

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2024
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-34095

**FIRST BUSINESS FINANCIAL SERVICES, INC.**

(Exact name of registrant as specified in its charter)

**Wisconsin**  
(State or other jurisdiction of incorporation or organization)

**401 Charmany Drive, Madison, WI**  
(Address of principal executive offices)

Registrant's telephone number, including area code: (608) 238-8008

**39-1576570**  
(I.R.S. Employer Identification No.)

**53719**  
(Zip Code)

**Title of each class**  
Common Stock, \$0.01 par value

**Trading Symbol(s)**  
FBIZ

**Name of each exchange on which registered**  
The Nasdaq Stock Market LLC

**Securities registered pursuant to Section 12(b) of the Act:**  
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the common equity held by non-affiliates computed by reference to the closing price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$306.8 million.

As of February 24, 2025, 8,301,126 shares of common stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III – Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on April 25, 2025 are incorporated by reference into Part III hereof.

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**Item 1. Business**

**BUSINESS**

**General**

First Business Financial Services, Inc. (together with all of its subsidiaries, collectively referred to as the “Corporation,” “FBFS,” “we,” “us,” or “our”) is a registered bank holding company originally incorporated in 1986 under the laws of the State of Wisconsin and is engaged in the commercial banking business through its wholly-owned bank subsidiary, First Business Bank (collectively with its subsidiaries “FBB” or the “Bank”), headquartered in Madison, Wisconsin. All of our operations are conducted through FBB and its wholly-owned subsidiary First Business Specialty Finance, LLC (“FBSF”). The Bank operates as a business bank, delivering a full line of commercial banking products and services tailored to meet the specific needs of small and medium-sized businesses, business owners, executives, professionals, and high net worth individuals. Our products and services are focused on business banking, private wealth, and bank consulting. Within business banking, we offer commercial real estate lending, commercial and industrial lending, asset-based lending, accounts receivable financing, equipment financing, floorplan financing, vendor financing, Small Business Administration (“SBA”) lending and servicing, treasury management solutions, and company retirement services. Our private wealth management services include trust and estate administration, financial planning, investment management, and private banking. Our bank consulting experts provide investment portfolio administrative services, and asset liability management services. We do not utilize a branch network to attract retail clients. Our operating model is predicated on deep client relationships, financial expertise, and an efficient, centralized administration function delivering best in class client satisfaction. Our focused model allows experienced staff to provide the level of financial expertise needed to develop and maintain long-term relationships with our clients. We conduct our commercial banking operations through one operating segment.

As of December 31, 2024, on a consolidated basis, we had total assets of \$3.853 billion, total gross loans and leases of \$3.114 billion, total deposits of \$3.107 billion, and total stockholders’ equity of \$328.6 million.

**Commercial Banking Products and Services**

We strive to meet the specific commercial banking needs of small- to medium-sized companies in our primary markets in Wisconsin, Kansas, and Missouri, predominantly through lines of credit and term loans to businesses. Through FBB, we service South Central Wisconsin, Southeast Wisconsin, Northeast Wisconsin, the greater Kansas City Metro, and other clients through products with national channels.

**Commercial Real Estate Lending** We originate loans secured by commercial real estate, including owner-occupied properties, non-owner-occupied facilities, multifamily developments, 1-4 family residential developments, and construction loans for these types of buildings. As of December 31, 2024, our commercial real estate portfolio (“CRE”) represented approximately 61.6% of our total gross loans and leases receivable.

**Commercial and Industrial Lending** Our commercial loans are typically secured by various types of business assets, including inventory, receivables, and equipment. As of December 31, 2024, our commercial and industrial portfolio (“C&I”) represented approximately 37.0% of our total gross loans and leases receivable. The C&I portfolio includes conventional commercial and industrial loans as well as asset-based lending, accounts receivable financing, equipment financing, floorplan financing, and SBA lending. These C&I lending niches are described below.

**C&I Lending - Asset-Based Lending**

We provide asset-based lending to small- to medium-sized companies. Our asset-based lending team serves clients on a nationwide basis through business development officers located in several states. We primarily provide revolving lines of credit and term loans for financial and strategic acquisitions, capital expenditures, working capital, bank debt refinancing, debt restructuring, and corporate turnaround strategies. As an asset-based lender with strong underwriting standards, our team is positioned to provide cost-effective financing solutions to companies which do not have the established, stable cash flows necessary to qualify for traditional commercial lending products. These borrowing relationships generally range between \$2 million and \$24 million with terms of 24 to 60 months. Asset-based lending typically generates higher yields than traditional commercial lending. This line of business complements our

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traditional commercial loan portfolio and provides us with more diverse income opportunities. As of December 31, 2024, asset-based lending represented approximately 4.50% of our total gross loans and leases receivable.

### ***C&I Lending - Accounts Receivable Financing***

Our Accounts Receivable Financing team serves clients nationwide by purchasing accounts receivable on full recourse and limited non-recourse basis. We provide working capital to support client growth and other client cash flow needs. Accounts receivable financing typically generates higher yields than traditional commercial lending and complements our traditional commercial portfolio. As of December 31, 2024, accounts receivable financing represented approximately 2.12% of our total gross loans and leases receivable.

### ***C&I Lending - Equipment Financing***

The Bank finances a broad range of equipment, through loans and leases, to address the financing needs of commercial clients in a variety of industries. Our Equipment Finance team provides financing solutions nationwide for manufacturing equipment, industrial assets, construction equipment, agriculture equipment, medical equipment, and a variety of other commercial equipment. These financings generally range between \$10,000 and \$1 million with terms of 12 to 84 months.

Our Equipment Finance team seeks to position itself as the preferred point of sale financing choice utilized by equipment vendors and their purchasing customers. Our online application and proprietary credit scoring architecture enable us to provide small ticket vendor equipment financings through a nationwide distribution channel. The Equipment Finance team also partners with a select group of third-party origination sources that specialize in small ticket equipment finance transactions. These equipment vendors and third-party originators specialize primarily in healthcare, manufacturing, automotive repair, technology equipment, agriculture, construction, and specialty vehicles. Small ticket vendor equipment financing typically generates higher yields than traditional commercial lending. As of December 31, 2024, equipment financing represented approximately 10.54% of our total gross loans and leases receivable.

### ***C&I Lending - Floorplan Financing***

We offer floorplan financing for larger, well established, independent car dealerships nationwide. These floorplan programs generally range from \$500,000 to \$15 million. Floorplan financing typically generates higher yields than traditional commercial lending. As of December 31, 2024, floorplan financing represented approximately 4.47% of our total gross loans and leases receivable.

### ***C&I Lending - SBA Lending and Servicing***

SBA loans are made through programs designed by the federal government to assist the small business community in obtaining financing. We are an approved participant in the SBA's Preferred Lender Program ("PLP"). The PLP is part of the SBA's effort to streamline the procedures necessary to provide financial assistance to the small business community. Under this program, the SBA delegates the final credit decision, most servicing, liquidation authority and responsibility to PLP lenders. We leverage this program authority and capacity to package, underwrite, process, service, and liquidate, if necessary, SBA loans nationwide.

Our SBA loans fall into three categories: loans originated under the SBA's 7(a) term loan program; loans originated under the SBA's 504 program; and SBA Express loans and lines of credit. Specific program guidelines vary based on the SBA loan program; however, all loans must be underwritten, originated, monitored, and serviced according to the SBA's Standard Operating Procedures in order to maintain the guaranty, if any, under the SBA program. Except for loans originated under the SBA's 504 program, the SBA generally provides a guaranty to the lender ranging from 50% to 90% of loan the balance as an inducement to the lender to originate the loan.

The majority of our SBA loans are originated using the 7(a) term loan program. This program typically provides a guaranty of 75% of the loan balance. In the event of default on the loan, the lender may request that the SBA purchase the guaranteed portion of the loan for an amount equal to the outstanding principal plus accrued interest permissible under SBA guidelines. In addition, the SBA will share on a pro-rata basis in certain costs of collection, subject to SBA rules and limits, as well as the proceeds of liquidation.

The Bank's SBA lending is designed to generate new business opportunities for the Bank by meeting the needs of clients that cannot be met with conventional bank loans. We earn interest income from these loans, generally at variable rates higher than those of our

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traditional commercial loans. We have a history of recognizing gains on the sale of the guaranteed portion of the loans. As of December 31, 2024, the on-balance sheet portion of SBA loans represented approximately 1.87% of our total gross loans and leases receivable.

### ***Treasury Management Services***

FBB provides comprehensive treasury management services for commercial banking and specialized lending clients to manage their cash and liquidity, including a variety of deposit accounts, accounts receivable collection services, electronic payment solutions, fraud detection and protection, information reporting, reconciliation, data integration solutions, and account balance optimization solutions. For our clients involved in international trade, the Bank offers international payment services, foreign exchange, and trade letters of credit.

### ***Company Retirement Plan Services***

FBB acts as fiduciary and investment manager for corporate clients, creating and executing asset allocation strategies tailored to each corporation's unique situation. FBB also acts as a discretionary trustee and investment fiduciary, sharing responsibility for monitoring assets to match the client's specifications. Offering only non-proprietary funds removes conflict of interest while designing cost-effective company retirement plans which provide a competitive return. As of December 31, 2024, FBB had \$421 million of company retirement plan assets under management and administration.

### ***Private Wealth Management***

FBB acts as fiduciary and investment manager for individual clients, creating and executing asset allocation strategies tailored to each client's unique situation. FBB has full fiduciary powers and offers trust and estate administration, financial planning, and investment management, acting in a trustee or agent capacity. FBB also provides access to brokerage and custody-only services, for which it administers and safeguards assets. As of December 31, 2024, FBB had \$2.998 billion of private wealth assets under management and administration.

The Bank also offers private banking to its private wealth clients. As of December 31, 2024, private wealth loans represented approximately 2% of total gross loans and leases receivable.

### ***Bank Consulting Services***

FBB provides outsourced treasury services to assist banks and other financial institutions with balance sheet management. These services include balance sheet, investment portfolio, and asset liability management services.

### **Competition**

FBB encounters competition across all of our commercial banking products and services. Such competition includes banks, savings institutions, mortgage banking companies, credit unions, finance companies, equipment finance companies, mutual funds, insurance companies, brokerage firms, investment banking firms, and FinTech companies. The Bank also competes with regional and national financial institutions, many of which have greater liquidity, higher lending limits, greater access to capital, more established market recognition, and more resources than the Bank. We believe the experience, expertise, and responsiveness of our banking professionals, as well as our focus on fostering long-lasting relationships, sets us apart from our competitors.

### **Human Capital Management**

In 2024, the Corporation's workforce grew to 353 employees working onsite, hybrid, and remote. This flexible approach diversifies our workforce, helps us compete for talent, and adds specialized skills as our business grows. Attracting and retaining top talent is crucial for our success.

One of the Corporation's top strategies is to "Protect and Strengthen our Culture" with a growing and geographically dispersed team. Our culture, rooted in founding beliefs and guided by a cultural competency framework, is key to our success. We aim to be Ideal

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Team Players, embodying humility, hunger and people smarts. Clear values foster a special and committed team atmosphere, boosting productivity, reducing turnover, attracting motivated employees, and cultivating ownership and accountability.

Another top strategy is to "Thrive in the Workplace of the Future" by continuously investing in our team to elevate their impact and contribution. This ensures our employees are equipped to meet the demands of a dynamic work environment, fostering innovation and excellence. Achieving strong financial results begins with our employees.

The strength of our culture and investment in our employees was demonstrated as follows throughout 2024:

1. Achieved an Employee Engagement rating of 86% with a 90% participation rate. Employee Engagement is a key driver for organizational success and our results continue to exceed industry benchmarks of 78% and 81% respectively.
2. As a Top Workplace Award winner for 2024, for the fourth consecutive year, the Corporation was also recognized for Culture Excellence across nine categories.
3. Employee Turnover was 10.54% – well below the employee turnover average of 17.7% in the industry, as reported in a survey conducted by Aon in 2024.
4. The Career Path Ratio for employees, indicating the percentage of employees who experienced internal transfers and promotions to fill open positions, recognizing strong employee performance and career growth was 15.72%, above our 10% internal goal.
5. Leadership conducted a culture survey which provided a clear understanding of what our employees value most. Based on feedback, specific questions were added to the Employee Engagement Survey to establish a baseline and monitor progress over time.
6. The Corporation provides comprehensive and market-competitive compensation, taking into consideration employees' roles, experience and performance. Our total rewards package includes a wide range of benefits, supports well-being, and helps employees thrive.
7. The Corporation is continually investing in employees' professional development, with a focus on utilizing technology advancements within our systems to improve operational efficiencies and to enhance employee productivity and experience.

Since our inception, our commitment to employees, clients, and communities has been the foundation of our long-term success. Our Belief Statement expresses this: At First Business Bank, we believe visionary, determined entrepreneurs and investors create a thriving economy and, in turn, social and economic advancement for their employees, investors, families and communities. Built by driven entrepreneurs, First Business Bank has the experience to create both wealth and a wealth of good in the world.

## **Subsidiaries**

### ***First Business Bank***

FBB is a state bank chartered in 1909 in Wisconsin under the name Kingston State Bank. In 1990, FBB relocated its home office to Madison, Wisconsin, and began focusing on providing high-quality banking services to small- to medium-sized businesses located in Madison and the surrounding area. FBB's commercial banking products and services include commercial loans, commercial real estate loans, asset-based loans, accounts receivable financing, SBA lending and servicing, floorplan financing, equipment loans and leases, commercial deposit accounts, company retirement solutions, and treasury management services. FBB offers a variety of deposit accounts and personal loans to business owners, executives, professionals, and high net worth individuals. FBB also offers private wealth management services and bank consulting services. FBB has four full-service banking locations in Madison, Brookfield, and Appleton, Wisconsin, and Leawood, Kansas.

As of December 31, 2024, FBB had six wholly-owned subsidiaries and total gross loans and leases receivable of \$3.114 billion, total deposits of \$3.107 billion, and total stockholders' equity of \$379.6 million.

## **Corporate Information**

Our principal executive offices are located at 401 Charmany Drive, Madison, Wisconsin 53719 and our telephone number is (608) 238-8008. The contents of our website are not incorporated by reference into this Form 10-K. We maintain an Internet website at [www.firstbusiness.bank](http://www.firstbusiness.bank). This Form 10-K and all of our other filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available free of charge through that website, including copies of our proxy statement, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we file those materials with, or furnish them to, the Securities and Exchange Commission ("SEC").

