar engagements for the year. Audit fees also include advice about accounting matters that arose in connection with or as a result of the audit or the review of periodic financial statements.

Audit-related fees

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

Tax fees

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

All other fees

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

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

POLICY ON AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT AUDITOR

The Audit Committee has a policy for pre-approval of all audit and permissible non-audit services provided by the independent auditor. Each year, the Audit Committee approves the terms on which the independent auditor is engaged for the ensuing fiscal year. The Audit Committee, as permitted by its pre-approval policy, from time to time delegates the approval of certain permitted services or classes of services to a member of management.

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee has appointed CliftonLarsonAllen LLP as the independent public accountant to audit the Corporation's financial statement for the fiscal year ending December 31, 2018. Although not required to do so, the Board is submitting the selection of CliftonLarsonAllen LLP as our independent auditor to our shareholders for ratification as a matter of good corporate governance. The Board recommends that our shareholders ratify such appointment. Even if the appointment of CliftonLarsonAllen is ratified by the shareholders, the Audit Committee, in its discretion, could decide to terminate the engagement of CliftonLarsonAllen and to engage another audit firm if the Audit Committee determines such action is necessary or desirable. In the event that the appointment is not ratified by the required shareholder vote, the vote would be considered in connection with the engagement of an independent auditor for 2019. The Audit Committee will reconsider the appointment, but also may decide to maintain the appointment.

The affirmative vote of a majority of shares represented and entitled to vote on the matter to ratify the selection of the independent auditor will be required for approval. Abstentions will be counted as represented and entitled to vote and will count for purposes of determining whether or not a quorum is present, but will have the effect of a vote against the ratification of the appointment of the independent auditor.

Audit Committee Appointment of Independent Auditor

The financial statements of the Corporation for the year ended December 31, 2017, have been audited by Porter Keadle Moore, independent public accountants. A representative of Porter Keadle Moore is expected to attend the Annual Meeting and will be available to respond to appropriate questions.

As part of its activities, the Audit Committee has:

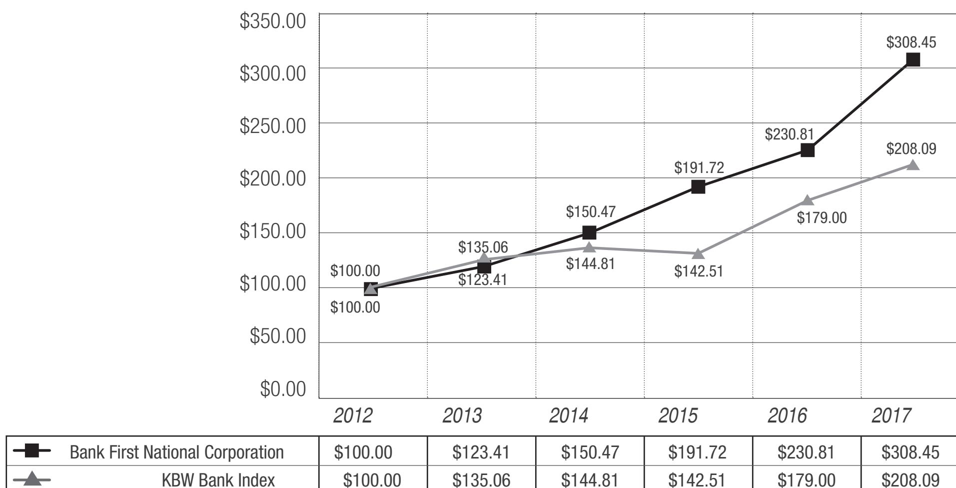
- Reviewed and discussed the audited financial statements with management and its independent auditor, Porter Keadle Moore.
- Discussed with Porter Keadle Moore, matters required to be discussed by the Statement on Auditing Standards (SAS) No. 61, as amended by SAS No. 90 (Communication with Audit Committees), and SAS No. 99 (Consideration of Fraud in a Financial Statement Audit).
- The Committee received written disclosures from Porter Keadle Moore affirming the firm's independence from the Corporation. The Committee also discussed with Porter Keadle Moore matters relating to its independence.
- As the need arises, other specific permitted services are pre-approved on a case-by-case basis during the year.

At a meeting of the Audit Committee held on February 27, 2018, CliftonLarsonAllen LLP was appointed as the independent public accountant to audit the Corporation's financial statements for the fiscal year ending December 31, 2018.

The Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Corporation's Annual Report for the year ended December 31, 2017.

STOCK PERFORMANCE GRAPH

The following graph compares the yearly cumulative total return on the Corporation's common stock measured at each of the last five year ends with the KBW Bank Index. The KBW Bank Sector (BKX) is a capitalization-weighted index composed of 24 geographically diverse stocks representing national money center banks and leading regional institutions. The cumulative returns set forth in the graph assume an initial investment of $100.00 was invested in the common stock of the Corporation and the KBW Bank Index on December 31, 2012, and that all dividends were reinvested into additional shares of the same class of equity securities at the frequency with which dividends were paid on such securities during the applicable comparison period.



	2012	2013	2014	2015	2016	2017
Bank First National Corporation	$100.00	$123.41	$150.47	$191.72	$230.81	$308.45
KBW Bank Index	$100.00	$135.06	$144.81	$142.51	$179.00	$208.09

OTHER MATTERS

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

By Order of the Board of Directors

Kelly M. Dvorak
Corporate Secretary

Manitowoc, Wisconsin
March 23, 2018

BANK FIRST NATIONAL CORPORATION
AND SUBSIDIARIES
Manitowoc, Wisconsin

Consolidated Financial Statements

Years Ended December 31, 2017, 2016 and 2015

Independent Auditor's Report F1

Consolidated Financial Statements

Consolidated Balance Sheets..F2

Consolidated Statements of Income F3

Consolidated Statements of Comprehensive Income F4

Consolidated Statements of Stockholders' Equity...................F5

Consolidated Statements of Cash Flows F6-7

Notes to Consolidated Financial Statements......................F8-45

INDEPENDENT AUDITOR'S REPORT
The Board of Directors
Bank First National Corporation
Manitowoc, Wisconsin

Porter Keadle Moore
CPAs | Advisors | www.pkm.com

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Bank First National Corporation (the "Company") and its subsidiaries (Veritas Asset Holdings, LLC ("Veritas") and Bank First National (the "Bank")) which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years ended December 31, 2017, 2016 and 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank First National Corporation and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years ended December 31, 2017, 2016 and 2015, in accordance with accounting principles generally accepted in the United States of America.

Other Matter
We also have audited in accordance with attestation standards established by the American Institute of Certified Public Accountants, Bank First National's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, and our report dated February 26, 2018 expressed an unqualified opinion on the effectiveness of Bank First National's internal control over financial reporting.

Porter Keadle Moore, LLC

Atlanta, Georgia
February 26, 2018

Bank First National Corporation and Subsidiaries

Consolidated Balance Sheets

	December 31	
	2017	2016
	(In Thousands, except per share data)	
Assets		
Cash and due from banks	$ 37,914	$ 29,258
Interest-bearing deposits	15,186	11,048
Federal funds sold	48,877	39,851
Cash and cash equivalents	101,977	80,157
Securities held to maturity, at amortized cost ($39,808 and $31,356 fair value at December 31, 2017 and 2016, respectively)	39,991	31,558
Securities available for sale, at fair value	119,043	111,325
Loans, net of allowance for loan losses of $11,612 and $10,728 at 2017 and 2016, respectively	1,385,935	1,015,529
Premises and equipment, net	18,578	13,323
Goodwill	15,085	7,984
Other investments, at cost	7,226	6,088
Cash value of life insurance	23,722	20,549
Identifiable intangible assets, net	5,578	2,409
Other real estate owned	6,270	1,583
Investment in minority-owned subsidiaries	21,515	19,341
Other assets	8,484	6,151
TOTAL ASSETS	$ 1,753,404	$ 1,315,997
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 1,506,642	$ 1,127,020
Securities sold under repurchase agreements	47,568	50,106
Notes payable	8,500	-
Subordinated notes	11,500	-
Other liabilities	17,466	11,348
Total liabilities	1,591,676	1,188,474
Stockholders' equity:		
Serial preferred stock - $0.01 par value Authorized - 5,000,000 shares	-	-
Common stock - $0.01 par value Authorized - 20,000,000 shares Issued - 7,368,083 and 6,714,560 in 2017 and 2016, respectively Outstanding - 6,805,684 and 6,210,892 in 2017 and 2016, respectively	74	67
Additional paid-in capital	27,528	2,828
Retained earnings	145,879	134,773
Treasury stock, at cost - 562,399 and 503,668 shares in 2017 and 2016, respectively	(12,730)	(10,437)
Accumulated other comprehensive income	977	292
Total stockholders' equity	161,728	127,523
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 1,753,404	$ 1,315,997

See accompanying notes to consolidated financial statements.

Bank First National Corporation and Subsidiaries
Consolidated Statements of Income

	Years Ended December 31		
	2017	2016	2015
	(In Thousands, except per share data)		
Interest income:			
Loans, including fees	$ 48,863	$ 40,853	$ 37,946
Federal funds sold	1,112	499	150
Securities:			
Taxable	1,833	1,799	1,686
Tax-exempt	1,664	1,575	1,280
Total interest income	53,472	44,726	41,062
Interest expense:			
Deposits	6,443	5,506	4,932
Securities sold under repurchase agreements	272	70	72
Borrowed funds	1,017	356	59
Total interest expense	7,732	5,932	5,063
Net interest income	45,740	38,794	35,999
Provision for loan loss	1,055	320	1,008
Net interest income after provision for loan loss	44,685	34,474	34,991
Other income:			
Service charges	2,950	2,747	2,231
Income from Ansay	1,663	1,583	538
Income from UFS	2,390	2,133	2,165
Loan servicing income	1,158	1,006	991
Net gain on sales of mortgage loans	895	1,042	674
Noninterest income from strategic alliances	94	90	113
Other	698	643	751
Total other income	9,848	9,244	7,463
Other expenses:			
Salaries, commissions, and employee benefits	16,595	13,314	12,193
Occupancy	3,097	2,573	2,575
Data processing	2,939	2,473	1,777
Postage, stationery, and supplies	452	362	353
Net (gain) loss on sales and valuations of other real estate owned	(49)	31	(3)
Net loss on sales of securities	32	225	-
Advertising	183	201	177
Outside service fees	3,317	2,670	2,225
Amortization of intangibles	132	18	18
Other	3,696	3,232	2,990
Total other expenses	30,394	25,099	22,305
Income before provision for income taxes	24,139	22,619	20,149
Provision for income taxes	8,826	7,706	6,754
Net Income	$ 15,313	$ 14,913	$ 13,395
Earnings per share - basic	$ 2.44	$ 2.40	$ 2.13
Earnings per share - diluted	$ 2.44	$ 2.40	$ 2.13

See accompanying notes to consolidated financial statements.