## **Markets**

Although certain of our commercial banking products and services are marketed nationwide, our primary markets lie in Wisconsin, Kansas, and Missouri. Specifically, our three markets in Wisconsin consist of South Central Wisconsin, Southeast Wisconsin, and Northeast Wisconsin. We serve these markets primarily through our offices in Madison, Brookfield, and Appleton, respectively. We serve the greater Kansas City Metro through our Leawood, Kansas office, which is located in the Kansas City metropolitan area. Each of our primary markets provides a unique set of economic and demographic characteristics which provide us with a variety of strategic opportunities. A brief description of each of our primary markets is as follows.

### ***South Central Wisconsin***

As the capital of Wisconsin and home of the University of Wisconsin-Madison, the greater Madison area, specifically Dane County and surrounding counties, offers an appealing economic environment populated by a highly educated workforce. While the economy of South Central Wisconsin is driven in large part by the government and education sectors, there is also a diverse array of industries outside of these segments. South Central Wisconsin is also home to technology and research and development-related companies, which benefit from the area's strong governmental and academic ties, as well as several major health care systems and hospitals, which provides healthcare services to South Central Wisconsin.

### ***Southeast Wisconsin***

The Milwaukee metropolitan area has a diverse economic base with a highly skilled labor force and strong manufacturing sector. The most prominent economic sectors include manufacturing, financial services, health care, diversified service companies, and education. The area is home to several major hospitals, providing health services to the greater Southeast Wisconsin market, several large academic institutions including the University of Wisconsin-Milwaukee and Marquette University, and a wide variety of small- to medium-sized firms with representatives in nearly every industrial classification.

### ***Northeast Wisconsin***

The cities of Appleton, Green Bay, and Oshkosh, Wisconsin serve as the primary population centers in our Northeast Wisconsin market and provide an attractive market to a variety of industries, including transportation, utilities, packaging, and diversified services, with the most significant economic drivers being the manufacturing, packaging, and paper goods industries.

### ***Kansas City Metro***

The greater Kansas City Metro includes 15 counties and more than 50 communities in Missouri and Kansas, including a central business district located in Kansas City, Missouri and communities on both sides of the state line. The area is known for the diversity of its economic base, with major employers in manufacturing and distribution, architecture and engineering, technology, telecommunications, financial services, and bioscience, as well as local and federal government.

## **EXECUTIVE OFFICERS OF THE REGISTRANT**

The following contains certain information about the executive officers of FBFS. There are no family relationships between any directors or executive officers of FBFS.

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*Corey A. Chambas*, age 62, has served as a director of FBFS since July 2002, as Chief Executive Officer ("CEO") since December 2006 and as President from February 2005 until January 2023. He served as Chief Operating Officer of FBFS from February 2005 to September 2006 and as Executive Vice President from July 2002 to February 2005. He served as Chief Executive Officer of FBB from July 1999 to September 2006 and as President of FBB from July 1999 to February 2005. Mr. Chambas has over 40 years of commercial banking experience. Prior to joining FBFS in 1993, he was a Vice President of Commercial Lending with M&I Bank, now known as BMO Bank, N.A. , in Madison, Wisconsin.

*Brian D. Spielmann*, age 42, has served as Chief Financial Officer ("CFO") of FBFS since April 2023. Mr. Spielmann also serves as the Chief Financial Officer of the Bank. He also currently serves as a director of our FBSF subsidiary. Mr. Spielmann had been serving as the Corporation's Deputy Chief Financial Officer and Chief Accounting Officer since May 2022. Mr. Spielmann joined FBFS in 2006 and has held various positions including Chief Accounting Officer, Director of Finance, Financial Reporting Manager, and Senior Financial Accountant.

*David R. Seiler*, age 60, has served as Chief Operating Officer ("COO") of FBFS since April 2016 and as President of FBFS since January 2023. He also currently serves as a director for our subsidiary FBSF. Mr. Seiler has over 30 years of financial services experience including his previous position as Managing Director (formerly Senior Vice President/Manager) of the Correspondent Banking Division with BMO Bank, N.A. in Milwaukee, Wisconsin which he held from 2007 to 2016. Prior to that, he held the position of Senior Vice President/Team Leader, Correspondent Real Estate Division from 2005 to 2007 and Vice President, Relationship Manager, Commercial Real Estate from 2002 to 2005.

*Mark J. Meloy*, age 63, has served as Executive Vice President of FBFS since January 2023. Mr. Meloy joined FBFS in 2000 and has held various positions including Chief Executive Officer of FBB, Executive Vice President of FBB, and President and Chief Executive Officer of FBB-Milwaukee. He also currently serves as a director of our FBSF subsidiary. Mr. Meloy has over 35 years of commercial lending experience. Prior to joining FBFS, Mr. Meloy was a Vice President and Senior Relationship Manager with Firststar Bank, NA, in Cedar Rapids, Iowa and Milwaukee, Wisconsin, now known as U.S. Bank, working in their financial institutions group with mergers and acquisition financing. Mr. Meloy is retiring on May 1, 2025.

*Bradley A. Quade*, age 59, has served as Chief Credit Officer ("CCO") of FBFS since April 2020 and as Executive Vice President of FBFS since August 2024. Mr. Quade had been serving as the Corporation's Deputy Chief Credit Officer since October 2019. He also currently serves as a director for our subsidiary FBSF. Mr. Quade has over 35 years of experience in banking at publicly traded and privately-owned institutions and has led successful lending teams in commercial banking, investment real estate, equipment leasing, and treasury management. Prior to joining FBFS, Mr. Quade held the position of Senior Vice President with Johnson Bank in Milwaukee, Wisconsin.

*Jodi A. Chandler*, age 60, has served as Chief Human Resources Officer of FBFS since January 2010. Prior to that, she held the position of Senior Vice President-Human Resources for several years. She has been an employee of FBFS for over 30 years.

*Laura M. Garcia*, age 52, has served as Chief Risk Officer ("CRO") for FBFS since March 2022. Prior to joining FBFS, she held the position of Head of North American Risk and Compliance, Managing Director for BMO Bank, N.A. in Chicago, Illinois, from 2018 to 2022. Ms. Garcia has over 30 years of experience in the financial services industry, centered in commercial banking, credit, compliance, and risk management.

*James E. Hartlieb*, age 54, has served as President of FBB since 2015 and as Chief Executive Officer of FBB and a director of FBB since January 2023. Mr. Hartlieb joined FBB in 2009 as Senior Vice President of Greater Dane County. He also currently serves as a director of our FBSF subsidiary. Mr. Hartlieb has over 30 years of financial services experience. Prior to joining FBB, Mr. Hartlieb held the position of Regional President with AMCORE Bank in Madison, Wisconsin, which he held from 1998 to 2009.

*Daniel S. Ovokaitys*, age 51, has served as Chief Information Officer ("CIO") since June 2014. Prior to joining FBFS, Mr. Ovokaitys held the position of Head of Corporate IT (North/South America) for Merz Pharmaceuticals, located in Frankfurt, Germany, from 2010 to 2014. He also served as Director of IT for Aurora Health Care from 2006 to 2010 and Manager of IT for the American Transmission Company from 2000 to 2006.

## SUPERVISION AND REGULATION

Below is a brief description of certain laws and regulations that relate to us and the Bank. This narrative does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations.

### General

Federal Deposit Insurance Corporation (“FDIC”)-insured institutions, like the Bank, their holding companies, and their affiliates are extensively regulated under federal and state law. As a result, our growth and earnings performance may be affected not only by management decisions and general economic conditions, but also by the requirements of federal and state statutes and by the regulations and policies of various bank regulatory agencies, including our primary regulators, the Board of Governors of the Federal Reserve System (“Federal Reserve”), the Bank’s state regulator, the Wisconsin Department of Financial Institutions (“WDFI”), and its primary federal regulator, the FDIC. Furthermore, taxation laws administered by the Internal Revenue Service (“IRS”) and state taxing authorities, accounting rules developed by the Financial Accounting Standards Board (“FASB”), securities laws administered by the SEC and state securities authorities, and anti-money laundering laws enforced by the U.S. Department of the Treasury (“Treasury”) have an impact on our business. The effect of these statutes, regulations, regulatory policies, and accounting rules are significant to our operations and results.

Federal and state banking laws impose a comprehensive system of supervision, regulation, and enforcement on the operations of FDIC-insured institutions, their holding companies, and affiliates that is intended primarily for the protection of the FDIC-insured deposits and depositors of banks, rather than shareholders. These laws, and the regulations of the bank regulatory agencies issued under them, affect, among other things, the scope of our business, the kinds and amounts of investments the Corporation and the Bank may make, limits on the Bank’s loans to any one borrower, reserve requirements, required capital levels relative to assets, the nature and amount of collateral for loans, the establishment of branches, the ability to merge with, consolidate with, and acquire other financial institutions and related businesses, dealings with the Corporation’s and the Bank’s insiders and affiliates, and payment of dividends. In reaction to the global financial crisis beginning in 2008 (the “global financial crisis”), and particularly following the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), we experienced heightened regulatory requirements and scrutiny. Although the reforms primarily targeted systemically important financial service providers, their influence filtered down in varying degrees to community banks over time and caused our compliance and risk management processes, and the costs thereof, to increase. In May 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the “Regulatory Relief Act”) was enacted to modify or remove certain financial reform rules and regulations. While the Regulatory Relief Act maintains most of the regulatory structure established by the Dodd-Frank Act, it amends certain aspects of the regulatory framework for small depository institutions with assets of less than \$10 billion, like us, and for large banks with assets of more than \$50 billion that were considered systemically important under the Dodd-Frank Act solely because of size. Many of these changes were intended to result in meaningful regulatory relief for community banks and their holding companies, including new rules that may make the capital requirements less complex. For a discussion of capital requirements, see **The Role of Capital** below. The Regulatory Relief Act also eliminated questions about the applicability of certain Dodd-Frank Act reforms to community bank systems, including relieving the Bank of any requirement to engage in mandatory stress tests, name a risk committee, or comply with the Volcker Rule’s complicated prohibitions on proprietary trading and ownership of private funds. The Corporation believes these reforms are generally favorable to its operations.

The supervisory framework for U.S. banking organizations subjects banks and bank holding companies to regular examination by their respective regulatory agencies, which results in examination reports and ratings that are not publicly available and can impact the conduct and growth of their business. These examinations consider not only compliance with applicable laws and regulations, but also capital levels, asset quality and risk, management ability and performance, earnings, liquidity, information technology, and various other factors. The regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law, or are otherwise inconsistent with laws and regulations.

The following is a summary of the material elements of the supervisory and regulatory framework applicable to the Corporation and the Bank, beginning with a discussion of the continuing regulatory emphasis on our capital levels. It does not describe all of the

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statutes, regulations, and regulatory policies that apply, nor does it restate all of the requirements of those that are described. The descriptions are qualified in their entirety by reference to the particular statutory and regulatory provision.

### **The Role of Capital**

Regulatory capital represents the net assets of a banking organization available to absorb losses. Because of the risks attendant to their business, FDIC-insured institutions are generally required to hold more capital than other businesses, which directly affects our earnings capabilities. While capital has historically been one of the key measures of the financial health of both bank holding companies and banks, its role became fundamentally more important in the wake of the global financial crisis, as the banking regulators recognized that the amount and quality of capital held by banks prior to the crisis was insufficient to absorb losses during periods of severe stress. Certain provisions of the Dodd-Frank Act and Basel III, discussed below, establish capital standards for banks and bank holding companies that are meaningfully more stringent than those in place previously.

**Minimum Required Capital Levels.** Banks have been required to hold minimum levels of capital based on guidelines established by the bank regulatory agencies since 1983. The minimums have been expressed in terms of ratios of “capital” divided by “total assets.” As discussed below, bank capital measures have become more sophisticated over the years and have focused more on the quality of capital and the risk of assets. Bank holding companies have historically had to comply with less stringent capital standards than their bank subsidiaries and have been able to raise capital with hybrid instruments such as trust preferred securities. The Dodd-Frank Act mandated the Federal Reserve to establish minimum capital levels for holding companies on a consolidated basis as stringent as those required for FDIC-insured institutions. A result of this change is that the proceeds of hybrid instruments, such as trust preferred securities, were excluded from capital over a phase-out period. However, if such securities were issued prior to May 19, 2010 by bank holding companies with less than \$15 billion of assets, they may be retained, subject to certain restrictions.

**The Basel III Rule.** In July 2013, the U.S. federal banking agencies approved the implementation of the Basel III regulatory capital reforms in pertinent part, and, at the same time, promulgated rules effecting certain changes required by the Dodd-Frank Act (the “Basel III Rule”). In contrast to capital requirements historically, which were in the form of guidelines, Basel III was released in the form of enforceable regulations by each of the regulatory agencies. The Basel III Rule is applicable to all banking organizations that are subject to minimum capital requirements, including federal and state banks and savings and loan associations, as well as to bank and savings and loan holding companies, other than “small bank holding companies” who are relieved from compliance with the Basel III Rule. Historically we have been disqualified from taking advantage of the relief since we have securities registered with the SEC. Moreover, our asset size now exceeds the small bank holding company threshold. Banking organizations became subject to the Basel III Rule on January 1, 2015, and its requirements were fully phased-in as of January 1, 2019.

The Basel III Rule increased the required quantity and quality of capital and, for nearly every class of assets, it requires a more complex, detailed and calibrated assessment of risk and calculation of risk-weight amounts.

Not only did the Basel III Rule increase most of the required minimum capital ratios in effect prior to January 1, 2015, but it introduced the concept of Common Equity Tier 1 Capital, which consists primarily of common stock, related surplus (net of treasury stock), retained earnings, and Common Equity Tier 1 minority interests subject to certain regulatory adjustments. The Basel III Rule also changed the definition of capital by establishing more stringent criteria that instruments must meet to be considered Additional Tier 1 Capital (primarily non-cumulative perpetual preferred stock that meets certain requirements) and Tier 2 Capital (primarily other types of preferred stock and subordinated debt, subject to limitations). A number of instruments that historically qualified as Tier 1 Capital under Basel I do not qualify under Basel III, or their qualifications changed. For example, noncumulative perpetual preferred stock, which qualified as simple Tier 1 Capital under Base III, does not qualify as Common Equity Tier 1 Capital, but qualifies as Additional Tier 1 Capital. The Basel III Rule also constrained the inclusion of minority interests, mortgage-servicing assets, and deferred tax assets in capital and requires deductions from Common Equity Tier 1 Capital in the event that such assets exceed a certain percentage of a banking institution’s Common Equity Tier 1 Capital.

The Basel III Rule currently requires minimum capital ratios as follows:

- A ratio of minimum Common Equity Tier 1 Capital equal to 4.5% of risk-weighted assets;
- A ratio of minimum Tier 1 Capital equal to 6% of risk-weighted assets;

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- A ratio of minimum Total Capital (Tier 1 plus Tier 2) equal to 8% of risk-weighted assets; and
- A minimum leverage ratio of Tier 1 Capital to total quarterly average assets equal to 4% in all circumstances.

In addition, institutions that seek the freedom to make capital distributions (including for dividends and repurchases of stock) and pay discretionary bonuses to executive officers without restriction must also maintain 2.5% in Common Equity Tier 1 Capital attributable to a capital conservation buffer. The purpose of the conservation buffer is to ensure that banking institutions maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. Factoring in the conservation buffer increases the minimum ratios depicted above to 7% for Common Equity Tier 1 Capital, 8.5% for Tier 1 Capital and 10.5% for Total Capital.

Through subsequent rulemaking, the federal banking agencies provided certain forms of relief to banking organizations that are not subject to the capital regulation's advanced approaches, such as the Corporation. For instance, non-advanced approaches institutions are subject to simpler regulatory capital requirements for Mortgage Servicing Assets ("MSA"), certain Deferred Tax Assets ("DTA") arising from temporary differences, investments in the capital of unconsolidated financial institutions, and requirements for the amount of capital issued by a consolidated subsidiary of a banking organization and held by third parties (sometimes referred to as a minority interest) that is includable in regulatory capital. Specifically, such institutions may deduct from Common Equity Tier 1 Capital any amount of MSAs, temporary difference DTAs, and investments in the capital of unconsolidated financial institutions that individually exceeds 25 percent of Common Equity Tier 1 Capital.

On July 27, 2023, the federal banking agencies issued a proposed rule to implement the final components of the Basel III standards set by the Basel Committee on Banking Supervision in 2017, referred to as the Basel III Endgame. The proposed Basel III Endgame rules, which, if enacted, would not apply to the Corporation and the Bank.

**Well-Capitalized Requirements.** The ratios described above are minimum standards in order for banking organizations to be considered "adequately capitalized." Bank regulatory agencies uniformly encourage banks to hold more capital and be "well-capitalized" and, to that end, federal law and regulations provide various incentives for banking organizations to maintain regulatory capital at levels in excess of minimum regulatory requirements. For example, a banking organization that is well-capitalized may: (i) qualify for exemptions from prior notice or application requirements otherwise applicable to certain types of activities; (ii) qualify for expedited processing of other required notices or applications; and (iii) accept, roll-over, or renew brokered deposits. Higher capital levels could also be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, the Federal Reserve's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities, or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (*i.e.*, Tier 1 Capital less all intangible assets), well above the minimum levels.

Under the capital regulations of the FDIC, in order to be well-capitalized, a banking organization must maintain:

- A Common Equity Tier 1 Capital ratio to risk-weighted assets of 6.5% or more;
- A ratio of Tier 1 Capital to total risk-weighted assets of 8% or more;
- A ratio of Total Capital to total risk-weighted assets of 10% or more; and
- A leverage ratio of Tier 1 Capital to total adjusted average quarterly assets of 5% or greater.

As of December 31, 2024: (i) the Bank is not subject to a directive from the WDFI or the FDIC to increase its capital; and (ii) the Bank was well-capitalized, as defined by FDIC regulations. Additionally, the Corporation had regulatory capital in excess of the Federal Reserve's requirements as of December 31, 2024.

**Prompt Corrective Action.** The concept of an institution being "well-capitalized" is part of a regulatory enforcement regime that provides the federal banking regulators with broad power to take "prompt corrective action" to resolve the problems of institutions based on the capital level of each particular institution. The extent of the regulators' powers depends on whether the institution in question is "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized," in each case as defined by regulation. Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: (i) requiring the institution to submit a capital restoration plan; (ii) limiting the institution's asset growth and restricting its

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activities; (iii) requiring the institution to issue additional capital stock (including additional voting stock) or to sell itself; (iv) restricting transactions between the institution and its affiliates; (v) restricting the interest rate that the institution may pay on deposits; (vi) ordering a new election of directors of the institution; (vii) requiring that senior executive officers or directors be dismissed; (viii) prohibiting the institution from accepting deposits from correspondent banks; (ix) requiring the institution to divest certain subsidiaries; (x) prohibiting the payment of principal or interest on subordinated debt; and (xi) ultimately, appointing a receiver for the institution.

**Community Bank Capital Simplification.** Community banks have long raised concerns with bank regulators about the regulatory burden, complexity, and costs associated with certain provisions of the Basel III Rule. In response, Congress provided a potential Basel III “off-ramp” for certain institutions, like us, under Section 201 of the Regulatory Relief Act. Pursuant to authority granted thereunder, on September 17, 2019, the agencies adopted a final rule, effective on January 1, 2020, providing that banks and bank holding companies that have less than \$10 billion in total consolidated assets and meet other qualifying criteria, including a “Community Bank Leverage Ratio” (“CBLR”) calculated by dividing Tier 1 capital by average total consolidated assets of greater than 9%, will be eligible to opt into the CBLR framework. By opting into the framework, qualifying banks and bank holding companies maintaining a CBLR greater than 9% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the agencies’ capital rules and, if applicable, will be considered to have met the well-capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. In addition to the consolidated assets and CBLR requirements described above, a qualifying bank or bank holding company must also have (i) total off-balance sheet exposures (excluding derivatives other than sold credit derivatives and unconditionally cancellable commitments) of 25% or less of total consolidated assets, and (ii) the sum of total trading assets and trading liabilities of 5% or less of total consolidated assets.

The Corporation and the Bank opted out of the CBLR framework for each reporting period in 2024 and has the option to opt into the framework for future reporting periods. The decision to opt into or out of the CBLR framework is monitored on an ongoing basis.

### **First Business Financial Services, Inc.**

**General.** As the sole shareholder of the Bank, we are a bank holding company. As a bank holding company, we are registered with, and subject to regulation, supervision, and enforcement by, the Federal Reserve under the Bank Holding Company Act of 1956, as amended (“BHCA”). We are legally obligated to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances where we might not otherwise do so. Under the BHCA, we are subject to periodic examination by the Federal Reserve. We are required to file with the Federal Reserve periodic reports of our operations and such additional information regarding the Corporation and our subsidiaries as the Federal Reserve may require.

**Acquisitions and Activities.** The primary purpose of a bank holding company is to control and manage banks. The BHCA generally requires the prior approval of the Federal Reserve for any merger involving a bank holding company or any acquisition by a bank holding company of another bank or bank holding company. Subject to certain conditions (including deposit concentration limits established by the BHCA), the Federal Reserve may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its FDIC-insured institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state institutions or their holding companies) and state laws that require that the target bank has been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company. Furthermore, in accordance with the Dodd-Frank Act, bank holding companies must be well-capitalized and well-managed in order to effect interstate mergers or acquisitions. For a discussion of the capital requirements, see **The Role of Capital** above.

The BHCA generally prohibits the Corporation from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve prior to November 11, 1999 to be “so closely related to banking ... as to be a proper incident thereto.” This authority permits the Corporation to engage in a variety of banking-related businesses, including the ownership and operation of a savings association, or any entity engaged in consumer finance, equipment leasing, the operation of a computer service bureau

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(including software development), and mortgage banking and brokerage services. The BHCA does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank holding companies.

Additionally, bank holding companies that meet certain eligibility requirements prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of non-banking activities, including securities and insurance underwriting and sales, merchant banking, and any other activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature or incidental to any such financial activity or that the Federal Reserve determines by order to be complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of FDIC-insured institutions or the financial system generally. The Corporation has not elected to operate as a financial holding company.

**Change in Control.** Federal law also prohibits any person or company from acquiring “control” of an FDIC-insured depository institution or its holding company without prior notice to the appropriate federal bank regulator. “Control” is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting securities of a bank or bank holding company but may arise under certain circumstances between 10% and 24.99% ownership. On January 30, 2020, the Federal Reserve issued a final rule clarifying and expanding upon the Federal Reserve’s position on determinations of whether a company has the ability to exercise a controlling influence over another company. In particular, the final rule is intended to provide a better understanding of the facts and circumstances that the Federal Reserve considers most relevant when assessing whether control exists.

**Dividend Payments.** We are a legal entity separate and distinct from the Bank and our other subsidiaries. Our primary source of cash, other than securities offerings, is dividends from the Bank. Our ability to pay dividends to our shareholders may be affected by both general corporate law considerations and policies of the Federal Reserve applicable to bank holding companies. As a Wisconsin corporation, we are subject to the limitations of Wisconsin law, which allows us to pay dividends unless, after giving effect to a dividend, any of the following would occur: (i) we would not be able to pay our debts as they become due in the usual course of business or (ii) our total assets would be less than the sum of our total liabilities plus any amount that would be needed if we were to be dissolved at the time of the dividend payment, to satisfy the preferential rights upon dissolution of shareholders whose rights are superior to the rights of the shareholders receiving the distribution.

As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should eliminate, defer, or significantly reduce dividends to shareholders if: (i) the company’s net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) the prospective rate of earnings retention is inconsistent with the company’s capital needs and overall current and prospective financial condition; or (iii) the company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. Moreover, under the Dodd-Frank Act and the requirements of the Federal Reserve, the Corporation, as a bank holding company, is required to serve as a source of financial strength to the Bank and to commit resources to support the Bank. In addition, consistent with its “source of strength” policy, the Federal Reserve has stated that, as a matter of prudent banking, a bank holding company should not maintain a level of cash dividends to its shareholders that places undue pressure on the capital of its bank subsidiaries, or that can be funded only through additional borrowings or other arrangements that may undermine the bank holding company’s ability to serve as a source of strength. The appropriate federal regulatory authorities have indicated that paying dividends that deplete a bank’s capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

The Federal Reserve possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. In addition, under the Basel III Rule, institutions that seek the freedom to pay dividends have to maintain 2.5% in Common Equity Tier 1 Capital attributable to the capital conservation buffer. See **The Role of Capital** above for additional information.

**Monetary Policy.** The monetary policy of the Federal Reserve has a significant effect on the operating results of financial or bank holding companies and their subsidiaries. Among the tools available to the Federal Reserve to affect the money supply are open market transactions in U.S. government securities, changes in the discount rate on bank borrowings, and changes in reserve

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requirements against bank deposits. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid on deposits.

**Federal Securities Regulation.** The Corporation's common stock is registered with the SEC under the Securities Act of 1933, as amended, and the Exchange Act. Consequently, we are subject to the information, proxy solicitation, insider trading, and other restrictions and requirements of the SEC under the Exchange Act.

**Corporate Governance.** The Dodd-Frank Act addressed many investor protection, corporate governance, and executive compensation matters that affect most U.S. publicly traded companies. The Dodd-Frank Act increased shareholder influence over boards of directors by requiring companies to give shareholders a nonbinding vote on executive compensation and so-called "golden parachute" payments, and by authorizing the SEC to promulgate rules that would allow shareholders to nominate and solicit voters for their own candidates using a company's proxy materials. The legislation also directed the Federal Reserve to promulgate rules prohibiting excessive compensation paid to executives of bank holding companies, regardless of whether such companies are publicly traded.

### **The Bank**

**General.** The Bank is a Wisconsin state-chartered bank. The deposit accounts of the Bank are insured by the FDIC's Deposit Insurance Fund ("DIF") to the maximum extent provided under federal law and FDIC regulations. As a Wisconsin-chartered FDIC-insured bank, the Bank is subject to the examination, supervision, reporting, and enforcement requirements of the WDFI, the chartering authority for Wisconsin banks, and the FDIC, designated by federal law as the primary federal regulator of insured state banks that, like the Bank, are not members of the Federal Reserve System (nonmember banks).

**Deposit Insurance.** As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the FDIC. Deposits are insured up to applicable limits by the FDIC and such insurance is backed by the full faith and credit of the United States Government. Under the Dodd-Frank Act, a permanent increase in deposit insurance was authorized to \$250,000 per depositor, per insured depository institution for each account ownership category.

The FDIC has adopted a risk-based assessment system whereby FDIC-insured institutions pay insurance premiums at rates based on their risk classification. For institutions like the Bank that are not considered large and highly complex banking organizations, assessments are now based on examination ratings and financial ratios. At least semi-annually, the FDIC updates its loss and income projections for the DIF and, if needed, increases or decreases the assessment rates, following notice and comment on proposed rulemaking. The assessment base against which an FDIC-insured institution's deposit insurance premiums paid to the DIF has been calculated since effectiveness of the Dodd-Frank Act is based on its average consolidated total assets less its average tangible equity. This method shifted the burden of deposit insurance premiums toward those large depository institutions that rely on funding sources other than U.S. deposits. The assessment rate schedule can change from time to time, at the discretion of the FDIC, subject to certain limits.

On October 18, 2022, the FDIC adopted a final rule increasing the initial base deposit insurance rate schedules by 2 basis points, beginning with the first quarterly assessment period of 2023, which increase will remain in effect until the level of the DIF reserve ratios to insured deposits meets the FDIC's long-term goals.

There was a sharp decline in the DIF in 2023 following the failures of Silicon Valley Bank, Signature Bank and First Republic Bank in the first half of 2023, coupled with strong insured deposit growth. On November 16, 2023, the FDIC issued a final rule to implement a special assessment to recover the loss in the DIF associated with protecting uninsured depositors following these bank failures. Under the final rule, the assessment base for an insured depository institution will be equal to the institution's estimated uninsured deposits as of December 31, 2022, adjusted to exclude the first \$5 billion in estimated uninsured deposits. Our estimated level of uninsured deposits was below that threshold, and therefore, the Bank was not subject to the special assessment.

The FDIC is authorized to conduct examinations of and require reporting by FDIC-insured institutions. It is also authorized to terminate a depository bank's deposit insurance upon a finding by the FDIC that the bank's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition

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enacted or imposed by the bank's regulatory agency. The termination of deposit insurance for the Bank would have a material adverse effect on our earnings, operations and financial condition.

**Supervisory Assessments.** All Wisconsin banks are required to pay supervisory assessments to the WDFI to fund the operations of that agency. The amount of the assessment is calculated on the basis of the Bank's total assets.