Bank First National Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2017	2016	2015
		(In Thousands)	
Net Income	$ 15,313	$ 14,913	$ 13,395
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale securities:			
Unrealized holding gains (losses) arising during period	962	(1,578)	(95)
Amortization of unrealized holding gains on securities transferred from available for sale to held to maturity	(131)	(180)	(252)
Reclassification adjustment for losses included in net income	32	225	-
Income tax (benefit) expense	(339)	601	136
Total other comprehensive income (loss)	524	(932)	(211)
Comprehensive income	$ 15,837	$ 13,981	$ 13,184

See accompanying notes to consolidated financial statements.

Bank First National Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Serial Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	(In Thousands, except per share amounts)						
Balance at January 1, 2015	$ -	$ 67	$ 2,606	$ 113,339	$ (8,385)	$ 1,435	$ 109,062
Net income	-	-	-	13,395	-	-	13,395
Other comprehensive loss	-	-	-	-	-	(211)	(211)
Purchase of treasury stock	-	-	-	-	(1,442)	-	(1,442)
Sale of treasury stock	-	-	-	-	991	-	991
Cash dividends ($0.51 per share)	-	-	-	(3,208)	-	-	(3,208)
Amortization of stock-based compensation	-	-	341	-	-	-	341
Vesting of restricted stock awards	-	-	(256)	-	256	-	-
Balance at December 31, 2015	-	67	2,691	123,526	(8,580)	1,224	118,928
Net income	-	-	-	14,913	-	-	14,913
Other comprehensive loss	-	-	-	-	-	(932)	(932)
Purchase of treasury stock	-	-	-	-	(2,587)	-	(2,587)
Sale of treasury stock	-	-	-	-	448	-	448
Cash dividends ($0.59 per share)	-	-	-	(3,666)	-	-	(3,666)
Amortization of stock-based compensation	-	-	419	-	-	-	419
Vesting of restricted stock awards	-	-	(282)	-	282	-	-
Balance at December 31, 2016	-	67	2,828	134,773	(10,437)	292	127,523
Net income	-	-	-	15,313	-	-	15,313
Reclassification adjustment for tax rate change	-	-	-	(161)	-	161	-
Other comprehensive income	-	-	-	-	-	524	524
Purchase of treasury stock	-	-	-	-	(3,631)	-	(3,631)
Sale of treasury stock	-	-	-	-	896	-	896
Shares issued in the acquisition of Waupaca Bancorporation, Inc. (653,523 shares)	-	7	24,677	-	-	-	24,684
Cash dividends ($0.64 per share)	-	-	-	(4,046)	-	-	(4,046)
Amortization of stock-based compensation	-	-	465	-	-	-	465
Vesting of restricted stock awards	-	-	(442)	-	442	-	-
Balance at December 31, 2017	$ -	$ 74	$ 27,528	$ 145,879	$ (12,730)	$ 977	$ 161,728

See accompanying notes to consolidated financial statements.

Bank First National Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2017	2016	2015
		(In Thousands)	
Cash flows from operating activities:			
Net income	$ 15,313	$ 14,913	$ 13,395
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	1,055	320	1,008
Depreciation and amortization of premises and equipment	1,126	900	894
Amortization of intangibles	132	18	18
Net amortization of securities	678	975	935
Amortization of stock-based compensation	465	419	341
Net change in deferred loan fees and costs	651	(167)	(199)
Expense (benefit) for deferred income taxes	624	(66)	218
Change in fair value of mortgage servicing rights (MSR) and other	224	558	512
Loss from sale and disposal of premises and equipment	-	9	64
(Gain) loss on sale of other real estate owned and valuation allowance	(49)	31	(3)
Proceeds from sales of mortgage loans	51,365	84,526	49,312
Originations of mortgage loans held for sale	(50,898)	(83,776)	(49,434)
Gain on sales of mortgage loans	(895)	(1,042)	(674)
Realized loss on sale of securities available for sale	32	225	-
Undistributed income of UFS joint venture	(2,390)	(2,133)	(2,165)
Undistributed income of Ansay joint venture	(1,663)	(1,583)	(538)
Net earnings on life insurance	(549)	(534)	(529)
Decrease (increase) in other assets	278	29	(404)
Increase (decrease) in other liabilities	4,450	793	(136)
Net cash provided by operating activities	19,949	14,415	12,615
Cash flows from investing activities, net of effects of business combination:			
Activity in securities available for sale and held to maturity:			
Sales	48,906	9,237	-
Maturities, prepayments, and calls	12,970	21,493	19,862
Purchases	(49,594)	(44,671)	(41,656)
Net increase in loans	(48,107)	(69,489)	(84,400)
Dividends received from UFS	915	814	731
Dividends received from Ansay	964	933	651
Proceeds from sale of loans acquired in business combination	13,000	-	-
Proceeds from sale of other real estate owned	329	724	1,856
Capital expenditures on real estate held	-	(50)	-
Sales (Purchases) of other investments	500	(750)	(2,380)
Proceeds from sale of premises and equipment	-	-	309
Purchases of premises and equipment	(2,825)	(1,272)	(3,075)
Net cash used in business combination	(19,882)	-	-
Net cash used in investing activities	(42,824)	(83,031)	(108,102)

Bank First National Corporation and Subsidiaries
Consolidated Statements of Cash Flows - (continued)

	Years Ended December 31		
	2017	2016	2015
		(In Thousands)	
Cash flows from financing activities, net of business combination:			
Net increase in deposits	$ 34,014	$ 64,445	$ 107,833
Net (decrease) increase in securities sold under repurchase agreements	(2,538)	4,489	15,104
Proceeds from advances of borrowed funds	476,500	325,400	221,500
Repayment of borrowed funds	(476,500)	(325,400)	(221,500)
Proceeds from revolving line of credit	5,000	1,300	400
Repayment of revolving line of credit	-	(1,300)	(400)
Proceeds from note payable	3,500	-	-
Proceeds from subordinated debt	11,500	-	-
Dividends paid	(4,046)	(3,666)	(3,208)
Proceeds from sales of common stock	896	448	991
Repurchase of common stock	(3,631)	(2,587)	(1,442)
Net cash provided by financing activities	44,695	63,129	119,278
Net increase (decrease) in cash and cash equivalents	21,820	(5,487)	23,791
Cash and cash equivalents at beginning	80,157	85,644	61,853
Cash and cash equivalents at end	$ 101,977	$ 80,157	$ 85,644
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 6,751	$ 5,793	$ 5,077
Income taxes	7,981	8,202	8,146
Supplemental schedule of noncash activities:			
Loans transferred to other real estate owned	2,259	433	765
Mortgage servicing rights resulting from sale of loans	428	660	428
Amoritization of unrealized holding gains on securities transferred from available for sale to held to maturity recognized in other comprehensitve income, net of tax	(80)	(109)	(154)
Change in unrealized loss on investment securities available for sale, net of tax	604	(823)	(57)
Acquisition:			
Fair value of assets acquired	$ 418,235	$ -	$ -
Fair value of liabilities assumed	347,276	-	-
Net assets acquired	$ 70,959	$ -	$ -
Common stock issued in acquisition	24,684	-	-

See accompanying notes to consolidated financial statements.

Note 1 Summary of Significant Accounting Policies

The accounting and reporting policies of Bank First National Corporation and Subsidiaries (Corporation) conform to generally accepted accounting principles (GAAP) in the United States and general practices within the financial institution industry. Significant accounting and reporting policies are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, Veritas Asset Holdings, LLC (Veritas) and Bank First National (Bank). The Bank's wholly owned subsidiaries are Bank First Investments, Inc. and TVG Holdings, Inc. (TVG). All significant intercompany balances and transactions have been eliminated. The Bank has two investments in minority-owned subsidiaries that are accounted for using the equity method in the consolidated financial statements. The Bank owns 49.8% of UFS, LLC (UFS) which provides data processing solutions to over 50 banks in the Midwest. The Bank also owns 30.0% (28.8% as of December 31, 2016) of Ansay & Associates, LLC (Ansay) providing clients throughout the Midwest with superior insurance and risk management solutions.

Organization

The Corporation provides a variety of financial services to individual and business customers in Northeastern Wisconsin through the Bank. The Bank is subject to competition from other traditional and nontraditional financial institutions and is also subject to the regulations of certain federal agencies and undergoes periodic examinations by those regulatory authorities including the Office of the Comptroller of the Currency and the Federal Reserve Bank.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. The allowance for loan losses, carrying value of real estate owned, carrying value of goodwill, fair value of mortgage servicing rights, and fair values of financial instruments are inherently subjective and are susceptible to significant change.

Business Combinations

The Corporation accounts for business combinations under the acquisition method of accounting in accordance with Accounting Standards Codification (ASC) 805, Business Combinations (ASC 805). The Corporation recognizes the full fair value of the assets acquired and liabilities assumed and immediately expenses transaction costs. There is no separate recognition of the acquired allowance for loan losses on the acquirer's balance sheet as credit related factors are incorporated directly into the fair value of the net tangible and intangible assets acquired. If the amount of consideration exceeds the fair value of assets purchased less the fair value of liabilities assumed, goodwill is recorded. Alternatively, if the amount by which the fair value of assets purchased exceeds the fair value of liabilities assumed and consideration paid, a gain (bargain purchase gain) is recorded. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Results of operations of the acquired business are included in the statement of income from the effective date of the acquisition. Additional information regarding acquisitions is provided in Note 2.

Cash and Cash Equivalents

For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash on hand, interest-bearing and noninterest-bearing accounts in other financial institutions, and federal funds sold, all of which have original maturities of three months or less. Generally, federal funds are purchased and sold for one day periods. In the normal course of business, the Corporation maintains cash and due from bank balances with correspondent banks. Accounts at each institution that are insured by the Federal Deposit Insurance Corporation have up to $250,000 of insurance. Total uninsured balances held at December 31, 2017 and 2016 were approximately $3,244,000 and $5,420,000, respectively. The Bank is required to maintain noninterest-bearing deposits on hand or with the Federal Reserve Bank to meet specific reserve requirements. For December 31, 2017 and 2016 those required reserves were approximately $10,891,000 and $11,756,000, respectively.

Securities

Securities are classified as held to maturity or available for sale at the time of purchase. Investment securities classified as held to maturity, which management has the intent and ability to hold to maturity, are reported at amortized cost. Investment securities classified as available for sale, which management has the intent and ability to hold for an indefinite period of time, but not necessarily to maturity, are carried at fair value, with unrealized gains and losses, net of related deferred income taxes, included in stockholders' equity as a separate component of other comprehensive income.

The net carrying value of debt securities classified as held to maturity or available for sale is adjusted for amortization of premiums and accretion of discounts utilizing the effective interest method over the expected estimated maturity. Such amortization and accretion is included as an adjustment to interest income from securities. Interest and dividends are included in interest income from securities.

Transfers of debt securities into the held to maturity classification from the available for sale classification are made at fair value as of the date of transfer. The unrealized holding gain or loss as of the date of transfer is retained in other comprehensive income and in the carrying value of the held to maturity securities, establishing the amortized cost of the security. These unrealized holding gains and losses as of the date of transfer are amortized or accreted over the remaining life of the security.