**Liquidity Requirements.** Liquidity is a measure of the ability and ease with which bank assets may be converted to cash. Liquid assets are those that can be converted to cash quickly if needed to meet financial obligations. To remain viable, FDIC-insured institutions must have enough liquid assets to meet their near-term obligations, such as withdrawals by depositors. Because the global financial crisis was in part a liquidity crisis, Basel III also includes a liquidity framework that requires FDIC-insured institutions to measure their liquidity against specific liquidity tests. One test, referred to as the Liquidity Coverage Ratio, is designed to ensure that the banking entity has an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet liquidity needs for a 30-calendar day liquidity stress scenario. The other test, known as the Net Stable Funding Ratio, is designed to promote more medium- and long-term funding of the assets and activities of FDIC-insured institutions over a one-year horizon. These tests provide an incentive for banks and holding companies to increase their holdings in Treasury securities and other sovereign debt as a component of assets, increase the use of long-term debt as a funding source, and rely on stable funding such as core deposits. Management defines core deposits as other than wholesale or brokered deposits.

**Dividend Payments.** The primary source of funds for the Corporation is dividends from the Bank. Under Wisconsin law, the board of directors of a bank may declare and pay a dividend from its undivided profits in an amount it considers expedient. The board of directors must provide for the payment of all expenses, losses, required reserves, taxes, and interest accrued or due from the bank before the declaration of dividends from undivided profits. If dividends declared and paid in either of the two immediately preceding years exceeded net income for either of those two years respectively, the bank may not declare or pay any dividend in the current year that exceeds year-to-date net income except with the written consent of the WDFI. The FDIC and the WDFI may prohibit the payment of dividends by the Bank if either or both determine such payment would constitute an unsafe or unsound practice. In addition, under the Basel III Rule, institutions that seek the freedom to pay dividends will have to maintain 2.5% in Common Equity Tier 1 Capital attributable to the capital conservation buffer. See **The Role of Capital** above.

**State Bank Investments and Activities.** The Bank is permitted to make investments and engage in activities directly or through subsidiaries as authorized by Wisconsin law. However, under federal law and FDIC regulations, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, which are not permissible for a national bank. Federal law and FDIC regulations also prohibit FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from engaging as principal in any activity that is not permitted for a national bank unless the bank meets, and continues to meet, its minimum regulatory capital requirements and the FDIC determines that the activity would not pose a significant risk to the DIF. These restrictions have not had, and are not currently expected to have, a material impact on the operations of the Bank.

**Insider Transactions.** The Bank is subject to certain restrictions imposed by federal law on "covered transactions" between the Bank and its "affiliates." We are an affiliate of the Bank for purposes of these restrictions, and covered transactions subject to the restrictions include extensions of credit to the Corporation, investments in the stock or other securities of the Corporation, and the acceptance of the stock or other securities of the Corporation as collateral for loans made by the Bank. The Dodd-Frank Act enhanced the requirements for certain transactions with affiliates, including an expansion of the definition of "covered transactions" and an increase in the amount of time for which collateral requirements regarding covered transactions must be maintained.

Certain limitations and reporting requirements are also placed on extensions of credit by the Bank to its directors and officers, to directors and officers of the Corporation and its subsidiaries, to principal shareholders of the Corporation, and to "related interests" of such directors, officers, and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person who is a director or officer of the Corporation or the Bank, or a principal shareholder of the Corporation, may obtain credit from banks with which the Bank maintains a correspondent relationship.

**Safety and Soundness Standards/Risk Management.** The federal banking agencies have adopted operational and managerial standards to promote the safety and soundness of FDIC-insured institutions. The standards apply to internal controls, information

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systems, internal audit systems, risk mitigation, bank operations, compliance, credit underwriting, interest rate exposure, asset growth, compensation, fiduciary risk, asset quality, and earnings.

In general, the safety and soundness standards prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. While regulatory standards do not have the force of law, if an institution operates in an unsafe and unsound manner, the FDIC-insured institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an FDIC-insured institution fails to submit an acceptable compliance plan or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the FDIC-insured institution's rate of growth, require the FDIC-insured institution to increase its capital, restrict the rates the institution pays on deposits, or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with safety and soundness may also constitute grounds for other enforcement action by the federal bank regulatory agencies, including cease and desist orders and civil money penalty assessments.

During the past several years, the bank regulatory agencies have increasingly emphasized the importance of sound risk management processes and strong internal controls when evaluating the activities of the FDIC-insured institutions they supervise. Properly managing risks has been identified as critical to the conduct of safe and sound banking activities and has become even more important as new technologies, product innovation, and the size and speed of financial transactions have changed the nature of banking markets. The agencies have identified a spectrum of risks facing a banking institution including, but not limited to, credit, market, liquidity, operational, compliance, and reputational risk. In particular, recent regulatory pronouncements have focused on operational risk, which arises from the potential that inadequate information systems, operational problems, breaches in internal controls or failures of internal controls due to human error, insufficient staffing, or insufficiently trained or skilled personnel, fraud, or unforeseen catastrophes will result in unexpected losses. New products and services, third-party risk, incentive compensation, and cybersecurity are critical sources of risk that FDIC-insured institutions are expected to address in the current environment. The Bank is expected to have active board and senior management oversight; adequate policies, procedures, and limits; adequate risk measurement, monitoring, and management information systems; and comprehensive internal controls.

**Branching Authority.** Wisconsin banks, such as the Bank, have the authority under Wisconsin law to establish branches anywhere in the State of Wisconsin, subject to receipt of all required regulatory approvals. The establishment of new interstate branches has historically been permitted only in those states the laws of which expressly authorize such expansion. The Dodd-Frank Act permits well-capitalized and well-managed banks to establish new interstate branches or acquire individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) without impediments. Federal law permits state and national banks to merge with banks in other states subject to: (i) regulatory approval; (ii) federal and state deposit concentration limits; and (iii) state law limitations requiring the merging bank to have been in existence for a minimum period of time (not to exceed five years) prior to the merger.

**Brokered Deposits.** On December 19, 2018, the FDIC adopted a final rule on the treatment of reciprocal deposits pursuant to the Regulatory Relief Act. The final rule, effective March 6, 2019, exempts certain reciprocal deposits from being considered as brokered deposits for certain insured institutions. In particular, well-capitalized and well-rated institutions are not required to treat reciprocal deposits as brokered deposits up to the lesser of 20% of their total liabilities or \$5 billion. Institutions that are not both well-capitalized and well-rated may also exclude reciprocal deposits from their brokered deposits under certain circumstances.

On December 15, 2020, the FDIC issued a final rule on brokered deposits. The rule aims to clarify and modernize the FDIC's existing regulatory framework for brokered deposits. Among other things, the rule establishes bright-line standards for determining whether an entity meets the definition of a "deposit broker," and identifies a number of business relationships (or "designated exceptions") that automatically meet the "primary purpose" exception. The rule also establishes a transparent application process for entities that seek a "primary purpose" exception but do not meet one of the "designated exceptions." The new rule also reflects technological changes across the banking industry and removes regulatory disincentives that limit banks' ability to serve their customers. Full compliance with the amended brokered deposits regulation was required by January 1, 2022. The FDIC staff continues to implement the final rule through the issuance of interpretative guidance and other administrative actions.

**Community Reinvestment Act (“CRA”) Requirements.** The CRA requires the Bank to have a continuing and affirmative obligation in a safe and sound manner to help meet the credit needs of the entire community, including low- and moderate-income (“LMI”) neighborhoods. Federal regulators regularly assess the Bank’s record of meeting the credit and investment needs of its communities. An institution’s CRA assessment may be used by its regulators in their evaluation of certain applications, including a merger, acquisition, or the establishment of a branch office. An unsatisfactory rating may be used as a basis for denial of such an application.

On October 24, 2023, the federal banking agencies jointly issued a final rule to strengthen and modernize the existing CRA regulations. Under the final rule, the agencies will evaluate a bank’s CRA performance based upon the varied activities that it conducts and the communities in which it operates. CRA evaluations and data collection requirements will be tailored based on bank size and type. The Bank would be considered a large bank with assets of greater than \$2 billion under the final rule and therefore will be evaluated under new lending, retail services and products, community development financing, and community development services tests. The final rule includes CRA assessment areas associated with mobile and online banking, and new metrics and benchmarks to assess retail lending performance. In addition, the final rule emphasizes smaller loans and investments that can have a high impact and be more responsive to the needs of LMI communities. The final rule is on hold pending resolution through the federal courts which delayed implementation.

**Anti-Money Laundering/Counting the Financing of Terrorism (“CFT”).** The Bank is subject to several federal laws that are designed to combat money laundering and countering the financing of terrorism, and restrict transactions with persons, companies, or foreign governments sanctioned by United States authorities. This category of laws includes the Bank Secrecy Act, the Money Laundering Control Act, the USA PATRIOT Act (collectively, “AML/CFT laws”) and implementing regulations as administered by the United States Treasury Department’s Office of Foreign Assets Control (“sanctions laws”).

As implemented by federal banking and securities regulators and the Department of the Treasury, AML/CFT laws obligate depository institutions to verify their customers’ identity, conduct customer due diligence, report on suspicious activity, file reports of transactions in currency, and conduct enhanced due diligence on certain accounts. In addition, the Financial Crimes Enforcement Network (“FinCEN”), promulgated customer due diligence and customer identification rules that required banks to identify and verify the identity of beneficial owners of all legal entity customers (with certain exclusions) at the time a new account is opened (subject to certain exemptions). Sanctions laws prohibit persons of the United States from engaging in any transaction with a restricted person or restricted country. Depository institutions are required by their respective federal regulators to maintain policies and procedures in order to ensure compliance with the above obligations. Federal regulators regularly examine AML/CFT and sanctions compliance programs to ensure their adequacy and effectiveness, and the frequency and extent of such examinations and the remedial actions resulting therefrom have been increasing. Non-compliance with sanctions laws and/or AML/CFT laws or failure to maintain an adequate AML/CFT compliance program can lead to significant monetary penalties and reputational damage, and federal regulators evaluate the effectiveness of an applicant in combating money laundering when determining whether to approve a proposed bank merger, acquisition, restructuring, or other expansionary activity.

**Privacy and Cybersecurity.** The Bank is subject to many U.S. federal and state laws and regulations governing requirements for maintaining policies and procedures to protect non-public personal information of their consumers. These laws require the Bank to periodically disclose their privacy policies and practices relating to sharing such information and permit consumers to opt out of their ability to share information with unaffiliated third parties under certain circumstances. They also impact the Bank’s ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes, or to contact clients with marketing offers.

Moreover, given the increased focus on privacy and data security in the United States and internationally, laws and regulations related to the same are evolving. Multiple states and Congress are considering additional laws or regulations that could create or alter individual privacy rights and impose additional obligations on banks and related financial services companies in possession of or with access to personal data.

The Bank is required to implement a comprehensive information security program that includes administrative, technical, and physical safeguards to ensure the security and confidentiality of customer records and information. These security and privacy policies and procedures, for the protection of personal and confidential information, are in effect across the Bank and its subsidiaries. On

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November 18, 2021, the FDIC, the Federal Reserve System, and the OCC (collectively, the agencies) issued a joint final rule, to establish computer-security incident notification requirements for banking organizations and their bank service providers.

Specifically, the rule requires banking organizations to notify their primary federal regulator as soon as possible and no later than 36 hours after the discovery of a “computer-security incident” that rises to the level of a “notification incident,” as those terms are defined under the final rule. Banks’ service providers are required under the rule to notify any affected bank to or on behalf of which the service provider provides services “as soon as possible” after determining that it has experienced an incident that materially disrupts or degrades, or is reasonably likely to materially disrupt or degrade, covered services provided to such bank for as much as four hours.

The federal banking agencies have also adopted guidelines for establishing information security standards and cybersecurity programs for implementing safeguards under the supervision of the board of directors. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third parties in the provision of financial services. Moreover, recent cyberattacks against banks and other financial institutions that resulted in unauthorized access to confidential customer information have prompted the federal banking regulators to issue more extensive guidance on cybersecurity risk management. Among other things, financial institutions are expected to design multiple layers of security controls to establish lines of defense and ensure that their risk management processes address the risks posed by compromised customer credentials, including security measures to authenticate customers accessing internet-based services. A financial institution also should have a robust business continuity program to recover from a cyberattack and procedures for monitoring the security of third-party service providers that may have access to nonpublic data at the institution.

**Concentrations in Commercial Real Estate.** Concentration risk exists when FDIC-insured institutions deploy too many assets to any one industry or segment. A concentration in commercial real estate is one example of regulatory concern. The interagency Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices guidance (“CRE Guidance”) provides supervisory criteria, including the following numerical indicators, to assist bank examiners in identifying banks with potentially significant commercial real estate loan concentrations that may warrant greater supervisory scrutiny: (i) commercial real estate loans exceeding 300% of capital and increasing 50% or more in the preceding three years; or (ii) construction and land development loans exceeding 100% of capital. The CRE Guidance does not limit banks’ levels of commercial real estate lending activities, but rather guides institutions in developing risk management practices and levels of capital that are commensurate with the level and nature of their commercial real estate concentrations. On December 18, 2023, the federal banking agencies issued a statement to reinforce prudent risk-management practices related to CRE lending, having observed substantial growth in many CRE asset and lending markets, increased competitive pressures, rising CRE concentrations in banks, and an easing of CRE underwriting standards. The federal bank agencies reminded FDIC-insured institutions to maintain underwriting discipline and exercise prudent risk-management practices to identify, measure, monitor, and manage the risks arising from CRE lending. In addition, FDIC-insured institutions must maintain capital commensurate with the level and nature of their CRE concentration risk.

**Consumer Financial Services.** The CFPB has broad rulemaking authority for a wide range of consumer protection laws that apply to all providers of consumer products and services, including the Bank, as well as the authority to prohibit “unfair, deceptive or abusive” acts and practices. The CFPB has examination and enforcement authority over providers with more than \$10 billion in assets. FDIC-insured institutions with \$10 billion or less in assets, like the Bank, continue to be examined by their applicable bank regulators.

Because abuses in connection with residential mortgages were a significant factor contributing to the financial crisis, many new rules issued by the CFPB and required by the Dodd-Frank Act addressed mortgage and mortgage-related products, their underwriting, origination, servicing, and sales. The Dodd-Frank Act significantly expanded underwriting requirements applicable to loans secured by 1-4 family residential real property and augmented federal law combating predatory lending practices. In addition to numerous disclosure requirements, the Dodd-Frank Act imposed new standards for mortgage loan originations on all lenders, including banks and savings associations, in an effort to strongly encourage lenders to verify a borrower’s ability to repay, while also establishing a presumption of compliance for certain “qualified mortgages.” The Regulatory Relief Act provided relief in connection with mortgages for banks with assets of less than \$10 billion, and, as a result, mortgages the Bank makes are now considered to be qualified mortgages if they are held in portfolio for the life of the loan. On February 8, 2025, the United States Office of Management and Budget directed CFPB employees to pause all supervision and examination activity. This directive, along with other actions recently taken by the

current Presidential Administration, have created uncertainty about the future of the CFPB, its rulemaking authority and its existing regulations.

**Current Expected Credit Loss (“CECL”) Treatment.** In June 2016, the FASB issued an accounting standard update, “Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,” which replaces the current “incurred loss” model for recognizing credit losses with an “expected loss” model referred to as the CECL model. Under the CECL model, we are required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.

On December 21, 2018, the federal banking agencies issued a joint final rule revising their regulatory capital rules to (i) address the impending implementation of the CECL accounting standard under GAAP; (ii) provide an optional three-year phase-in period for the day-one adverse regulatory capital effects that banking organizations were expected to experience upon enacting CECL; and (iii) require the use of CECL in stress tests beginning with the 2020 capital planning and stress testing cycle for certain banking organizations. The final rule took effect on April 1, 2019; however, on August 26, 2020, the federal bank regulatory agencies issued a final rule allowing institutions that adopted the CECL accounting standard in 2020 the option to mitigate the estimated capital effects of CECL for two years, followed by the three-year transition period already provided by the joint final rule. We elected to use the 2020 Capital Transition Relief as permitted under the applicable regulations. As a result, the three-year phase-in period described above commenced in 2023.

**Digital Asset Regulation.** The federal banking agencies have issued interpretive guidance and statements regarding the engagement by banking organizations in certain digital asset activities. On August 16, 2022, the Federal Reserve released supervisory guidance encouraging all banking organizations supervised by the agency to notify its lead supervisory point of contact at the Federal Reserve prior to engaging in any digital asset-related activity. Prior to engaging in any such activities, banking organizations are expected to ensure their proposed activities are legally permissible under relevant state and federal laws, and ensure they have implemented adequate systems, risk management, and internal controls to ensure that the activities are conducted in a safe and sound manner consistent with applicable laws, including consumer protection laws. On April 7, 2022, the FDIC issued a financial institution letter also requiring its supervised institutions to provide notice and obtain supervisory feedback prior to engaging in any crypto-related activities.

On January 3, 2023, the federal banking agencies issued additional guidance in the form of a joint statement addressing digital asset-related risks to banking organizations. That statement noted the recent volatility and exposure of vulnerabilities in the digital asset sector and indicated that the agencies are continuing to assess whether or how the digital asset-related activities of banking organizations can be conducted in a safe and sound manner and in compliance with all applicable laws and regulations. The statement stressed that each agency has developed, and expects banking organizations to follow, supervisory processes for evaluating proposed and existing digital asset activities.

On February 23, 2023, the federal banking agencies issued a joint statement addressing liquidity risks to banking organizations resulting from crypto-asset market vulnerabilities. The joint statement noted that deposits placed by a crypto-asset-related entity and deposits that constitute stablecoin-related reserves may pose heightened liquidity risks to banking organizations due to the unpredictability of the scale and timing of deposit inflows and outflows. The statement stressed that banking organizations should establish and maintain effective risk management and controls commensurate with the level of liquidity risks from such funding sources. Further, on August 8, 2023, the Federal Reserve announced the establishment of a Novel Activities Supervision Program, which is designed in part to enhance the Federal Reserve’s supervision processes in respect of banking organizations’ crypto-asset related activities and use of distributed ledger technologies and other novel technologies in the delivery of financial products and services.

Although the federal banking agencies have not developed formal regulations governing the digital asset activities of banking organizations, the supervisory framework summarized above dictates that, in order to effectively identify and manage digital asset-related risks and obtain supervisory non-objection to the proposed engagement in digital asset activities, banking organizations must implement appropriate risk management practices, including with respect to board and management oversight, policies and procedures, risk assessments, internal controls and monitoring.

## Item 1A. Risk Factors

An investment in our common stock is subject to risks inherent to our business. Before making an investment decision, you should carefully read and consider the following risks and uncertainties. We may encounter risks in addition to those described below, including risks and uncertainties not currently known to us or those we currently deem to be immaterial. The risks described below, as well as such additional risks and uncertainties, may materially affect or impair our business, results of operations, and financial condition. The risks are organized in the following categories:

- Credit Risk
- Liquidity and Interest Rate Risk
- Operational Risk
- Strategic and External Risk
- Regulatory, Compliance, Legal, and Reputational Risk
- Risks Related to Investing in Our Common Stock
- General Risk Factors

### Credit Risks

*If we do not effectively manage our credit risk, we may experience increased levels of delinquencies, non-accrual loans, and charge-offs, which would require increases in our provision for credit losses.*

There are risks inherent in making any loan or lease, including risks inherent in dealing with borrowers, including, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and cash flows available to repay debt, and risks resulting from changes in economic and market conditions. Our credit risk underwriting and monitoring procedures may not have identified, or will identify, all of these credit risks, and they cannot be expected to completely eliminate our credit risks. If the overall economic conditions in the U.S., generally, or in our specific markets, deteriorates, or if the financial condition of our borrowers otherwise declines, then our borrowers may experience difficulties in repaying their loans and leases, and delinquencies, the level of non-accrual loans and leases, and charge-offs could rise. This would, in turn, require increases in the provision for credit losses, which may adversely affect our business, results of operations, and financial condition.

*Our allowance for credit losses may not be adequate to cover actual losses.*

We establish our allowance for credit losses (“ACL”) and maintain it at a level considered appropriate by management based on an analysis of our portfolio and market environment. The ACL is calculated with the objective of maintaining a reserve level believed by management to be sufficient to absorb estimated credit losses over the life of an asset or an off-balance sheet credit exposure. Management’s determination of the adequacy of the ACL is based on periodic evaluations of past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. Additions to the ACL, which are charged to earnings through the provision for credit losses, are determined based on a variety of factors, including an analysis of our loan and lease portfolio by segment, historical loss experience, subjective factors, and an evaluation of changes in economic, operating, and other conditions within our markets, which may be beyond our control. Such losses may exceed current estimates.

At December 31, 2024, our ACL as a percentage of total loans and leases was 1.20% and as a percentage of total non-performing loans and leases was 131.38%. Although management believes the ACL is appropriate, we may be required to take additional provisions for losses in the future to further supplement the allowance, either due to management’s assessment of credit conditions, or requirements by our banking regulators. In addition, bank regulatory agencies will periodically review our ACL and the value attributed to non-performing loans and leases. Such regulatory agencies may require us to adjust our determination of the value for these items. Any significant increases to the ACL may materially decrease our net income, which may adversely affect our business, results of operations, and financial condition.

***A significant portion of our loan and lease portfolio is comprised of commercial real estate loans, which involve risks specific to real estate values and the real estate markets in general.***

At December 31, 2024 we had \$1.917 billion of commercial real estate loans, which represented 61.6% of our total loan and lease portfolio. Payments on such loans are often dependent on the successful operation or development of the property or business involved; therefore, repayment of such loans is sensitive to conditions in the real estate market or the general economy, which are outside the borrower's control. In the event that the cash flow from the property is reduced, the borrower's ability to repay the loan could be negatively impacted. The deterioration of one, or a few, of these loans could cause a material increase in our level of non-performing loans, which would result in a loss of revenue from these loans and could result in an increase in the provision for credit losses and an increase in charge-offs, all of which could have a material adverse impact on our net income. Many of these loans have real estate as a primary or secondary component of collateral. The market value of real estate can fluctuate significantly in a short period of time as a result of economic conditions. Adverse developments affecting real estate values in one or more of our markets could impact the collateral coverage associated with the commercial real estate segment of our portfolio, possibly leading to increased specific reserves or charge-offs, which may adversely affect our business, results of operations, and financial condition.

Commercial real estate markets have been facing downward pressure since 2022 due in large part to high interest rates. Although commercial real estate markets showed some signs of stabilization in 2024, the prospects for commercial real estate markets and property valuation remain uncertain. The federal banking agencies have expressed concerns about weaknesses in the current commercial real estate market and have applied increased regulatory scrutiny to institutions with commercial real estate loan portfolios that are fast growing or large relative to the institutions' total capital. To address supervisory expectations with respect to financial institutions' handling of commercial real estate borrowers who are experiencing financial difficulty, in June of 2023, the federal banking agencies, including the FDIC, issued an interagency policy statement addressing prudent commercial real estate loan accommodations and workouts. Our failure to maintain appropriate, enhanced risk management policies, procedures and controls in response to regulatory expectations could adversely affect our ability to increase this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio.

Because of the risks associated with commercial real estate loans, we closely monitor the concentration of such loans in our portfolio. If we or our regulators determine that this concentration is approaching or exceeds appropriate limits, we may need to reduce or cease the origination of additional commercial real estate loans, which could adversely affect our growth plans and profitability. We may be required to sell existing loans in our portfolio, but there can be no assurances that we would be able to do so at prices that are acceptable to us.

***Real estate construction and land development loans are based upon estimates of costs and values associated with the completed project. These estimates may be inaccurate and we may be exposed to significant losses on loans for these projects.***

Real estate construction loans, a subset of commercial real estate loans, comprised approximately \$221.1 million, or 7.1%, of our gross loan and lease portfolio, respectively, as of December 31, 2024. Such lending involves additional risks as these loans are underwritten using the as-completed value of the project, which is uncertain prior to its completion, and costs may exceed realizable values in declining real estate markets. Because of the uncertainties inherent in estimating construction costs and the realizable market value of the completed project, it can be relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If the appraisal of the completed project's value proves to be overstated or market values decline, we may have inadequate security for the repayment of the loan upon completion of construction of the project. If we are forced to foreclose on a project prior to or at completion due to a default, we may not be able to recover all of the unpaid balance of, and accrued interest on, the loan and may incur related foreclosure and holding costs. In addition, we may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time while we attempt to dispose of it.

***A large portion of our loan and lease portfolio is comprised of commercial loans secured by various business assets, the deterioration in value of which could increase our exposure to future probable losses.***

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At December 31, 2024, approximately \$1.152 billion, or 37.0%, of our loan portfolio was comprised of commercial loans to businesses collateralized by general business assets, including accounts receivable, inventory, and equipment. Our commercial loans are typically larger in amount than loans to individual consumers and therefore, have the potential for larger losses on an individual loan basis. Additionally, some of our niche commercial lending clients are highly leveraged and/or have inconsistent historical earnings. Significant adverse changes in various industries could cause rapid declines in values and collectability associated with those business assets resulting in inadequate collateral coverage that may expose us to future losses. An increase in specific reserves and charge-offs may adversely affect our business, results of operations, and financial condition.

***The success of our SBA lending program is dependent upon the continued availability of SBA loan programs, our status as a Preferred Lender under the SBA loan programs, our ability to effectively compete and originate new SBA loans, and our ability to comply with applicable SBA lending requirements.***

SBA loans consisting of both commercial real estate and commercial loans, comprised approximately \$58.1 million, or 1.87%, of our gross loan and lease portfolio as of December 31, 2024.

As an SBA Preferred Lender, we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose other restrictions, including revocation of the lender's Preferred Lender status. If we lose our status as a Preferred Lender, we may lose our ability to compete effectively with other SBA Preferred Lenders, and as a result we could experience a material adverse effect to our financial results. Any changes to the SBA program, including changes to the level of guaranty provided by the federal government on SBA loans or changes to the level of funds appropriated by the federal government to the various SBA programs, may also have an adverse effect on our business, results of operations, and financial condition.

We often choose to sell the guaranteed portions of our SBA 7(a) loans in the secondary market. These sales result in earning premium income and create a stream of future servicing income. There can be no assurance that we will be able to continue originating these loans, that a secondary market will exist, or that we will continue to realize premiums upon the sale of the guaranteed portions of these loans. Whether or not we sell the guaranteed portion of an SBA loan, we retain credit risk on the non-guaranteed portion of the loan. We also have credit risk on the guaranteed portion if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced by the Bank. The total outstanding balance of sold SBA loans as of December 31, 2024 was \$79.4 million.

In order for a borrower to be eligible to receive an SBA loan, it must be established that the borrower would not be able to secure a bank loan without the credit enhancements provided by a guaranty under the SBA program. Accordingly, the SBA loans in our portfolio generally have weaker credit characteristics than the rest of our portfolio and may be at greater risk of default. In the event of a loss resulting from default and a determination by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced by the Bank, the SBA may require the Bank to repurchase the previously sold portion of the loan, deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of the principal loss related to the deficiency from the Bank. Management has estimated losses in the outstanding guaranteed portions of SBA loans and recorded an ACL and a SBA recourse reserve at a level determined to be appropriate. Significant increases to the ACL and the SBA recourse reserve may materially decrease our net income, which may adversely affect our business, results of operations, and financial condition.

***Non-performing assets take time to resolve, adversely affect our results of operations and financial condition, and could result in losses.***

At December 31, 2024, our non-accrual loans totaled \$28.4 million, or 0.91% of our gross loan and lease portfolio, and our non-performing assets (which include non-performing loans and repossessed assets) totaled \$28.4 million, or 0.74% of total assets. Our non-performing assets adversely affect our net income in various ways. We do not record interest income on non-accrual loans, thereby adversely affecting our net income and returns on assets and equity, increasing our loan administration costs, and adversely affecting our efficiency ratio. When we take collateral in repossession and similar proceedings, we are required to mark the collateral

to its then net realizable value, less estimated selling costs, which may result in a loss. These non-performing loans and repossessed assets also increase our risk profile and the capital our regulators believe is appropriate in light of such risks. The resolution of non-performing assets requires significant time commitments from management and can be detrimental to the performance of their other responsibilities. If we experience increases in non-performing loans and non-performing assets, our net interest income may be negatively impacted and our loan administration costs could increase, each of which may adversely affect our business, results of operations, and financial condition.