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

Other Investments

Other investments are carried at cost, which approximates fair value, and consist of Federal Home Loan Bank of Chicago (FHLB) stock, Federal Reserve Bank stock, Bankers' Bancorporation stock, investments in other private companies that do not have quoted market prices and preferred stock in a community development project. Other investments are evaluated for impairment at least on an annual basis.

Loans Held for Sale

Loans originated and intended for sale in the secondary market, consisting of the current origination of certain fixed-rate mortgage loans, are carried at the lower of cost or estimated fair value in the aggregate. A gain or loss is recognized at the time of the sale reflecting the present value of the difference between the contractual interest rate of the loans sold and the yield to the investor, adjusted for the initial value of mortgage servicing rights associated with loans sold with servicing retained. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Loans and Related Interest Income - Originated

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are generally reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. The accrual of interest on loans is calculated using the simple interest method on daily balances of the principal amount outstanding and is recognized in the period earned utilizing the loan convention applicable by loan type. Loan origination fees, net of certain direct loan origination costs, are deferred and recognized in interest income using the effective interest method over the estimated life of the loan.

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

Loans and Related Interest Income - Acquired

The loans purchased in the 2017 acquisition were acquired loans. Acquired loans are recorded at their estimated fair value at the acquisition date, and are initially classified as either purchase credit impaired (PCI) loans (i.e. loans that reflect credit deterioration since origination and it is probable at acquisition that the Company will be unable to collect all contractually required payments) or purchased non-impaired loans (i.e. performing acquired loans).

PCI loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality, found in FASB ASC Topic 310-30, Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality. The Corporation estimates the amount and timing of expected principal, interest and other cash flows for each loan or pool of loans meeting the criteria above, and determines the excess of the loan's scheduled contractual principal and contractual interest payments over all cash flows expected to be

collected at acquisition as an amount that should not be accreted. These credit discounts (nonaccretable marks) are included in the determination of the initial fair value for acquired loans; therefore, an allowance for loan losses is not recorded at the acquisition date. Differences between the estimated fair values and expected cash flows of acquired loans at the acquisition date that are not credit-based (accretable marks) are subsequently accreted to interest income over the estimated life of the loans using a method that approximates a level yield method if the timing and amount of the future cash flows is reasonably estimable. Subsequent to the acquisition date for PCI loans, increases in cash flows over those expected at the acquisition date result in a move of the discount from nonaccretable to accretable. Decreases in expected cash flows after the acquisition date are recognized through the provision for loan losses.

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

Allowance for Loan Losses - Originated

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

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

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

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Allowance for Loan Losses - Acquired

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

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

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Premises and equipment acquired in the 2017 acquisition were recorded at estimated fair value on the date of acquisition. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of premises and equipment are reflected in income. Premises and equipment, and other long-term assets, are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Depreciation expense is computed using the straight-line method over the following estimated useful lives.

Buildings and improvements	40 years
Land improvements	20 years
Furniture, fixtures and equipment	2-7 years

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure less estimated costs to sell the asset, establishing a new cost basis. Any write downs at the time of foreclosure are charged to the allowance for loan loss. Other real estate owned (OREO) properties acquired in conjunction with the 2017 acquisition were recorded at fair value on the date of acquisition. Subsequent to foreclosure, valuations are periodically performed by management, and a valuation allowance is established if fair value declines below carrying value. Costs relating to the development and improvement of the property are capitalized. Revenue and expenses from operations and changes in the valuation allowance are included in other expenses.

Intangible Assets and Goodwill

Intangible assets consist of the value of core deposits and mortgage servicing assets and the excess of purchase price over fair value of net assets (goodwill). Core deposits are stated at

cost less accumulated amortization and are amortized on a sum of the years digits basis over a period of one to ten years. See Note 2 for additional information on the 2017 acquisition.

Mortgage servicing rights are recognized as separate assets when rights are acquired through purchase or through sale of mortgage loans with servicing retained. Servicing rights acquired through sale of financial assets are recorded based on the fair value of the servicing right. The determination of fair value is based on a valuation model and includes stratifying the mortgage servicing rights by predominant characteristics, such as interest rates and terms, and estimating the fair value of each stratum based on the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as costs to service, a discount rate, and prepayment speeds. Changes in fair value are recorded as an adjustment to earnings.

The Corporation performs a "qualitative" assessment of goodwill to determine whether further impairment testing of indefinite-lived intangible assets is necessary on at least an annual basis. If it is determined, as a result of performing a qualitative assessment over goodwill, that it is more likely than not that goodwill is impaired, management will perform an impairment test to determine if the carrying value of goodwill is realizable.

The Corporation evaluated goodwill and core deposit intangibles for impairment during 2017, 2016 and 2015, determining that there was no goodwill and core deposit intangible impairment.

Income Taxes
The Corporation files one consolidated federal income tax return and two state returns. Federal income tax expense is allocated to each subsidiary based on an intercompany tax sharing agreement.

Deferred tax assets and liabilities have been determined using the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities and the current enacted tax rates which will be in effect when these differences are expected to reverse. Provision (benefit) for deferred taxes is the result of changes in the deferred tax assets and liabilities.

Treasury Stock
Common stock shares repurchased by the Corporation are recorded as treasury stock at cost.

Securities Sold Under Repurchase Agreements
The Corporation sells securities under repurchase agreements. These transactions are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were sold. The Corporation may have to provide additional collateral to the counterparty, as necessary.

Off-Balance-Sheet Financial Instruments
In the ordinary course of business, the Corporation has entered into off-balance-sheet financial instruments including commitments to extend credit, unfunded commitments under lines of credit, and letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded.

Advertising
Advertising costs are generally expensed as incurred.

Per Share Computations

Weighted average shares outstanding were 6,285,901, 6,220,694, and 6,291,319 for the years ended December 31, 2017, 2016 and 2015, respectively. All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities for basic and diluted earnings per share calculations. There were no potentially dilutive instruments outstanding during the periods presented.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe that there are any such matters that will have a material effect on the consolidated financial statements at December 31, 2017 and 2016.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Bank, the transferee obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets and the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Comprehensive Income

GAAP normally requires that recognized revenues, expenses, gains and losses be included in net income. In addition to net income, another component of comprehensive income includes the after-tax effect of changes in unrealized gains and losses on available for sale securities. This item is reported as a separate component of stockholders' equity. The Corporation presents comprehensive income in the statement of comprehensive income.

Stock-based Compensation

The Corporation uses the fair value method of recognizing expense for stock-based compensation based on the fair value of restricted stock awards at the date of grant as prescribed by accounting standards codification Topic 781-10 Compensation/Stock Compensation.

Mortgage Banking Derivatives

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free standing derivatives. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest rate on the loan is locked. The Bank enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into in order to hedge the change in interest rates resulting from its commitments to fund loans. The forward commitments for the future delivery of mortgage loans are based on the Bank's "best efforts" and therefore the Bank is not penalized if a loan is not delivered to the investor if the loan did not get originated. Changes in the fair values of these derivatives generally offset each other and are included in "other income" in the consolidated statements of income.

Subsequent Events

Management has evaluated subsequent events through February 26, 2018, the issuance date of these consolidated financial statements.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2015-14, Revenue from Contracts with Customers (Topic 606) (ASU 2015-14) was issued in August 2015 which defers adoption to annual reporting periods beginning after December 15, 2018 and interim reporting periods beginning after December 15, 2019. The timing of the Corporation's revenue recognition is not expected to materially change. The Corporation's largest portions of revenue, interest and fees on loans and gain on sales of loans, are specifically excluded from the scope of the guidance, and the Corporation currently recognizes the majority of the remaining revenue sources in a manner that management believes is consistent with the new guidance. Because of this, management believes that revenue recognized under the new guidance will generally approximate revenue recognized under current GAAP. These observations are subject to change as the evaluation is completed.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01). This guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. Entities will be required to measure these investments at fair value at the end of each reporting period and recognize changes in fair value in net income. A practicability exception will be available for equity investments that do not have readily determinable fair values; however, the exception requires the Corporation to adjust the carrying amount for impairment and observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This guidance also changes certain disclosure requirements and other aspects of current GAAP. This guidance is effective for fiscal years beginning after December 15, 2018 and for interim reporting periods beginning after December 15, 2019. Early adoption is permitted for only one of the six amendments. The adoption of this ASU is not expected to have a material impact on the Corporation's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (ASU 2016-02). The new guidance establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. Entities will be required to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. This guidance is effective for fiscal years beginning after December 15, 2019 and interim reporting periods beginning after December 15, 2020. The Corporation is currently evaluating the impact of the adoption of ASU 2016-02 to determine the potential impact it will have on its consolidated financial statements. The Corporation's assets and liabilities will increase based on the present value of the remaining lease payments for leases in place at the adoption date; however, this is not expected to be material to the Corporation's results of operations.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). The new guidance simplifies several aspects of the accounting for share-based payment transactions,

including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Entities will be required to recognize the income tax effects of awards in the income statement when the awards vest or are settled. This guidance is effective for fiscal years beginning after December 15, 2017 and interim reporting periods beginning after December 31, 2018. The adoption of this ASU is not expected to have a significant impact on the Corporation's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The main objective of the ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Corporation for the fiscal year beginning after December 15, 2020, and interim periods within the fiscal year beginning after December 15, 2021. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. The Corporation is currently evaluating the impact of ASU 2016-13 on the consolidated financial statements, although the general expectation in the banking industry is that the implementation of this standard will result in higher required balances in the allowance for loan losses.