### **Liquidity and Interest Rate Risks**

#### ***Liquidity risks could affect operations and jeopardize our business, financial condition, and results of operations.***

Our ability to implement our business strategy will depend on our liquidity and ability to obtain funding for loan originations, working capital, and other general purposes. An inability to raise funds through deposits, borrowings, the sale of loans, and other sources could have a substantial negative effect on our liquidity. Our preferred source of funding consists of client deposits, which we supplement with other sources, such as wholesale deposits made up of brokered deposits and deposits gathered through internet listing services. Such account and deposit balances can decrease when clients perceive alternative investments as providing a better risk/return profile. If clients move money out of bank deposits and into other investments, we may increase our utilization of wholesale deposits, FHLB advances, and other wholesale funding sources necessary to fund desired growth levels. In addition, the use of brokered deposits without regulatory approval is limited to banks that are “well capitalized” according to regulation. If the Bank is unable to maintain its capital levels at “well capitalized” minimums, we could lose a significant source of funding, which would force us to utilize different wholesale funding or potentially sell assets at a time when pricing may be unfavorable, increasing our funding costs and reducing our net interest income and net income.

Our access to funding sources could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets, credit quality, capital adequacy, or negative views and expectations about the prospects for the financial services industry. Regional and community banks generally have less access to the capital markets than do national and super-regional banks because of their smaller size and limited analyst coverage. During periods of economic turmoil or decline, the financial services industry and the credit markets generally may be materially and adversely affected by declines in asset values and by diminished liquidity. Under such circumstances, the liquidity issues are often particularly acute for regional and community banks, as larger financial institutions may curtail their lending to regional and community banks to reduce their exposure to the risks of other banks. Correspondent lenders may also reduce or even eliminate federal funds lines for their correspondent clients in difficult economic times.

As a result, we rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities to ensure that we have adequate liquidity to fund our operations. Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, pay dividends to our shareholders, or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse effect on our business, results of operations, and financial condition.

#### ***The Corporation is a bank holding company and its sources of funds necessary to meet its obligations are limited.***

The Corporation is a bank holding company and its operations are primarily conducted by the Bank, which is subject to significant federal and state regulation. Cash available to pay dividends to our shareholders, pay our obligations, and meet our debt service requirements is derived primarily from our existing cash flow sources, our third party line of credit, dividends received from the Bank, or a combination thereof. Future dividend payments by the Bank will require the generation of future earnings by the Bank and are subject to certain regulatory guidelines. If the Bank is unable to pay dividends, we may not have the resources or cash flow to pay or meet all of our obligations.

#### ***Interest rate shifts may reduce net interest income and otherwise negatively impact our financial condition and results of operations.***

Shifts in short-term interest rates may reduce net interest income, which is the principal component of our earnings. Net interest income is the difference between the amounts we receive on our interest-bearing assets and the amounts we pay on our

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interest-bearing liabilities. Interest rates are highly sensitive to a variety of factors that are beyond our control, including general economic conditions and policies of governmental and regulatory agencies and, in particular, the Federal Reserve. In certain scenarios, when interest rates rise, the rate of interest we pay on our liabilities may rise more quickly than the rate of interest that we receive on our interest-bearing assets, which could cause our profits to decrease. Similarly, when interest rates fall, the rate of interest we pay on our liabilities may not decrease as quickly as the rate of interest we receive on our interest-bearing assets, which could cause our profits to decrease. The structure of our balance sheet and resultant sensitivity to interest rates in various scenarios may change in the future.

Interest rate increases on variable rate loans often result in larger payment requirements for our borrowers, which increases the potential for default. At the same time, the marketability of underlying collateral may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on certain loans as borrowers refinance at lower rates. This increase in pre-payments may reduce interest income which may not be fully offset by pre-payment fees.

Changes in interest rates also can affect the value of loans. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in non-performing assets and a reduction of income recognized, which could have an adverse effect on our results of operations and cash flows. Further, when we place a loan on non-accrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. Subsequently, we continue to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of non-performing assets would have an adverse impact on net interest income.

Rising interest rates may also result in a decline in value of our fixed-rate debt securities. The unrealized losses resulting from holding these securities would be recognized in other comprehensive income and reduce total stockholders' equity. If debt securities in an unrealized loss position are sold, such losses become realized and will reduce our regulatory capital ratios.

### ***The proportion of the Corporation's deposit account balances that exceed FDIC insurance limits may expose the Bank to enhanced liquidity risk.***

Federal banking agencies have concluded that the proportion of the deposits that exceeded FDIC insurance limits was a significant factor in the failure of certain banking institutions in the first half of 2023. In response, many large depositors across the industry withdrew deposits in excess of applicable deposit insurance limits and deposited these funds in other financial institutions and low-risk securities accounts in an effort to mitigate the risk of potential further bank failures. While the Bank has not experienced significant withdrawal activity in connection with the 2023 bank failures, if a significant portion of the Bank's deposits were to be withdrawn within a short period of time in connection with a similar future crisis, additional sources of funding may be required to meet withdrawal demands. The Corporation may be unable to obtain sufficient funding on favorable terms, which may have an adverse effect on the Corporation's net interest margin. In addition, funding deposit obligations may be more difficult in a high interest rate environment. Because the Corporation's available-for-sale investment securities may lose value when interest rates rise, proceeds from the sale of such assets may be diminished during periods of elevated interest rates. Under such circumstances, the Corporation may be required to access funding from alternative liquidity sources in order to manage our liquidity risk.

Uninsured deposits historically have been viewed by the regulators as less stable than insured deposits, and the 2023 bank failures have prompted enhanced regulatory scrutiny of banks' liquidity risk management. According to statements made by the regulators, clients with larger uninsured deposit account balances often are small- and mid-sized businesses that rely upon deposit funds for payment of operational expenses and, as a result, are more likely to closely monitor the financial condition and performance of their depository institutions. As a result, in the event of financial distress, uninsured depositors historically have been more likely to withdraw their deposits. To that end, the federal banking agencies issued an interagency policy statement in July 2023 to underscore the importance of robust liquidity risk management and contingency funding planning. In the policy statement, the regulators noted that banks should maintain actionable contingency funding plans that take into account a range of possible stress scenarios, assess the stability of their funding and maintain a broad range of funding sources, ensure that collateral is available for borrowing, and review and revise contingency funding plans periodically and more frequently as market conditions and strategic initiatives change.

## **Operational Risks**

***Information security risks for financial institutions like us continue to increase in part because of new technologies, the increased use of the internet and telecommunications technologies (including mobile devices and cloud computing) to conduct financial and other business transactions, political activism, and the increased sophistication and activities of organized crime, terrorist, hackers, and perpetrators of fraud. A successful cyber-attack or other breach of our information systems could adversely affect the Corporation's business, financial condition or results of operations and damage its reputation.***

The methods of cyber-attacks change frequently or, in some cases, are not recognized until launch, we are not able to anticipate or implement effective preventive measures against all possible security breaches and the probability of a successful attack cannot be predicted. Although we employ detection and response mechanisms designed to detect and mitigate security incidents, early detection may be thwarted by persistent sophisticated attacks and malware designed to avoid detection. We train employees and our clients on fraud risks and mitigation strategies. We face risks related to cyber-attacks, ransomware attacks and other security breaches that typically involve the transmission of sensitive information regarding our clients and monetary transactions through various third parties. Some of these third parties have in the past been the target of security breaches and cyber-attacks. Because the transactions involve third parties and environments that we do not control or secure, future security breaches or cyber-attacks affecting any of these third parties could impact us through no fault of our own, and in some cases, we may suffer losses for breaches or attacks relating to them. We also rely on numerous other third-party service providers to conduct other aspects of our business operations and face similar risks relating to them. While we conduct security assessments on our high risk third party service providers, we cannot be sure that their information security protocols are sufficient to withstand a cyber-attack or other security breach.

The Corporation regularly evaluates its systems and controls and implements upgrades as necessary. The additional cost to the Corporation of our cyber security monitoring and protection systems and controls includes the cost of hardware and software, third party technology providers, consulting and forensic testing firms, insurance premiums, and the cost of our personnel who focus a substantial portion of their responsibilities on fraud and cyber security.

Any successful cyber-attack or other security breach on the Corporation, third party service providers, or clients involving the misappropriation, loss or other unauthorized disclosure of confidential client information or funds or that compromises our ability to function could erode confidence in the security of our systems, products and services. This may result in monetary losses, potentially subject us to regulatory investigation with fines and penalties, expose us to litigation and liability, disrupt our operations and have a material adverse effect on our business, financial condition or results of operations and damage our reputation.

***We are dependent upon third party service providers for certain information systems, data management and processing services, and key components of our business infrastructure, which are subject to operational, security, and other risks.***

As with many other financial institutions, we outsource certain information systems, data management, and processing functions to third-party providers, including key components of our business infrastructure like internet and network access, and core application processing. While we have selected these third-party service providers carefully, we do not control their actions, nor is any vendor due diligence perfect. These third-party service providers are sources of operational and informational security risk to us, including risks associated with operational errors, information system interruptions or outages, unauthorized access or disclosure of sensitive or confidential information. If our third-party service providers encounter any of these issues, or if we have difficulty exchanging information with or receiving services from them, we could be exposed to disruption of operations, an inability to provide products and services to our clients, a loss of service or connectivity, reputational damage, and litigation risk that could have a material adverse effect on our business, results of operations, and financial condition.

***The nature of our operations is such that we are exposed to risks associated with potential fraudulent activities, errors, breaches and the like.***

By its nature, our business involves our operating in diverse markets and relying on the ability of our employees and systems to process transactions. As a result, we are subject to various risks of loss, including but not limited to the risk of fraud by employees or non-employees, the execution of unauthorized transactions, errors relating to transaction processing, breaches of our internal control systems, compliance failures, and other unforeseeable external events. Our industry has recently experienced an increase in the incidence of check fraud, wire fraud, peer-to-peer payment fraud, and the use of AI technology to facilitate identity theft. Insurance coverage may not be available for such losses, or such losses may exceed insurance limits. Any such losses could also lead to litigation against the Corporation and the Bank. As a result, we could suffer financial loss, be subject to regulatory action, and

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experience reputational damage, any of which could have a material adverse effect on our business, results of operations, and financial condition.

***Our business continuity plans could prove to be inadequate, resulting in a material interruption in or disruption to our business and a negative impact on our results of operations.***

We rely heavily on communications and information systems to conduct our business and our operations are dependent on our ability to protect our systems against damage from fire, power loss, telecommunication failure, or other emergencies. The computer systems and network infrastructure we use could be vulnerable to unforeseen problems. These problems may arise in both our internally developed systems and the systems of our third-party service providers. Any failure or interruption of these systems could result in failures or disruptions in general ledger, core bank processing systems, client relationship management, and other systems. While we have a business continuity plan and other policies and procedures designed to prevent or limit the impact of a failure, interruption or security breach of our information systems, there can be no assurance that any of those events will not occur or, if they do occur, that they will be adequately remediated. The occurrence of any failure, interruption, or security breach of our information systems could damage our reputation, result in a loss of clients, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our business, results of operations, and financial condition.

***New lines of business, products, and services are essential to our ability to compete but may subject us to additional risks.***

Periodically, we implement new lines of business and/or offer new products and services within existing lines of business. There can be substantial risks and uncertainties associated with these efforts, particularly in instances where the markets for such services are still developing or due diligence is not fully vetted. In developing and marketing new lines of business and/or new products or services, we invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved, and price and profitability targets may not prove feasible. New technologies needed to support the new line of business or product may result in incremental operating costs and system defects. Compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. In instances of new lines of businesses offering credit services, weaknesses relating to underwriting and operations may impact credit and capital. Delinquency may negatively affect non-performing assets and increase the provision for credit losses.

Any new line of business and/or new product or service could also have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, results of operations, and financial condition.

***Our framework for managing risks may not be effective in mitigating risk and loss to us.***

Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, control, and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, information and cyber security risk, compensation risk, legal and compliance risk, and reputational risk, among others. As with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. Our ability to successfully identify and manage risks facing us is an important factor that can significantly impact our results. If our risk management framework proves ineffective, we could suffer unexpected losses which could adversely affect our business, results of operations, and financial condition.

***We are subject to changes in accounting principles, policies, or guidelines.***

Our financial performance is impacted by accounting principles, policies, and guidelines. Some of these policies require the use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Some of our accounting policies are critical because they require management to make difficult, subjective, and complex judgments about matters that are inherently

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uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying our financial statements are incorrect, we may experience material losses.

From time to time, the FASB and SEC change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of our financial statements. These changes are beyond our control, can be difficult to predict, and could materially impact how we report our financial condition and results of operations. Changes in these standards are continuously occurring and more changes may occur in the future. The implementation of such changes could have a material adverse effect on our business, results of operations, and financial condition.

### ***Our internal controls may be ineffective.***

Management regularly reviews and updates its internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the controls are met. In addition, as we continue to grow the Corporation, our controls need to be updated to keep up with such growth. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could cause us to report a material weakness in internal control over financial reporting and conclude that our controls and procedures are not effective, which could have a material adverse effect on our business, results of operations, and financial condition.

## **Strategic and External Risks**

### ***Our business may be adversely affected by conditions in the financial markets and economic conditions generally.***

Our operations and profitability are impacted by general business and economic conditions in the U.S. and, to some extent, abroad. These conditions include short-term and long-term interest rates, inflation, money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity markets, broad trends in industry and finance, the strength of the U.S. economy and uncertainty in financial markets globally, all of which are beyond our control. A deterioration in economic conditions could result in an increase in loan delinquencies and non-performing assets, decreases in loan collateral values, and a decrease in demand for our products and services, among other things, any of which could have a material adverse effect on our business, results of operations, and financial condition.

### ***Changes in U.S. trade policies, including the imposition of tariffs, may adversely affect our business, results of operations and financial condition.***

The current Presidential administration has imposed or threatened to impose significant tariffs against goods imported from Canada, Mexico, China and the European Union. These and other potential tariffs and trade restrictions, along with the retaliatory responses they may prompt, could cause price increases in our clients' products, reducing the demand for such products, or reduce our clients' margins and adversely affect their revenues, financial results and ability to service their debt. These circumstances could, in turn, have a material adverse effect on our results of operations and financial condition.

### ***The Corporation's business and financial results could be materially and adversely affected by widespread public health events.***

Public health epidemics could result in the continued and increased recognition of credit losses in the Corporation's loan portfolio and increases in the Corporation's ACL, particularly to the extent that there is a significant negative impact on the global economy. Because of changing economic and market conditions affecting issuers, the Corporation may be required to recognize impairments on the investments it holds. Furthermore, the demand for the Corporation's products and services may be impacted, which could materially adversely affect the Corporation's revenue.

We cannot predict how future widespread public health epidemics, should they occur, might impact our financial condition and results of operation. The extent to which any future pandemic impacts the Corporation's business, results of operations, and financial condition, as well as the Corporation's regulatory capital, liquidity ratios, and stock price, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and any responsive actions taken by governmental authorities and other third parties.

***Our business is concentrated in and largely dependent upon the continued growth and welfare of the general geographical markets in which we operate.***

Our operations are heavily concentrated in southern Wisconsin and, to a lesser extent, the Northeast regions of Wisconsin and the greater Kansas City Metro and, as a result, our financial condition, results of operations, and cash flows are significantly impacted by changes in the economic conditions in those areas. Our success depends to a significant extent upon the business activity, population, income levels, and real estate activity in these markets. Although our clients' business and financial interests may extend well beyond these markets, adverse economic conditions that affect these markets, including, without limitation, could reduce our growth rate, affect the ability of our clients to repay their loans to us, affect the value of collateral underlying loans, and generally affect our financial condition and results of operations. Because of our geographic concentration, we are less able than other regional or national financial institutions to diversify our credit risks across multiple markets.

***Our financial condition and results of operations could be negatively affected if we fail to effectively execute our strategic plan or manage the growth called for in our strategic plan.***

While we believe we have the management resources and internal systems in place to successfully execute our strategic plan, we cannot guarantee that opportunities will be available and that the strategic plan will be successful or effectively executed.

Although we do not have any current definitive plans to do so, we may expand into additional communities or attempt to strengthen our position in our current markets through opportunistic acquisitions of similar or complementary financial services organizations. To the extent that we do so, we may experience higher operating expenses relative to operating income from the new operations or certain one-time expenses associated with the discontinuation of a product or business, all of which may have an adverse effect on our business, results of operations, and financial condition. Other effects of engaging in such strategies may include potential diversion of our management's time and attention and general disruption to our business. To the extent that we grow through new locations, we may incur certain one-time expenses and we cannot ensure that we will be able to adequately and profitably manage this growth. Acquiring other banks and businesses would involve similar risks to those commonly associated with branching, but may also involve additional risks, including potential exposure to unknown or contingent liabilities of banks and businesses we acquire and exposure to potential asset quality issues of the acquired bank or related business.

***We could recognize impairment losses on securities held in our securities portfolio, goodwill, or other long-lived assets.***

As of December 31, 2024, the fair value of our securities portfolio was approximately \$347.9 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities acquired by us are generally subject to decreases in market value when interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual mortgagors with respect to the underlying securities, and instability in the credit markets. Any of the foregoing factors could cause credit losses and result in a provision for credit losses. The process for determining whether impairment is other-than-temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on our business, results of operations, and financial condition.

As of December 31, 2024, the Corporation had goodwill of \$10.7 million. Goodwill is not amortized but, instead, is subject to impairment tests on at least an annual basis, and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. A decline in our stock price, decline in the performance of our acquired operations, or the occurrence of another triggering event could, under certain circumstances, result in an impairment charge being recorded. During 2024, our annual impairment test conducted July 1, 2024 indicated that the estimated fair value of the reporting unit exceeded the carrying value (including goodwill). Depending on market conditions, economic forecasts, results of operations, additional adverse circumstances or other factors, the goodwill impairment analysis may require additional review of assumptions and outcomes prior to our next annual impairment testing date of July 1, 2025. In the event that we conclude that all or a portion of our goodwill may be impaired, a non-cash charge for the amount of such impairment would be recorded to earnings. Such a charge would have no impact on tangible capital or regulatory capital.

***The failure or perceived weakness of any of our significant counterparties could expose us to loss.***

The financial markets are characterized by extensive interconnections among financial institutions, including banks, broker-dealers, collective investment funds and insurance companies. As a result of these interconnections, we and many of our clients have counterparty exposure to other financial institutions. This counterparty exposure presents risks to us and to our clients because the failure or perceived weakness of any of our counterparties has the potential to expose us to risk of loss. Changes in market perception of the financial strength of particular financial institutions can occur rapidly, are often based upon a variety of factors and can be difficult to predict. In addition, the criteria for and manner of governmental support of financial institutions and other economically important sectors remain uncertain. Further, the consolidation of financial services firms and the failures of other financial institutions has in the past increased, and may in the future increase, the concentration of our counterparty risk. We are not able to mitigate all of our and our clients' counterparty credit risk. If a significant individual counterparty defaults on an obligation to us, we could incur financial losses that have a material and adverse effect on our business, financial condition and results of operations.

***We could be required to establish a deferred tax asset valuation allowance and a corresponding charge against earnings if we experience a decrease in earnings.***

Deferred tax assets are reported as assets on our balance sheet and represent the decrease in taxes expected to be paid in the future. If it becomes more likely than not that some portion or the entire deferred tax asset will not be realized, a valuation allowance must be recognized. As of December 31, 2024, the Wisconsin state deferred tax valuation allowance was \$1.6 million, reducing our Wisconsin deferred tax assets to \$2.1 million. The Corporation believes it will fully realize its Federal and non-Wisconsin deferred tax assets. These determinations were based on the evaluation of several factors, including relevant tax law changes, our recent earnings history, expected future taxable earnings, and appropriate tax planning strategies. A decrease in taxable earnings could adversely impact our ability to fully utilize our remaining deferred tax assets. If we determine that it is more likely than not that some portion or all of the remaining deferred tax assets will not be realized, we will be required to recognize a valuation allowance, which would result in a corresponding charge against our earnings.

***Competition from other financial services providers could adversely affect our profitability.***

We encounter heavy competition in attracting commercial loan, specialty finance, deposit, and private wealth management clients. We believe the principal factors that are used to attract quality clients and distinguish one financial institution from another include value-added relationships, interest rates and rates of return, types of accounts and product offerings, service fees, and quality of service.

Our competition includes banks, savings institutions, mortgage banking companies, credit unions, finance companies, equipment finance companies, mutual funds, insurance companies, brokerage firms, investment banking firms, financial technology ("FinTech") companies, and digital asset providers. We compete with regional and national financial institutions that have a substantial presence in our market areas, many of which have greater liquidity, higher lending limits, greater access to capital, more established market recognition, and more resources and collective experience than we do. Some larger financial institutions that have not historically competed with us directly have substantial excess liquidity and have sought, and may continue to seek, smaller lending relationships in our primary markets. Furthermore, tax-exempt credit unions operate in our market areas and aggressively price their products and services to a large portion of the market. Finally, technology has also lowered the barriers to entry and made it possible for non-bank financial service providers to offer products and services we have traditionally offered, such as automatic funds transfer and automatic payment systems, as well as transactions and products such as digital assets (including cryptocurrencies and similar assets) that may appeal to certain clients, but which are not subject to supervision and regulation comparable to that which we are subject. Recent changes in the U.S. political landscape may result in deregulation of certain aspects of the financial services sector, including a more relaxed enforcement policy with respect to digital assets and FinTech companies. Our profitability depends, in part, upon our ability to successfully compete with these other financial service providers and to maintain and increase market share.

***Consumers and businesses are increasingly using non-banks to complete their financial transactions, which could adversely affect our business and results of operations.***

Technology and other changes are allowing consumers and businesses to complete financial transactions through alternative methods that historically involved financial institutions. The wide acceptance of Internet-based and person-to-person commerce has resulted in a number of alternative payment processing systems and lending platforms in which banks play only minor roles. Businesses and

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consumers can now maintain funds in social payment applications, prepaid debit cards or digital currencies, and pay bills and transfer funds directly without the direct assistance of financial institutions. The diminishing role of financial institutions as financial intermediaries has resulted, and could continue to result, in the loss of fee income, as well as the loss of client deposits and the related income generated from those deposits. The loss of these revenue streams and the potential loss of lower cost deposits as a source of funds could have a material adverse effect on our business, financial condition, and results of operations.

***If we are unable to keep pace with technological advances in our industry, our ability to attract and retain clients could be adversely affected.***

The banking industry is constantly subject to technological changes with frequent introductions of new technology-driven products and services. In addition to better serving clients, the effective use of technology increases our efficiency and enables us to reduce costs. Our future success will depend in part on our ability to address the needs of our clients by using technology to provide products and services that will satisfy client demands for convenience as well as create additional efficiencies in our operations. A number of our competitors have substantially greater resources to invest in technological improvements, as well as significant economies of scale. There can be no assurance that we will be able to implement and offer new technology-driven products and services to our clients. If we fail to do so, our ability to attract and retain clients may be adversely affected.

***Our Private Wealth management results of operations may be negatively impacted by changes in economic and market conditions.***

Our private wealth management results of operations may be negatively impacted by changes in general economic conditions and the conditions in the financial and securities markets, including the values of assets held under management, which are beyond our control. Our management contracts generally provide for fees payable for services based on the market value of assets under management; therefore, declines in securities prices will generally have an adverse effect on our results of operations from this business. Market declines and reductions in the value of our clients' private wealth management services accounts could result in us losing private wealth management services clients, including those who are also banking clients, and negatively affect our earnings.

***Potential acquisitions may disrupt our business and dilute shareholder value.***

While we remain committed to organic growth, we also may consider additional acquisition opportunities involving complementary financial service organizations if the right situation were to arise. Various risks commonly associated with acquisitions include, among other things:

- Potential exposure to unknown or contingent liabilities of the target company.
- Exposure to potential asset quality issues of the target company.
- Potential diversion of our management's time and attention.
- Possible loss of key employees and clients of the target company.
- Difficulty in estimating the value of the target company.
- Potential changes in banking or tax laws or regulations that may affect the target company.
- Difficulty in integrating operations, personnel, technologies, services, and products of acquired companies.

Acquisitions may involve the payment of a premium over book and market values, and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a material adverse effect on our business, financial condition, and results of operations.

***The investments we make in certain tax-advantaged projects may not generate returns as anticipated and may have an adverse impact on the Corporation's financial results.***

We invest in certain tax-advantaged projects promoting community development. Investments in these projects are designed to generate a return primarily through the realization of federal and state income tax credits, and other tax benefits, over specified time

periods. The Corporation is subject to the risk that previously recorded tax credits, which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level, will fail to meet certain government compliance requirements and will not be able to be realized. The possible inability to realize these tax credit and other tax benefits could have a negative impact on the Corporation's financial results. The risk of not being able to realize the tax credits and other tax benefits depends on many factors outside of the Corporation's control, including changes in the applicable tax code and the ability of the projects to be completed.

***A prolonged U.S. government shutdown or default by the U.S. on government obligations would harm our results of operations.***

Our results of operations, including revenue, non-interest income, expenses and net interest income, would be adversely affected in the event of widespread financial and business disruption due to a default by the United States on U.S. government obligations or a prolonged failure to maintain significant U.S. government operations. Of particular impact to the Corporation are the operations of the SBA. Any failure to maintain such U.S. government operations, and the after-effects of such shutdown, could impede our ability to originate SBA loans and sell such loans in the secondary market, and would materially adversely affect our business, results of operations, and financial condition.

In addition, many of our investment securities are issued by, and some of our loans are made to, the U.S. government and government agencies and sponsored entities. Uncertain domestic political conditions, including prior federal government shutdowns and potential future federal government shutdowns or other unresolved political issues, may pose credit default and liquidity risks with respect to investments in financial instruments issued or guaranteed by the federal government and loans to the federal government. Any further downgrade in the sovereign credit rating of the United States, as well as sovereign debt issues facing the governments of other countries, could have a material adverse impact on financial markets and economic conditions in the United States and worldwide. Any such adverse impact could have a material adverse effect on our liquidity, financial condition, and results of operations.

**Regulatory, Compliance, Legal and Reputational Risks**

***We operate in multiple states and in a highly regulated industry and the federal and state laws and regulations that govern our operations, corporate governance, executive compensation, and accounting principles. Changes in applicable laws or regulations, or our failure to comply with them, may adversely affect us.***

We are subject to extensive regulation and supervision that govern almost all aspects of our operations. These laws and regulations, among other matters, prescribe minimum capital requirements, expose us to legal penalties, financial forfeiture and material loss if we fail to act in accordance with bank laws and regulations, impose limitations on our business activities and compensation practices, limit the dividends or distributions that we can pay, restrict the ability to guarantee our debt, and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than generally accepted accounting principles. These regulations affect our lending practices, employment practices, compliance management system, operational controls, tax structure, and growth, among other things. Changes to federal and state laws, income and property tax regulations, or regulatory guidance, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, tax filing requirements, employment practices, and limit the types of financial services and products we may offer, among other things. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional costs. Further, our failure to comply with these laws and regulations, even if the failure was inadvertent or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines, and other penalties, any of which could adversely affect our business, results of operations, and financial condition.

From time to time, federal and state governments and bank regulatory agencies modify the laws and regulations that govern financial institutions and the financial system generally. These modifications often, but not always, occur in response to crises or significant events, such as the several bank failures in early 2023, the COVID-19 pandemic, or political transitions. Such laws and regulations can affect our operating environment in substantial and unpredictable ways. Among other effects, such laws and regulations can increase or decrease the cost of doing business, limit or expand the scope of permissible activities, or affect the competitive balance among banks and other financial institutions. In addition, any changes in monetary policy, fiscal policy, tax laws, and other policies can affect the broader economic environment, interest rates, and patterns of trade. Any of these changes could affect our company and the banking industry as a whole in ways that are difficult to predict, and could adversely impact our business, financial condition, or results of operations.

***We face a risk of noncompliance and enforcement action with various statutes and regulations.***

The Bank has identified AML/CFT as a series of key laws and regulations that provide a foundation to promote financial transparency and deter and detect those who seek to misuse the U.S. financial system to launder criminal proceeds, finance terrorist acts, or move funds for other illicit purposes. AML/CFT laws and regulations require FBB, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and currency transaction reports as appropriate. The FinCEN, established by Treasury to administer the AML/CFT laws, is authorized to impose significant civil money penalties for violations of those requirements and has engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and IRS. There is also increased scrutiny of compliance with the rules enforced by the FinCEN, Federal, and State regulators. Federal and state bank regulators also focus on compliance with AML/CFT laws.

If our policies, procedures, and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan which would adversely affect our business, results of operations, and financial condition. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us.

***We are periodically subject to examination and scrutiny by a number of banking agencies and, depending upon the findings and determinations of these agencies, we may be required to make adjustments to our business that could adversely affect us.***

Federal and state banking agencies periodically conduct examinations of our business, including compliance with applicable laws and regulations. If, as a result of an examination, a federal banking agency was to determine that the financial condition, capital resources, asset quality, asset concentration, earnings prospects, management, liquidity, sensitivity to market risk, or other aspects of any of our operations has become unsatisfactory, or that we or our management is in violation of any law or regulation, it could take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin “unsafe or unsound” practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to change the asset composition of our portfolio or balance sheet, to assess civil monetary penalties against our officers or directors, to remove officers and directors. If it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. If we become subject to such regulatory actions, our business, results of operations, and financial condition may be adversely affected.