In January 2017, the FASB issued ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments – Equity Method and Joint Ventures (Topic 323). The amendments in the ASU add and amend SEC paragraphs pursuant to the SEC staff announcement at the September 22, 2016 and November 17, 2016, Emerging Issues Task Force (EITF) meetings. The September announcement is about the disclosure of the impact that recently issued accounting standards will have on the financial statements of a registrant when such standards are adopted in a future period. The announcement applies to ASU 2014-09, Revenue from Contracts with Customers (Topic 606); ASU 2016-02, Leases (Topic 842); and ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and to any subsequent amendments to these ASUs that are issued prior to their adoption. The November announcement made amendments to conform the SEC Observer comment on accounting for tax benefits resulting from investments in qualified affordable housing projects to the guidance issued in Accounting Standards Update No. 2014-01, Investments-Equity Method and Joint Ventures (Topic 323); Accounting for Investments in Qualified Affordable Housing Projects. This ASU is intended to improve transparency and is effective upon issuance. The adoption of this ASU is not anticipated to have a material impact on the Corporation's consolidated financial statements other than to enhance the disclosures on the effects of new accounting pronouncements as they move closer to adoption in future periods.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU were issued to address concerns over the cost and complexity of the two-step goodwill impairment test and resulted in the removal of the second step of the test. The amendments require an entity to apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This ASU is intended to reduce the cost and complexity of the two-step goodwill impairment test and is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2021,

with early adoption permitted for testing performed after January 1, 2017. Upon adoption, the amendments should be applied on a prospective basis and the entity is required to disclose the nature of and reason for the change in accounting principle upon transition. The adoption of this guidance is not expected to have a significant impact on the Corporation's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The amendments in this ASU shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount as discounts continue to be accreted to maturity. This ASU is intended to more closely align the amortization period of premiums and discounts to expectations incorporated in market pricing on the underlying securities. In most cases, market participants price securities to the call date that produces the worst yield when the coupon is above current market rates and prices securities to maturity when the coupon is below market rates. As a result, the amendments more closely align interest income recorded on bonds held at a premium or a discount with the economics of the underlying instrument. This ASU is intended to reduce diversity in practice and is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Upon adoption, the amendments should be applied using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity should provide disclosures about a change in accounting principles. The adoption of this guidance is not expected to have a significant impact on the Corporation's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation- Stock Compensation (Topic 718). The amendments in this ASU provide clarity about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The ASU is effective for all entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years with early adoption permitted. The Corporation is evaluating the impact this new standard will have on its consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The amendments of this ASU better align an entity's accounting and financial reporting for hedging activities with the economic objectives of those activities. The ASU is effective for fiscal years beginning after December 15, 2019 and interim reporting periods beginning after December 15, 2020, with early adoption permitted. The Corporation is evaluating the impact this new standard with have on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, Certain Income Tax Effects within Accumulated Other Comprehensive Income. The amendments in this ASU allow entities to release the income tax effects from other comprehensive income that resulted from H.R.1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (Tax Cuts and Jobs Act). The Corporation elected, as allowed under this amendment, to reclassify the effects of the Tax Cuts and Jobs Act, totalling $161,000, from accumulated other comprehensive income to retained earnings during the year ended December 31, 2017.

Note 2 Acquisition

On October 27, 2017, the Corporation consummated its merger with Waupaca Bancorporation, Inc. (Waupaca), pursuant to the Agreement and Plan of Bank Merger by and between the

Corporation and Waupaca dated May 12, 2017, (the Merger Agreement), whereby Waupaca was merged with and into the Corporation, and First National Bank, Waupaca's wholly owned commercial bank subsidiary serving central Wisconsin, was merged with and into the Bank. The system integration was completed, and six branches of Waupaca opened, on October 30, 2017, as branches of the Bank, expanding its presence into Barron and Waupaca Counties, Wisconsin, bringing the Bank's footprint to 18 branches as of December 31, 2017.

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

Pursuant to the terms of the Merger Agreement, Waupaca shareholders had the option to receive either 177.23 shares of the Corporation's common stock or $6,203.16 in cash for each outstanding share of Waupaca common stock, and cash in lieu of any remaining fractional share. The stock versus cash elections by the Waupaca shareholders were subject to a maximum allowance of seventy percent of the total consideration being paid in cash. As a result of the Waupaca shareholder elections, the Corporation issued 653,523 shares of its common stock amounting to total common stock consideration of approximately $24,684,000 (based on $37.77 per share value.) Additionally $53,376,000 in cash was distributed to complete the merger. Direct stock issuance costs for the merger were immaterial and charged to operations as incurred.

The Corporation accounted for the transaction under the acquisition method of accounting, and thus, the financial position and results of operations of Waupaca prior to the consummation date were not included in the accompanying consolidated financial statements. The accounting required assets purchased and liabilities assumed to be recorded at their respective fair values at the date of acquisition. The Corporation determined the fair value of core deposit intangibles, securities, premises and equipment, loans, OREO, bank-owned life insurance (BOLI) and other assets and deposits with the assistance of third party valuations, appraisals, and third party advisors. The estimated fair values will be subject to refinement as additional information relative to the closing date fair values becomes available through the measurement period of approximately one year from consummation.

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

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

Note 3 Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2017				
U.S. Treasury securities	$ 499	$ -	$ (1)	$ 498
Obligations of states and political subdivisions	58,026	1,467	(103)	59,390
Mortgage-backed securities	42,800	157	(322)	42,635
Corporate notes	16,602	-	(82)	16,520
Total available for sale securities	$ 117,927	$ 1,624	$ (508)	$ 119,043
December 31, 2016				
Obligations of states and political subdivisions	$ 73,238	$ 502	$ (286)	$ 73,454
Mortgage-backed securities	26,029	271	(168)	26,132
Corporate notes	11,937	-	(198)	11,739
Total available for sale securities	$ 111,204	$ 773	$ (652)	$ 111,325

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2017				
U.S. Treasury securities	$ 25,426	$ -	$ (157)	$ 25,269
Obligations of states and political subdivisions	14,565	5	(31)	14,539
Total held to maturity securities	$ 39,991	$ 5	$ (188)	$ 39,808
December 31, 2016				
U.S. Treasury securities	$ 24,982	$ 29	$ (192)	$ 24,819
Obligations of states and political subdivisions	6,576	12	(51)	6,537
Total held to maturity securities	$ 31,558	$ 41	$ (243)	$ 31,356

At December 31, 2017, unrealized losses in the investment securities portfolio related to debt securities. The unrealized losses on these debt securities arose primarily due to changing interest rates and are considered to be temporary. From the December 31, 2017 tables above, 13 out of 14 U.S. Treasury securities, 17 out of 128 obligations of states and political subdivisions, 19 out of 50 mortgage-backed securities, and 3 out of 4 corporate notes contained unrealized losses. At December 31, 2017 and 2016, management has both the intent and ability to hold securities containing unrealized losses.

The following table shows the fair value and gross unrealized losses of securities with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in thousands):

	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2017 - Available for Sale						
U.S. Treasury securities	$ 498	$ (1)	$ -	$ -	$ 498	$ (1)
Obligations of states and political subdivisions	3,700	(14)	2,765	(89)	6,465	(103)
Mortgage-backed securities	29,696	(250)	4,316	(72)	34,012	(322)
Corporate notes	12,642	(82)	-	-	12,642	(82)
Totals	$ 46,536	$ (347)	$ 7,081	$ (161)	$ 53,617	$ (508)
December 31, 2017 - Held to Maturity						
U.S. Treasury securities	$ 10,425	$ (50)	$ 12,281	$ (107)	$ 22,706	$ (157)
Obligations of states and political subdivisions	1,609	(24)	218	(7)	1,827	(31)
Totals	$ 12,034	$ (74)	$ 12,499	$ (114)	$ 24,533	$ (188)
December 31, 2016 - Available for Sale						
Obligations of states and political subdivisions	$ 12,601	$ (286)	$ -	$ -	$ 12,601	$ (286)
Mortgage-backed securities	15,999	(168)	-	-	15,999	(168)
Corporate notes	11,639	(198)	-	-	11,639	(198)
Totals	$ 40,239	$ (652)	$ -	$ -	$ 40,239	$ (652)
December 31, 2016 - Held to Maturity						
U.S. Treasury securities	$ 14,750	$ (192)	$ -	$ -	$ 14,750	$ (192)
Obligations of states and political subdivisions	3,517	(51)	-	-	3,517	(51)
Totals	$ 18,267	$ (243)	$ -	$ -	$ 18,267	$ (243)

Contractual maturities will differ from expected maturities for mortgage-backed securities because borrowers may have the right to call or prepay obligations without penalties. The following is a summary of amortized cost and estimated fair value of securities, by contractual maturity, as of December 31, 2017 (dollar amounts in thousands):

	Available For Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 4,680	$ 4,685	$ 3,728	$ 3,721
Due after one year through 5 years	19,445	19,522	13,476	13,439
Due after 5 years through ten years	18,015	18,367	19,008	18,869
Due after 10 years	32,987	33,834	3,779	3,779
Subtotal	75,127	76,408	39,991	39,808
Mortgage-backed securities	42,800	42,635	-	-
Total	$ 117,927	$ 119,043	$ 39,991	$ 39,808

Following is a summary of the proceeds from sales of securities available for sale, as well as gross gains and losses, from the years ended December 31 (dollar amounts in thousands):

	2017	2016	2015
Proceeds from sales of securities	$ 48,906	$ 9,237	$ -
Gross gains on sales	73	15	-
Gross losses on sales	(105)	(240)	-

As of December 31, 2017 and 2016, the carrying values of securities pledged to secure public deposits, securities sold under repurchase agreements, and for other purposes required or permitted by law were approximately $113,996,000 and $104,925,000, respectively.

Note 4 Loans

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

	2017	2016
Commercial/industrial	$ 263,787	$ 202,275
Commercial real estate - owner occupied	418,928	280,081
Commercial real estate - non-owner occupied	225,290	171,357
Construction and development	75,907	51,904
Residential 1-4 family	377,141	283,193
Consumer	33,471	28,418
Other	3,511	8,866
Subtotals	1,398,035	1,026,094
Less allowance for loan losses	11,612	10,728
Loans, net of allowance	1,386,423	1,015,366
Deferred loan fees and costs	(488)	163
Loans, net	$ 1,385,935	$ 1,015,529

A summary of the activity in the allowance for loan losses by loan type as of December 31, 2017 and December 31, 2016 is as follows (dollar amounts in thousands):

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
Allowance for loan losses - January 1, 2017	$ 1,905	$ 2,576	$ 1,900	$ 727	$ 2,685	$ 189	$ 84	$ 662	$ 10,728
Charge-offs	(4)	-	(1)	(15)	(141)	(7)	(50)	-	(218)
Recoveries	7	-	-	-	36	1	3	-	47
Provision	454	279	88	233	148	8	(14)	(141)	1,055
Allowance for loan losses - December 31, 2017	2,362	2,855	1,987	945	2,728	191	23	521	11,612
ALL ending balance individually evaluated for impairment	-	121	-	-	160	-	-	-	281
ALL ending balance collectively evaluated for impairment	$ 2,362	$ 2,734	$ 1,987	$ 945	$ 2,568	$ 191	$ 23	$ 521	$ 11,331
Loans outstanding - December 31, 2017	$ 263,787	$ 418,928	$ 225,290	$ 75,907	$ 377,141	$ 33,471	$ 3,511	$ -	$1,398,035
Loans ending balance individually evaluated for impairment	-	275	-	-	709	-	-	-	984
Loans ending balance collectively evaluated for impairment	$ 263,787	$ 418,653	$ 225,290	$ 75,907	$ 376,432	$ 33,471	$ 3,511	$ -	$ 1,397,051

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
Allowance for loan losses - January 1, 2016	$ 2,064	$ 2,354	$ 1,399	$ 314	$ 2,913	$ 175	$ 67	$ 725	$ 10,011
Charge-offs	(6)	-	-	(28)	(168)	(12)	(24)	-	(238)
Recoveries	500	-	-	36	68	20	11	-	635
Provision	(653)	222	501	405	(128)	6	30	(63)	320
Allowance for loan losses - December 31, 2016	1,905	2,576	1,900	727	2,685	189	84	662	10,728
ALL ending balance individually evaluated for impairment	25	-	-	-	200	-	-	-	225
ALL ending balance collectively evaluated for impairment	$ 1,880	$ 2,576	$ 1,900	$ 727	$ 2,485	$ 189	$ 84	$ 662	$ 10,503
Loans outstanding - December 31, 2016	$ 202,275	$ 280,081	$ 171,357	$ 51,904	$ 283,193	$ 28,418	$ 8,866	$ -	$ 956,641
Loans ending balance individually evaluated for impairment	1,891	-	-	25	1,122	-	-	-	3,038
Loans ending balance collectively evaluated for impairment	$ 200,384	$ 280,081	$ 171,357	$ 51,879	$ 282,071	$ 28,418	$ 8,866	$ -	$1,023,056

A summary of past due loans as of December 31, 2017 are as follows (dollar amounts in thousands):

	30-89 Days Past Due Accruing	90 Days or more Past Due	Non-Accrual	2017 Total
Commercial/industrial	$ 740	$ 15	$ 6,473	$ 7,228
Commercial real estate				
- owner occupied	4,285	2,016	7,253	13,554
Commercial real estate				
- non-owner occupied	239	-	712	951
Construction and development	-	-	758	758
Residential 1-4 family	1,470	448	2,878	4,796
Consumer	38	7	53	98
Other	-	-	-	-
	$ 6,772	$ 2,486	$ 18,127	$ 27,385

A summary below of past due loans as of December 31, 2016 are as follows (dollar amounts in thousands):

	30-89 Days Past Due Accruing	90 Days or more Past Due	Non-Accrual	2016 Total
Commercial/industrial	$ 854	$ -	$ 2	$ 856
Commercial real estate				
- owner occupied	-	-	-	-
Commercial real estate				
- non-owner occupied	-	-	-	-
Construction and development	-	-	-	-
Residential 1-4 family	850	25	568	1,443
Consumer	15	2	5	22
Other	-	-	-	-
	$ 1,719	$ 27	$ 575	$ 2,321

Credit Quality:

We utilize a numerical risk rating system for commercial relationships whose total indebtedness equals $250,000 or more. All other types of relationships (ex: residential and consumer under $250,000 of indebtedness) are assigned a “Pass” rating, unless they have fallen 90 days past due or more, at which time they receive a rating of 7. The Corporation uses split ratings for government guaranties on loans. The portion of a loan that is supported by a government guaranty is included with other Pass credits.

The determination of a commercial loan risk rating begins with completion of a matrix, which assigns scores based on the strength of the borrower’s debt service coverage, collateral coverage, balance sheet leverage, industry outlook, and customer concentration. A weighted average is taken of these individual scores to arrive at the overall rating. This rating is subject to adjustment by the loan officer based on facts and circumstances pertaining to the borrower. Risk ratings are subject to independent review.

Commercial borrowers with ratings between 1 and 5 are considered Pass credits, with 1 being most acceptable and 5 being just above the minimum level of acceptance.

Commercial borrowers rated 6 have potential weaknesses which may jeopardize repayment ability.

Borrowers rated 7 have a well-defined weakness or weaknesses such as the inability to demonstrate significant cash flow for debt service based on analysis of the company's financial information. These loans remain on accrual status provided full collection of principal and interest is reasonably expected. Otherwise they are deemed impaired and placed on nonaccrual status. Borrowers rated 8 are the same as 7 rated credits with one exception: collection or liquidation in full is not probable.

The breakdown of loans by risk rating as of December 31, 2017 is as follows (dollar amounts in thousands):

	Pass (1-5)	6	7	8	Total
Commercial/industrial	$ 247,576	$ 1,222	$ 14,989	$ -	$ 263,787
Commercial real estate					
- owner occupied	373,046	1,113	44,522	247	418,928
Commercial real estate					
- non-owner occupied	221,844	1,382	2,064	-	225,290
Construction and development	68,998	-	6,909	-	75,907
Residential 1-4 family	370,683	-	6,456	2	377,141
Consumer	33,426	-	43	2	33,471
Other	3,511	-	-	-	3,511
	$1,319,084	$ 3,717	$ 74,983	$ 251	$1,398,035

The breakdown of loans by risk rating as of December 31, 2016 is as follows (dollar amounts in thousands):

	Pass (1-5)	6	7	8	Total
Commercial/industrial	$ 188,088	$ 5,902	$ 8,285	$ -	$ 202,275
Commercial real estate					
- owner occupied	269,252	1,884	8,945	-	280,081
Commercial real estate					
- non-owner occupied	171,357	-	-	-	171,357
Construction and development	51,904	-	-	-	51,904
Residential 1-4 family	281,659	-	1,411	123	283,193
Consumer	28,414	-	4	-	28,418
Other	8,866	-	-	-	8,866
	$ 999,540	$ 7,786	$ 18,645	$ 123	$1,026,094

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

The ALL consists of specific reserves for certain individually evaluated impaired loans and general reserves for collectively evaluated non-impaired loans. Specific reserves reflect estimated losses on impaired loans from management's analyses developed through

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

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

A summary of impaired loans individually evaluated as of December 31, 2017 is as follows (dollar amounts in thousands):

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
With an allowance recorded:									
Recorded investment	$ -	$ 275	$ -	$ -	$ 523	$ -	$ -	$ -	$ 798
Unpaid principal balance	-	275	-	-	523	-	-	-	798
Related allowance	-	121	-	-	160	-	-	-	281
With no related allowance recorded:									
Recorded investment	$ -	$ -	$ -	$ -	$ 186	$ -	$ -	$ -	$ 186
Unpaid principal balance	-	-	-	-	186	-	-	-	186
Related allowance	-	-	-	-	-	-	-	-	-
Total:									
Recorded investment	$ -	$ 275	$ -	$ -	$ 709	$ -	$ -	$ -	$ 984
Unpaid principal balance	-	275	-	-	709	-	-	-	984
Related allowance	-	121	-	-	160	-	-	-	281
Average recorded investment	$ 946	$ 138	$ -	$ 13	$ 916	$ -	$ -	$ -	$ 2,013

A summary of impaired loans individually evaluated as of December 31, 2016 is as follows (dollar amounts in thousands):

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
With an allowance recorded:									
Recorded investment	$ 1,875	$ -	$ -	$ -	$ 540	$ -	$ -	$ -	$ 2,415
Unpaid principal balance	1,875	-	-	-	540	-	-	-	2,415
Related allowance	25	-	-	-	200	-	-	-	225
With no related allowance recorded:									
Recorded investment	$ 16	$ -	$ -	$ 25	$ 582	$ -	$ -	$ -	$ 623
Unpaid principal balance	16	-	-	25	582	-	-	-	623
Related allowance	-	-	-	-	-	-	-	-	-
Total:									
Recorded investment	$ 1,891	$ -	$ -	$ 25	$ 1,122	$ -	$ -	$ -	$ 3,038
Unpaid principal balance	1,891	-	-	25	1,122	-	-	-	3,038
Related allowance	25	-	-	-	200	-	-	-	225
Average recorded investment	$ 946	$ 140	$ -	$ 13	$ 1,086	$ -	$ -	$ -	$ 2,184

Interest recognized while these loans were impaired is considered immaterial to the consolidated financial statements for the years ended December 31, 2017 and 2016.

The following table presents loans acquired with deteriorated credit quality as of December 31, 2017. No loans in this table had a related allowance at December 31, 2017, and therefore, the below disclosures were not expanded to include loans with and without a related allowance.

	Recorded Investment	Unpaid Principal Balance
Commercial/industrial	$ 628	$ 738
Commercial real estate - owner occupied	2,609	2,951
Commercial real estate - non-owner occupied	712	1,213
Construction and development	758	884
Residential 1-4 family	2,153	3,108
Consumer	6	16
Other	-	-
	$ 6,866	$ 8,910

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

The following table represents the change in the accretable and non-accretable components of discounts on loans acquired with deteriorated credit quality during the year ended December 31, 2017:

	Accretable discount	Non-Accretable discount
Balance at beginning of period	$ -	$ -
Acquired balance, net	1,673	2,848
Reclassification between accretable and non-accretable	-	-
Accretion to loan interest income	(8)	-
Disposals of loans	(1,082)	(2,048)
Balance at end of period	$ 583	$ 800

A troubled debt restructuring (TDR) includes a loan modification where a borrower is experiencing financial difficulty and we grant a concession to that borrower that we would not otherwise consider except for the borrower's financial difficulties. A TDR may be either on accrual or nonaccrual status based upon the performance of the borrower and management's assessment of collectability. If a TDR is placed on nonaccrual status, it remains there until a sufficient period of performance under the restructured terms has occurred at which time it is returned to accrual status, generally six months. As of December 31, 2017 and 2016 the Corporation had specific reserves of $-0- and $25,000 for TDR's respectively, and none of them have subsequently defaulted.

The Corporation did not have any troubled debt restructurings during the year ended December 31, 2017. The following table presents the troubled debt restructurings during the year ended December 31, 2016:

(dollar amounts in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial/Industrial	1	$ 1,875	$ 1,875
Construction and development	1	$ 53	$ 25
Residential 1-4 family	1	$ 178	$ 178

Note 5 Related Party Matters

Directors, executive officers, and principal shareholders of the Corporation, including their families and firms in which they are principal owners, are considered to be related parties. Loans to officers, directors, and shareholders owning 10% or more of the Corporation, that we are aware of, were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectability or present other unfavorable features.

A summary of loans to directors, executive officers, principal shareholders, and their affiliates for the years ended December 31 is as follows (dollar amounts in thousands):

	2017	2016
Balances at beginning	$ 50,245	$ 34,434
New loans and advances	28,473	27,453
Repayments	(12,969)	(11,642)
Balance at end	$ 65,749	$ 50,245

Deposits from directors, executive officers, principal shareholders, and their affiliates totaled approximately $12,094,000 and $9,579,000 as of December 31, 2017 and 2016, respectively.

Note 6 Mortgage Servicing Rights

Loans serviced for others are not included in the accompanying consolidated balance sheets. Mortgage servicing rights (MSRs) are recognized as separate assets when loans sold in the secondary market are sold with servicing retained. The Corporation utilizes a third party consulting firm to determine an accurate assessment of the mortgage servicing rights fair value. The third party firm collects relevant data points from numerous sources. Some of these data points relate directly to the pricing level or relative value of the mortgage servicing while other data points relate to the assumptions used to derive fair value. In addition, the valuation evaluates specific collateral types, and current and historical performance of the collateral in question. The valuation process focuses on the non-distressed secondary servicing market, common industry practices and current regulatory standards. The primary determinants of the fair value of mortgage servicing rights are servicing fee percentage, ancillary income, expected loan life or prepayment speeds, discount rates, costs to service, delinquency rates, foreclosure losses and recourse obligations. The valuation data also contains interest rate shock analyses for monitoring fair value changes in differing interest rate environments.

Following is an analysis of activity for the years ended December 31 in servicing rights assets that are measured at fair value (dollar amounts in thousands):

	2017	2016
Fair value beginning of year	$ 2,406	$ 2,304
Servicing asset additions	428	660
Loan payments and payoffs	(440)	(544)
Changes in valuation inputs and assumptions used in the valuation model	216	(14)
Amount recognized through earnings	204	102
Fair value at end of year	$ 2,610	$ 2,406
Unpaid principal balance of loans serviced for others (in thousands)	$ 316,253	$ 305,605
Mortgage servicing rights as a percent of loans serviced for others	0.83	0.79

During the years ended December 31, 2017 and 2016, the Corporation utilized economic assumptions in measuring the initial value of MSRs for loans sold whereby servicing is retained by the Corporation. The economic assumptions used at December 31, 2017 and 2016 included constant prepayment speed of 9.5 and 11.3 months, respectively, and a discount rate of 10.00% and 10.00% respectively. The constant prepayment speeds are obtained from publicly available sources for each of the Federal National Mortgage Association (FNMA) loan programs that the Corporation originates under. The assumptions used by the

Corporation are hypothetical and supported by a third party valuation. The Corporation's methodology for estimating the fair value of MSRs is highly sensitive to changes in assumptions.

The carrying value of the mortgage servicing rights is included with intangible assets and approximates fair market value at December 31, 2017 and 2016. Changes in fair value are recognized through the income statement as loan servicing income.

Note 7 Premises and Equipment

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

	2017	2016
Land and land improvements	$ 2,581	$ 1,948
Buildings and building improvements	19,182	14,052
Furniture and equipment	5,650	5,473
Totals	27,413	21,473
Less accumulated depreciation	8,835	8,150
Premises and equipment, net	$ 18,578	$ 13,323

Included in buildings and improvements at December 31, 2017 and 2016, is $1,884,000 and $64,000, respectively, in construction in progress. These amounts relate to branch locations which were under construction. These balances begin accumulating depreciation upon being placed in service.

Depreciation and amortization of premises and equipment charged to operating expense totaled approximately $1,126,000, $900,000, and $894,000 for the years ended December 31, 2017, 2016, and 2015, respectively.

Note 8 Other Real Estate Owned

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

	2017	2016
Beginning of year	$ 1,583	$ 1,855
Transfers in	2,259	433
Assets Acquired	2,708	-
Capitalized improvements	-	50
Valuation allowances	16	(37)
Gain (loss) on other real estate owned	33	6
Sales	(329)	(724)
End of year	$ 6,270	$ 1,583

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

	2017	2016	2015
Beginning of year	$ 2,094	$ 2,142	$ 2,144
Additions charged to expense	-	37	28
Valuation relieved due to sale of OREO	(16)	(85)	-
End of year	$ 2,078	$ 2,094	$ 2,142

Note 9 Investment in Minority-owned Subsidiaries

The Corporation has a 49.8% membership interest in UFS. The business operations of UFS consist of providing data processing and other information technology services to the Corporation and other financial institutions. As of December 31, 2017 and 2016, UFS had total assets of $20,803,000 and $18,064,000 and liabilities of $2,641,000 and $3,042,000, respectively. The Corporation's investment in UFS was $8,947,000 and $7,472,000 at December 31, 2017 and

2016, respectively. The investment is accounted for on the equity method. The Corporation's undistributed earnings from its investment in UFS were approximately $2,390,000, $2,133,000, and $2,165,000 for the years ended December 31, 2017, 2016 and 2015, respectively. Data processing service fees paid by the Corporation to UFS were approximately $2,069,000, $1,563,000, and $1,176,000 for the years ended December 31, 2017, 2016 and 2015, respectively.

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

The Corporation's proportionate share of earnings of UFS flow through to its tax return. Deferred income taxes of approximately $679,000 and $886,000 were provided to account for the difference in the tax and book basis of assets and liabilities held at UFS at December 31, 2017 and 2016, respectively. During 2017, 2016 and 2015, the Corporation received $915,000, $814,000 and $731,000 in dividends from UFS, respectively.

TVG, the insurance subsidiary of the Bank, has a 30.0% (up from 28.8% at December 31, 2016) investment in Ansay. Ansay is a family-owned independent insurance agency that has operated in southeastern Wisconsin since 1946, managing the insurance and risk needs of commercial and personal insurance clients in Wisconsin and the Midwest. As of December 31, 2017 and 2016, Ansay had total assets of $43,339,000 and $41,711,000 and liabilities of $26,356,000 and $25,524,000, respectively. The Corporation's investment in Ansay, which is accounted for using the equity method, was $12,568,000 and $11,869,000 at December 31, 2017 and 2016, respectively. The Corporation recognized undistributed earnings of approximately $1,663,000, $1,583,000 and $538,000 and received dividends of $964,000, $933,000 and $651,000 from its investment in Ansay during the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017 and 2016, Ansay had term loans with the Bank totaling approximately $14,100,000 and $16,694,000, respectively. Ansay has an available revolving line of credit of $1.0 million with the Corporation with no amounts outstanding as of December 31, 2017 and 2016.

Ansay maintained deposits at the Bank totaling $6,919,000 and $5,047,000 as of December 31, 2017 and 2016, respectively.

The CEO of Ansay, Michael G. Ansay, serves as Chairman of the Board of the Corporation as well as the Compensation Committee Chairman. As a related party, during 2017, 2016 and 2015 the Corporation purchased director and officer fidelity bond and commercial insurance coverage through Ansay spending approximately $164,000, $129,000 and $198,000, respectively.

The Corporation's proportionate share of earnings of Ansay flow through to its tax return. Deferred income taxes of approximately $696,000 and $1,069,000 were provided to account for the difference in the tax and book basis of assets and liabilities held at Ansay as of December 31, 2017 and 2016, respectively.

Note 10 Identifiable Intangible Assets

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

	2017		2016	
	Gross Carrying Amount	Intangible Accumulated Amortization	Gross Carrying Amount	Intangible Accumulated Amortization
Core deposit intangible	$ 3,097	$ 129	$ 232	$ 229
Mortgage servicing rights	2,610	-	2,406	-
Totals	$ 5,707	$ 129	$ 2,638	$ 229

Amortization expense was $132,000 for year ended December 31, 2017 and $18,000 for each of the years ended December 31, 2016 and 2015.

Mortgage servicing rights are carried at fair value; therefore, there is no amortization expense. The following table shows the estimated future amortization expense of amortizing intangible assets. The projections of amortization expense are based on existing asset balances as of December 31, 2017 (dollar amounts in thousands):

	Core Deposit Intangible
2018	$ 756
2019	645
2020	535
2021	424
2022	313
Thereafter	295
Total	$ 2,968

Note 11 Goodwill

Goodwill was $15,085,000 at December 31, 2017 and $7,984,000 at December 31, 2016. As detailed in Note 2, there were additions to the carrying amount of goodwill in 2017 of approximately $7,101,000 related to the Waupaca acquisition.

Note 12 Deposits

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

	2017	2016
Noninterest-bearing demand deposits	$ 436,616	$ 326,153
Interest-bearing demand deposits	114,733	87,544
Savings deposits	580,665	536,828
Time deposits	374,628	176,495
Total deposits	$ 1,506,642	$ 1,127,020

Time deposits of $250,000 or more were approximately $58,168,000 and $32,414,000 at December 31, 2017 and 2016, respectively.

The scheduled maturities of time deposits at December 31, 2017, are summarized as follows (dollar amounts in thousands):

2018	$ 226,313
2019	85,579
2020	30,430
2021	23,433
2022	8,563
Thereafter	310
Total	$ 374,628

Note 13 Securities Sold Under Repurchase Agreements

Securities sold under repurchase agreements have contractual maturities up to one year from the transaction date with variable and fixed rate terms. The agreements to repurchase securities require that the Corporation (seller) repurchase identical securities as those that are sold. The securities underlying the agreements were under the Corporation's control.

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

	2017	2016	2015
Outstanding balance at the end of the year	$ 47,568	$ 50,106	$ 45,617
Weighted average interest rate at the end of the year	1.44%	0.69%	0.20%
Average balance during the year	$ 26,537	$ 24,646	$ 31,695
Average interest rate during the year	1.01%	0.28%	0.22%
Maximum month end balance during the year	$ 53,745	$ 50,106	$ 59,560

Note 14 Notes Payable

The Bank had no advances outstanding from FHLB at December 31, 2017 or 2016. From time to time the Bank utilized short-term FHLB advances to fund liquidity during 2017 and 2016.

At December 31, 2017 and 2016, respectively, total loans available to be pledged as collateral on FHLB borrowings were approximately $564.4 and $525.8 million and, of that total, $262.4 and $351.9 million qualified as eligible collateral. The Bank owned $4.5 million and $5.0 million of FHLB stock at December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Bank had $20.7 and $21.5 million of credit outstanding from the FHLB, respectively, which consisted entirely of letters of credit. At December 31, 2017 and 2016, the Bank had available liquidity of $241.7 and $330.4 million for future draws, respectively. FHLB stock is included in other investments at December 31, 2017 and 2016. This stock is recorded at cost, which approximates fair value.

The Corporation maintains a $5,000,000 line of credit with a commercial bank. At December 31, 2017 and 2016, the Corporation had outstanding balances on this note of $5,000,000 and $-0-, respectively. The note requires monthly payments of interest at a variable rate (3.64% and 3.50% at December 31, 2017 and 2016, respectively) with a floor of 3.50%, and is due in full on May 25, 2018.

The Corporation maintains a $5,000,000 line of credit with another commercial bank (reduced from $10,000,000 at December 31, 2016). There were no outstanding balances on this note at December 31, 2017 or 2016. Any future borrowings under this note would carry interest at a variable rate with a floor of 3.25%, due in full on May 19, 2018.

During September 2017 the Corporation entered into a term loan agreement with a commercial bank. The Corporation has up to twelve months from entering this agreement to borrow funds up to a maximum availability of $5,000,000. As of December 31, 2017, the Corporation had borrowed $3,500,000 under this agreement. Borrowings bear interest at a variable rate (4.25% as of December 31, 2017) and are payable in thirty-six equal quarterly installments beginning with the first quarter after the twelve month draw period. This note matures during September 2027.

The following table shows the maturity schedule of the notes payable as of December 31, 2017 (in thousands).

	Total
2018	$ 5,101
2019	328
2020	342
2021	357
2022	372
Thereafter	2,000
Total	$ 8,500

Note 15 Subordinated Debt

During September 2017, the Corporation entered into subordinated note agreements with three separate commercial banks. The Corporation has up to twelve months from entering these agreements to borrow funds up to a maximum availability of $22,500,000. As of December 31, 2017, the Corporation had borrowed $11,500,000 under these agreements. These notes were all issued with 10-year maturities, carry interest at a variable rate (5.00% as of December 31, 2017) payable quarterly, are callable on or after the sixth anniversary of their issuance dates, and qualify for Tier 2 capital for regulatory purposes.

Note 16 Income Taxes

The components of the provision for income taxes for the years ended December 31 are as follows (dollar amounts in thousands):

	2017	2016	2015
Current tax expense:			
Federal	$ 6,340	$ 6,034	$ 4,992
State	1,862	1,738	1,544
Total current	8,202	7,772	6,536
Deferred tax expenses (benefit):			
Impact of change in tax rate from tax legislation	642	-	-
Federal	(12)	(53)	174
State	(6)	(13)	44
Total deferred	624	(66)	218
Total provision for income taxes	$ 8,826	$ 7,706	$ 6,754

A summary of the sources of differences between income taxes at the federal statutory rate and the provision for income taxes for the years ended December 31 follows (dollar amounts in thousands):

	2017	2016	2015
Tax expense at statutory rate	$ 8,449	$ 7,917	$ 7,052
Increase (decrease) in taxes resulting from:			
Tax-exempt interest	(1,279)	(1,068)	(941)
State taxes (net of Federal benefit)	1,210	1,128	999
Cash surrender value of life insurance	(192)	(186)	(182)
ESOP dividend	(121)	(104)	(94)
Tax credits	(117)	(122)	(122)
Nondeductible expenses associated with acquisition	160	-	-
Deferred tax rate differential from tax legislation	642	-	-
Other	74	141	42
Total provision for income taxes	$ 8,826	$ 7,706	$ 6,754

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Corporation's assets and liabilities. Deferred taxes are included in other liabilities of the balance sheet. The major components of the net deferred tax asset (liability) as of December 31 are presented below (dollar amounts in thousands):

	2017	2016
Deferred tax assets:		
Deferred compensation	$ 1,049	$ 1,385
Allowance for loan losses	3,163	4,306
Accrued vacation and severance	109	45
Other real estate owned	355	595
Other	121	114
Total deferred tax assets	4,797	6,445
Deferred tax liabilities:		
Investment in acquisition and discount accretion	(112)	(132)
Mortgage servicing rights	(711)	(966)
Premises and equipment	(376)	(719)
Unrealized gain on securities available for sale	(366)	(188)
Other investments	(209)	(308)
Prepaid expenses	(307)	(35)
Investment in minority owned subsidiaries	(1,376)	(1,955)
Total deferred tax liabilities	(3,457)	(4,303)
Net deferred tax asset	$ 1,340	$ 2,142

Tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Corporation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. When applicable, interest and penalties on uncertain tax positions are calculated based on the guidance from the relevant tax authority and included in income tax expense. At December 31, 2017 and 2016, there was no liability for uncertain tax positions. Federal income tax returns for 4 years ended December 31, 2014 through 2017 remain open and subject to review by applicable tax authorities. State income tax returns for 5 years ended December 31, 2013 through 2017 remain open and subject to review by applicable tax authorities.

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

Note 17 Employee Benefit Plans

Employee Stock Ownership Plan

The Corporation has a defined contribution profit sharing 401(k) plan which includes the provisions for an employee stock ownership plan (ESOP). The plan is available to all employees over 18 years of age after completion of three months of service. Employees participating in the plan may elect to defer a minimum of 2% of compensation up to the limits specified by law. All participants of the 401(k) plan are eligible for the ESOP and may allocate their contributions to purchase shares of the Corporation's stock. As of December 31, 2017 and 2016, the plan held 557,548 and 541,016 shares, respectively. These shares are included in the calculation of the Corporation's earnings per share. The Corporation may make discretionary contributions up to the limits established by IRS regulations. The discretionary match was 35% of participant contributions up to 10% of the employee's salary in 2017, 2016, and 2015. The Corporation made additional discretionary contributions to the plan of $532,000, $500,000, $378,000 in 2017, 2016 and 2015, respectively. Total expense associated with the plans was approximately $842,000, $767,000 and $624,000 in 2017, 2016 and 2015, respectively.

Share-based Compensation

The Corporation has made restricted share grants during 2017, 2016 and 2015 pursuant to the Bank First National Corporation 2011 Equity Plan. The purpose of the Plan is to provide financial incentives for selected employees and for the non-employee Directors of the Corporation, thereby promoting the long-term growth and financial success of the Corporation. The Corporation stock to be offered under the Plan pursuant to Stock Appreciation Rights (SAR), performance unit awards, and restricted stock and unrestricted Corporation stock awards must be Corporation stock previously issued and outstanding and reacquired by the Corporation. The number of shares of Corporation stock that may be issued pursuant to awards under the Plan shall not exceed, in the aggregate, 659,250. As of December 31, 2017, 142,465 shares of Corporation stock has been awarded under the Plan. Compensation expense for restricted stock is based on the fair value of the awards of Bank First National Corporation common stock at the time of grant. The value of restricted stock grants that are expected to vest is amortized into expense over the vesting periods. For the year ended December 31, 2017, 2016 and 2015, compensation expense of $465,000, $419,000 and $341,000, respectively, was recognized related to restricted stock awards.

As of December 31, 2017, there was $1,027,000 of unrecognized compensation cost related to non-vested restricted stock awards granted under the plan. That cost is expected to be recognized over a weighted average period of 2.65 years. The aggregate grant date fair value of restricted stock awards that vested during 2017 was approximately $442,000.

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Restricted Stock				
Outstanding at beginning of year	59,543	$ 21.98	53,677	$ 18.90
Granted	15,975	35.00	21,635	26.63
Vested	(21,899)	20.20	(15,769)	17.86
Forfeited or cancelled	-	-	-	-
Outstanding at end of year	53,619	26.59	59,543	21.98

Deferred Compensation Plan

The Corporation has a deferred compensation agreement with one of its former executive officers. The benefits were payable beginning June 30, 2009, the date of termination of employment with the Corporation via retirement. The estimated annual cash benefit payment upon retirement at the age of 70 under the salary continuation plan is $108,011. The payoff is for the participant's lifetime and is guaranteed to the participant or their surviving beneficiary for a minimum of 15 years. Related expense for this agreement was approximately $31,000, $35,000, and $39,000 for the years ended December 31, 2017, 2016 and 2015, respectively. The vested present value of future payments of approximately $602,000 and $678,000 at December 31, 2017 and 2016, respectively, is included in other liabilities. During 2017 and 2016 the discount rate used to present value the future payments of this obligation was 4.95%.

The Corporation has a nonqualified deferred compensation plan which permits eligible participants to defer a portion of their compensation. The benefits are generally payable beginning with the earlier of attaining age 70 or resignation from the Corporation. During 2017, this plan was amended to require that benefits paid from the plan be paid in shares of common stock of the Corporation. Prior to this amendment, benefit distributions could be paid either in shares of common stock, or a cash distribution equal to the accumulated value of the benefits owed. As of December 31, 2017 and 2016, the obligations under this plan were valued at $3,249,000 and $2,773,000, respectively, and were included in other liabilities. Expense associated with this plan was approximately $144,000, $585,000 and $264,000 in 2017, 2016 and 2015, respectively.

Note 18 Stockholders' Equity and Regulatory Matters

The Bank, as a national bank, is subject to the dividend restrictions set forth by the Office of the Comptroller of the Currency. Under such restrictions, the Bank may not, without the prior approval of the Office of the Comptroller of the Currency, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years. The dividends that the Bank could declare without the prior approval of the Office of the Comptroller of the Currency as of December 31, 2017 totaled approximately $34,774,000. The payment of dividends may be further limited because of the need for the Bank to maintain capital ratios satisfactory to applicable regulatory agencies.

The Corporation and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory — and possibly additional discretionary — actions by regulators that, if undertaken, could have a direct material effect on the Corporation's consolidated financial statements and the Bank's financial statements. These capital requirements were modified in 2013 with the Basel III capital rules, which establish a new comprehensive capital framework for U.S. banking organizations. The Corporation and Bank became subject to the new rules on January 1, 2015, with a phase-in period for many of the new provisions. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measure of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and the classifications are also subject to qualitative judgment by the regulator in regards to components, risk weighting and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1 (CET1), Tier 1 and total capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital to average assets (as defined). It is management's opinion, as of December 31, 2017, that the Corporation and the Bank meet all applicable capital adequacy requirements.

The Basel III capital rule requires that banking organizations maintain a minimum CET1 ratio of 4.5%, a Tier 1 capital ratio of 6.0%, and a total capital ratio of 8.0% to be considered "adequately capitalized." The Basel III capital rule also includes a capital conservation buffer requirement above the minimum risk-based capital ratio requirements that banking organizations must meet in order to avoid limitations on capital distributions (including dividends and repurchases of any Tier 1 capital instrument, including common and qualifying preferred stock) and certain discretionary incentive compensation payments. The multi-year phase-in of the capital conservation buffer requirement began on January 1, 2016, and, for 2017, banking organizations are required to maintain a CET1 capital ratio of at least 5.125%, a Tier 1 capital ratio of at least 6.625%, and a total capital ratio of at least 8.625% to avoid limitations on capital distributions and certain discretionary incentive compensation payments. When fully phased-in on January 1, 2019, banking organizations must maintain a CET1 capital ratio of at least 7.0%, a Tier 1 capital ratio of at least 8.5%, and a total capital ratio of at least 10.5% to avoid limitations on capital distributions and certain discretionary incentive compensation payments.

As of December 31, 2017, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification which management believes have changed the Bank's category.

The minimum amounts required for capital adequacy purposes and to be well capitalized under prompt corrective action provisions as well as the Corporation's and the Bank's actual capital amounts and ratios as of December 31 are presented in the following table (dollar amounts in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2017						
Total capital (to risk-weighted assets):						
Corporation	$ 165,809	10.80%	$ 122,868	8.00%	NA	NA
Bank	$ 171,642	11.20%	$ 122,643	8.00%	$ 153,304	10.00%
Tier 1 capital (to risk-weighted assets):						
Corporation	$ 142,697	9.29%	$ 92,151	6.00%	NA	NA
Bank	$ 160,030	10.44%	$ 91,982	6.00%	$ 122,643	8.00%
Common Equity Tier 1 capital (to risk-weighted assets):						
Corporation	$ 142,697	9.29%	$ 69,113	4.50%	NA	NA
Bank	$ 160,030	10.44%	$ 68,987	4.50%	$ 99,647	6.50%
Tier 1 capital (to average assets):						
Corporation	$ 142,697	8.47%	$ 67,415	4.00%	NA	NA
Bank	$ 160,030	9.56%	$ 66,984	4.00%	$ 83,780	5.00%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2016						
Total capital (to risk-weighted assets):						
Corporation	$ 129,974	11.69%	$ 88,966	8.00%	NA	NA
Bank	$ 126,685	11.41%	$ 88,789	8.00%	$ 110,986	10.00%
Tier 1 capital (to risk-weighted assets):						
Corporation	$ 119,246	10.72%	$ 66,724	6.00%	NA	NA
Bank	$ 115,957	10.45%	$ 66,592	6.00%	$ 88,789	8.00%
Common Equity Tier 1 capital (to risk-weighted assets):						
Corporation	$ 119,246	10.72%	$ 50,043	4.50%	NA	NA
Bank	$ 115,957	10.45%	$ 49,944	4.50%	$ 72,141	6.50%
Tier 1 capital (to average assets):						
Corporation	$ 119,246	8.94%	$ 53,340	4.00%	NA	NA
Bank	$ 115,957	8.72%	$ 53,214	4.00%	$ 66,518	5.00%

Note 19 Segment Information

Bank First National Corporation, through the branch network of its subsidiary, Bank First National, provides a full range of consumer and commercial financial institution services to individuals and businesses in Northeastern Wisconsin. These services include credit cards; secured and unsecured consumer, commercial, and real estate loans; demand, time, and savings deposits; and ATM processing. The Corporation also offers a full-line of insurance services through its equity investment in Ansay and offers data processing services through its equity investment in UFS.

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

Note 20 Commitments and Contingencies

The Corporation enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements and for fixed rate commitments also considers the difference between current levels of interest rates and committed rates. The notional amount of rate lock commitments at December 31, 2017 and 2016, respectively, was $3,186,000 and $5,551,000.

The Bank is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss is represented by the contractual or notional amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Since some of the commitments are expected to expire without being drawn upon and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

The following commitments were outstanding at December 31 (dollar amounts in thousands):

	Notional Amount	
	2017	2016
Commitments to extend credit:		
Fixed	$ 39,027	$ 33,398
Variable	264,995	228,760
Credit card arrangements	5,642	4,492
Letters of credit	25,904	25,909

Commitments to extend credit are agreements to lend to a customer at fixed or variable rates as long as there is no violation of any condition established in the contract. Commitments have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable; inventory; property, plant, and equipment; real estate; and stocks and bonds.

Letters of credit include $12,564,000 of direct pay letters of credit and $13,340,000 of standby letters of credit. Direct pay letters of credit generally are issued to support the marketing of industrial development revenue and housing bonds and provide that all debt service payments will be paid by drawing on the letter of credit. The letter of credit draws are then repaid by draws from the customer's bank account. Standby letters of credit are conditional lending commitments issued by the Corporation to guaranty the performance of a customer to a third party. Generally, all standby letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation generally holds collateral supporting these commitments. The majority of the Corporation's loans, commitments, and letters of credit have been granted to customers in the Corporation's market area. The concentrations of credit by type are set forth in Note 4. Standby letters of credit were granted primarily to commercial borrowers. Management believes the diversity of the local economy will prevent significant losses in the event of an economic downturn.

Note 21 Fair Value of Financial Instruments

Accounting guidance establishes a fair value hierarchy to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

	Instruments Measured At Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Assets				
Securities available for sale				
Obligations of states and political subdivisions	$ 59,390	$ -	$ 58,890	$ 500
Mortgage-backed securities	42,635	-	42,635	-
Corporate notes	16,520	-	16,520	-
U.S. Treasury securities	498	-	498	-
Mortgage servicing rights	2,610	-	2,610	-
Liabilities				
Salary continuation plan	602	-	602	-
December 31, 2016				
Assets				
Securities available for sale				
Obligations of states and political subdivisions	$ 73,454	$ -	$ 72,444	$ 1,010
Mortgage-backed securities	26,132	-	26,132	-
Corporate notes	11,739	-	11,739	-
Mortgage servicing rights	2,406	-	2,406	-
Liabilities				
Salary continuation plan	678	-	678	-

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

	2017	2016
Total securities at beginning of year	$ 1,010	$ 1,010
Included in earnings	-	-
Included in other comprehensive income	-	-
Purchases, issuance, and settlements	-	-
Transfer in and/or out of level 3	(510)	-
Total securities at end of year	$ 500	$ 1,010

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

	Assets Measured At Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Other real estate owned	$ 6,270	$ -	$ -	$ 6,270
Impaired Loans,				
net of impairment reserve	18,372	-	-	18,372
	$ 24,642	$ -	$ -	$ 24,642
December 31, 2016				
Other real estate owned	$ 1,583	$ -	$ -	$ 1,583
Impaired Loans,				
net of impairment reserve	2,190	-	-	2,190
	$ 3,773	$ -	$ -	$ 3,773

The following is a description of the valuation methodologies used by the Company for the items noted in the table above, including the general classification of such instruments in the fair value hierarchy. For individually evaluated impaired loans, the amount of impairment is based upon the present value of expected future cash flows discounted at the loan's effective interest rate, the estimated fair value of the underlying collateral for collateral-dependent loans, or the estimated liquidity of the note. For OREO, the fair value is based upon the estimated fair value of the underlying collateral adjusted for the expected costs to sell. The following table shows significant unobservable inputs used in the fair value measurement of Level 3 assets:

	Valuation Technique	Unobservable Inputs	Range of Discounts	Weighted Average Discount
As of December 31, 2017				
Other real estate owned	Third party appraisals, sales contracts or brokered price options	Collateral discounts and estimated costs to sell	0% - 100%	15.7%
Impaired loans	Third party appraisals and discounted cash flows	Collateral discounts and discount rates	0% - 100%	6.1%
As of December 31, 2016				
Other real estate owned	Third party appraisals, sales contracts or brokered price options	Collateral discounts and estimated costs to sell	0% - 84%	4.4%
Impaired loans	Third party appraisals and discounted cash flows	Collateral discounts and discount rates	1% - 37%	9.3%

The following methods and assumptions were used by the Corporation to estimate fair value of financial instruments.

Cash and cash equivalents — Fair value approximates the carrying amount.

Securities — The fair value measurement is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data.

Loans held for sale — Fair value is based on commitments on hand from investors or prevailing market prices.

Loans — Fair value of variable rate loans that reprice frequently are based on carrying value. Fair value of other loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings. Fair value of impaired and other nonperforming loans are estimated using discounted expected future cash flows or the fair value of the underlying collateral, if applicable.

Other investments — The carrying amount reported in the consolidated balance sheets for other investments approximates the fair value of these assets.

Mortgage servicing rights — Fair values were determined using the present value of future cash flows.

Cash value of life insurance — The carrying amount approximates its fair value.

Deposits — Fair value of deposits with no stated maturity, such as demand deposits, savings, and money market accounts, by definition, is the amount payable on demand on the reporting date. Fair value of fixed-rate time deposits is estimated using discounted cash flows applying interest rates currently offered on similar time deposits.

Securities sold under repurchase agreements — The fair value of securities sold under repurchase agreements with variable rates or due on demand is the amount payable at the reporting date. The fair value of securities sold under repurchase agreements with fixed terms is estimated using discounted cash flows with discount rates at interest rates currently offered for securities sold under repurchase agreements of similar remaining values.

Notes payable and Subordinated notes — Rates currently available to the Corporation for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. Fair value of borrowings is estimated by discounting future cash flows using the current rates at which similar borrowings would be made. Fair value of borrowed funds due on demand is the amount payable at the reporting date.

Off-balance-sheet instruments — Fair value is based on quoted market prices of similar financial instruments where available. If a quoted market price is not available, fair value is based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the company’s credit standing. Since this amount is immaterial, no amounts for fair value are presented.

The carrying value and estimated fair value of financial instruments at December 31 follows (dollar amounts in thousands):

	2017		2016	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 101,977	$ 101,977	$ 80,157	$ 80,157
Securities held to maturity	39,991	39,808	31,558	31,356
Securities available for sale	119,043	119,043	111,325	111,325
Loans, net	1,385,935	1,375,864	1,015,529	1,012,343
Other investments, at cost	7,226	7,226	6,088	6,088
Mortgage servicing rights	2,610	2,610	2,406	2,406
Cash surrender value of life insurance	23,722	23,722	20,549	20,549
Financial liabilities:				
Deposits	$ 1,506,642	$ 1,454,580	$ 1,127,020	$ 1,097,042
Securities sold under repurchase agreements	47,568	47,568	50,106	50,106
Notes payable	8,500	8,500	-	-
Subordinated notes	11,500	11,500	-	-

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Corporation.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Corporation's entire holdings of a particular instrument. Because no market exists for a significant portion of the Corporation's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts nor is it recorded as an intangible asset on the consolidated balance sheet. Significant assets and liabilities that are not considered financial assets and liabilities include premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Note 22 Parent Company Only Financial Statements

Balance Sheets

	December 31	
	2017	2016
	(In Thousands)	
Assets		
Cash and cash equivalents	$ 360	$ 105
Investment in Bank	179,060	124,234
Investment in Veritas	2,367	2,830
Other assets	929	885
TOTAL ASSETS	$ 182,716	$ 128,054
Liabilities and Stockholders' Equity		
Liabilities		
Notes payable	$ 8,500	$ -
Subordinated notes	11,500	-
Other liabilities	988	531
Total liabilities	20,988	531
Stockholders' equity:		
Common stock	74	67
Additional paid-in capital	27,528	2,828
Retained earnings	145,879	134,773
Treasury stock, at cost	(12,730)	(10,437)
Accumulated other comprehensive income	977	292
Total stockholders' equity	161,728	127,523
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 182,716	$ 128,054

Statements of Income

	Years Ended December 31		
	2017	2016	2015
		(In Thousands)	
Income:			
Dividends received from Bank	$ 19,480	$ 6,350	$ 3,500
Rental income received from Bank	-	-	49
Equity in undistributed earnings of subsidiaries	(3,773)	8,866	10,132
Other income	-	-	29
Total income	15,707	15,216	13,710
Other expenses	648	499	469
Benefit for income taxes	(254)	(196)	(154)
Net income	$ 15,313	$ 14,913	$ 13,395

Statements of Cash Flows

	Years Ended December 31		
	2017	2016	2015
		(In Thousands)	
Cash flow from operating activities:			
Net income	$ 15,313	$ 14,913	$ 13,395
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of premises and equipment	-	-	21
Gain from sale and disposal of premises and equipment	-	-	(29)
Stock compensation	465	419	341
Equity in (includes dividends) earnings of subsidiaries	(15,707)	(15,216)	(13,632)
Changes in other assets and liabilities:			
Other assets	(44)	(107)	1
Other liabilities	457	(191)	(83)
Net cash provided by (used in) operating activities	484	(182)	14
Cash flows from investing activities, net of effects of business combination:			
Sales of premises and equipment	-	-	240
Purchase of securities	-	(750)	-
Dividends received from Bank	19,480	6,350	3,500
Dividends received from Veritas	450	-	317
Net cash used in business combination	(33,378)	-	-
Contribution to subsidiaries	-	(50)	-
Net cash provided by investing activities	(13,448)	5,550	4,057
Cash flows from financing activities, net of effects of business combination:			
Proceeds from revolving line of credit	5,000	-	-
Proceeds from senior term debt	3,500	-	-
Proceeds from subordinated notes	11,500	-	-
Cash dividends paid	(4,046)	(3,666)	(3,208)
Issuance of common stock	896	448	991
Repurchase of common stock	(3,631)	(2,587)	(1,442)
Net cash used in financing activities	13,219	(5,805)	(3,659)
Net increase (decrease) in cash and cash equivalents	255	(437)	412
Cash and cash equivalents at beginning	105	542	130
Cash and cash equivalents at end	**$ 360**	**$ 105**	**$ 542**
Supplemental schedule of noncash activities:			
Amortization of unrealized holding gains on securities transferred from available for sale to held to maturity recognized in other comprehensive income, net of tax	$ (80)	$ (109)	$ (154)
Change in unrealized loss on investment securities available for sale, net of tax	604	(823)	(57)
Property contributed at net book value to Bank	-	-	598