***We are subject to claims and litigation pertaining to our fiduciary responsibilities.***

Some of the services we provide, such as private wealth management services, require us to act as fiduciaries for our clients and others. From time to time, third parties could make claims and take legal action against us pertaining to the performance of our fiduciary responsibilities. If fiduciary investment decisions are not appropriately documented to justify action taken or trades are placed incorrectly, among other possible claims, and if these claims and legal actions are not resolved in a manner favorable to us, we may be exposed to significant financial liability and/or our reputation could be damaged. These results may adversely impact demand for our products and services or otherwise have an adverse effect on our business, results of operations, and financial condition.

**Risks Related to Investing in Our Common Stock**

***Our stock is thinly traded and our stock price can fluctuate.***

Although our common stock is listed for trading on the Nasdaq Global Select Market, low volume of trading activity and volatility in the price of our common stock may make it difficult for our shareholders to sell common stock when desired and at prices they find attractive. Our stock price can fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated variations in our quarterly results of operations;
- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable to us;

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- news reports relating to trends, concerns, and other issues in the financial services industry;
- perceptions in the marketplace regarding us or our competitors and other financial services companies;
- new technology used, or services offered, by competitors; and
- changes in government regulations.

General market fluctuations, industry factors, and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes, or credit loss trends, could also cause our stock price to decrease regardless of our operating results.

***To maintain adequate capital levels, we may be required to raise additional capital in the future, but that capital may not be available when it is needed and/or could be dilutive to our existing shareholders.***

We are required by regulatory authorities to maintain adequate levels of capital to support our operations. In order to ensure our ability to support the operations of the Bank, we may need to limit or terminate cash dividends that can be paid to our shareholders. In addition, we may need to raise capital in the future. Our ability to raise capital, if needed, will depend in part on our financial performance and conditions in the capital markets at that time, and accordingly, we cannot guarantee our ability to raise capital on terms acceptable to us. If we decide to raise equity capital in the future, the interests of our shareholders could be diluted. Any issuance of common stock would dilute the ownership percentage of our current shareholders and any issuance of common stock at prices below tangible book value would dilute the tangible book value of each existing share of our common stock held by our current shareholders. The market price of our common stock could also decrease as a result of the sale of a large number of shares or similar securities, or the perception that such sales could occur. If we cannot raise capital when needed, our ability to serve as a source of strength to the Bank, pay dividends, maintain adequate capital levels and liquidity, or further expand our operations could be materially impaired.

***If equity research analysts publish research or reports about our business with unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline.***

The trading market for our common stock could be affected by whether equity research analysts publish research or reports about us and our business and what is included in such research or reports. If equity analysts publish research reports about us containing unfavorable commentary, downgrade our stock, or cease publishing reports about our business, the price of our stock could decline. If any analyst electing to cover us downgrades our stock, our stock price could decline rapidly. If any analyst electing to cover us ceases coverage of us, we could lose visibility in the market, which in turn could cause our common stock price or trading volume to decline and our common stock to be less liquid.

***Volatility or events impacting a subset of the banking industry can impact the entire sector, including the Corporation, which could affect the confidence of our clients and investors and result in a material adverse effect on our performance and a decline in our stock price for reasons outside of our control.***

The industry in which we compete is diverse, with participants ranging from community-based banks to global financial institutions with assets in the trillions of dollars. In addition, some financial institutions have exposure of an extremely broad range of risks, or outsized exposure to specific industries such as startup and early-stage, pharmaceutical, or oil & gas companies. When volatility, market events or similar issues affect a subset of financial institutions, or when there are news reports or high-profile incidents relating to trends, concerns, and other issues in the banking industry, the ramifications can affect the sector as a whole, regardless of the effect, or lack thereof, on any specific institution. For example, the 2023 failures of Silicon Valley Bank, Signature Bank and First Republic Bank, which were caused by specific risk management and industry issues, negatively impacted customer, investor and media perception of the entire sector, resulting in declines in depositor confidence and stock prices throughout the industry. Future events of this nature could result in a material adverse effect on our performance and a decline in our stock price for reasons that would not otherwise affect the Bank or which are outside of our control.

## General Risk Factors

### *Our ability to attract and retain talented employees is critical to our success.*

Our success depends on our ability to continue to recruit and retain talented employees. Competition for such employees is intense, which has led to an increase in compensation throughout the labor market, and accordingly, an increase in payroll costs for employers. Prospective employees are also placing an emphasis on flexible, including remote, work arrangements and other considerations, and such arrangements can provide employees with more employment options and mobility, making them more difficult to retain. If we are unable to meet the expectations of employees and prospective employees, and thus, retain or attract employees, it could have a substantial adverse effect on our business.

### *We rely on our management and the loss of one or more of those managers may harm our business.*

Our success has been and will be greatly influenced by our continuing ability to retain the services of our existing senior management and to attract and retain additional qualified senior and middle management. The unexpected loss of key management personnel or the inability to recruit and retain qualified personnel in the future could have an adverse effect on our business and financial results. In addition, our failure to develop and/or maintain an effective succession plan will impede our ability to quickly and effectively react to unexpected loss of key management, and in turn, may have an adverse effect on our business, results of operations, and financial condition.

### *Negative publicity could damage our reputation and adversely impact our business and financial results.*

Reputation risk, or the risk to our earnings and capital due to negative publicity, is inherent in our business. Negative publicity can result from our actual or alleged conduct in a number of activities, including lending practices, fraud, information security, management actions, corporate governance, and actions taken by government regulators and community organizations in response to those activities. Negative publicity can adversely affect our ability to keep and attract clients, employees, and shareholders and can expose us to litigation and regulatory action, all of which could have a material adverse effect on our business, financial condition, and results of operations.

## Item 1B. Unresolved Staff Comments

None.

## Item 1C. Cybersecurity

Cybersecurity is an important component of our overall approach to Enterprise Risk Management (“ERM”). Our cybersecurity policies, standards, processes and practices are fully integrated in our ERM program which are based on recognized frameworks established by the National Institute of Standards and Technology, the International Organization for Standardization and other applicable industry standards. We seek to address cybersecurity risks through a comprehensive approach that is focused on preserving the confidentiality, security and availability of the information that we collect and store by identifying, preventing and mitigating cybersecurity threats and effectively responding to cybersecurity incidents when they occur.

Our cybersecurity program is focused on the following key areas:

**Governance:** The Board of Director’s (the “Board”) oversight of cybersecurity risk management is delegated to the Operational Risk Committee of the Board (the “ORC”), which regularly interacts with our ERM function, the Chief Information Officer (“CIO”), other members of management and relevant management committees. The ORC chair regularly reports material developments on cybersecurity to the Board.

**Collaborative Approach:** We have implemented a comprehensive approach to identifying, preventing and mitigating cybersecurity threats and incidents, while also implementing controls and procedures that provide for the prompt escalation of certain cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner.

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**Technical Safeguards:** We deploy technical safeguards that are designed to continuously protect our information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality and access controls. These safeguards are evaluated and improved through vulnerability assessments, penetration testing, and cybersecurity threat intelligence.

**Incident Response and Recovery Planning:** We have established and maintain a comprehensive incident response and recovery plan that fully addresses our response to a potential cybersecurity incident, and such plans are tested and evaluated on a regular basis.

**Third-Party Risk Management:** We maintain a comprehensive, risk-based approach to identifying and monitoring cybersecurity risks presented by third parties, including vendors, service providers and other external users of our systems, as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems. Our third-party risk management program includes robust upfront and ongoing risk assessments for all critical and high-risk vendors.

**Education and Awareness:** We provide regular, mandatory training for personnel regarding cybersecurity threats as a means to equip our personnel with effective tools to address cybersecurity threats, and to communicate our evolving information security policies, standards, processes and practices. The Board receives periodic education and on a regular basis is informed about industry trends and how the Bank is responding to evolving threats.

We engage an independent third party to conduct periodic testing and assessment of our policies, standards, processes, controls and practices that are designed to address cybersecurity threats and incidents. These efforts include audits, assessments, vulnerability and penetration testing and other exercises focused on evaluating the effectiveness of our cybersecurity measures. We also engage independent third parties to complete periodic testing and assessments of our cybersecurity measures. The results of such assessments are reported to the ORC and the Board and we adjust our policies and practices as necessary based on the information provided by these assessments.

The Board and the ORC oversee our ERM process, including regular presentations and reports. The Board and the ORC also would receive prompt and timely information regarding any cybersecurity incident that meets established reporting thresholds. The Board and the ORC coordinate the approach to cybersecurity management with the CRO and the CIO, as well as our CFO and CEO.

Our CRO and CIO have 30 and 24 years of experience, respectively. Their background is summarized in Item 1, Executive Officers of the Registrant.

To date, we believe we have not been materially affected, or are reasonably likely to be materially affected, by cybersecurity threats, including our business strategy, results of operations or financial condition. Please refer to Risk Factors in Item 1A for discussion of possible impacts from future cybersecurity events.

## **Item 2. Properties**

The following table provides certain summary information with respect to the principal properties in which we conduct our operations, all of which were leased, as of December 31, 2024:

<b>Location</b>	<b>Function</b>	<b>Expiration Date</b>
401 Charmany Drive, Madison, WI	Full-service banking location of FBB - South Central Region and office of FBFS	2028
17335 Golf Parkway, Brookfield, WI	Full-service banking location of FBB - Southeast Region	2032
11141 Overbrook Road, Leawood, KS	Full-service banking location of FBB - Kansas City Region	2033
3913 West Prospect Avenue, Appleton, WI	Full-service banking location of FBB - Northeast Region	2030

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For the purpose of generating business development opportunities in our specialized lending and consulting businesses, as of December 31, 2024, office space was also leased in several states nationwide under shorter-term lease agreements, a majority of which have terms of one year or less.

### **Item 3. Legal Proceedings**

We believe no litigation is threatened or pending in which we face potential loss or exposure which could materially affect our consolidated financial position, consolidated results of operations, or consolidated cash flows. Since our subsidiaries act as depositories of funds, lenders, and fiduciaries, they are occasionally named as defendants in lawsuits involving a variety of claims. This and other litigation is ordinary, routine litigation incidental to our business.

### **Item 4. Mine Safety Disclosures**

Not applicable.

## **PART II.**

### **Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities**

#### *Holders*

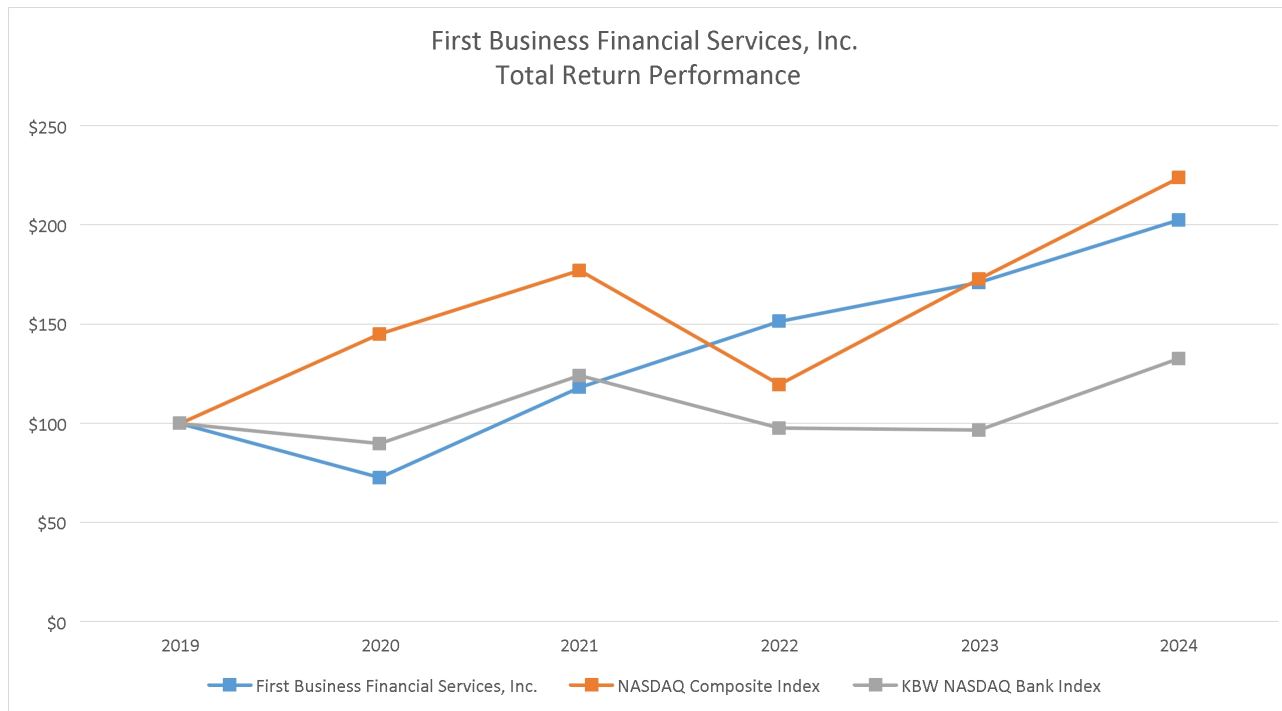
The common stock of the Corporation is traded on the Nasdaq Global Select Market under the symbol “FBIZ.” As of February 20, 2025, there were 323 registered shareholders of record of the Corporation’s common stock.

#### *Dividend Policy*

It has been our practice to pay a dividend to common shareholders. Dividends historically have been declared in the month following the end of each calendar quarter. However, the timing and amount of future dividends are at the discretion of the Board of Directors of the Corporation (the “Board”) and will depend upon the consolidated earnings, financial condition, liquidity, and capital requirements of the Corporation and the Bank, the amount of cash dividends paid to the Corporation by the Bank, applicable government regulations and policies, supervisory actions, and other factors considered relevant by the Board. Refer to **Item 1 - Business - Supervision and Regulation - Regulation and Supervision of the Bank - Dividend Payments** for additional discussion regarding the limitations on dividends and other capital contributions by the Bank to the Corporation. The Board anticipates it will continue to declare dividends as appropriate based on the above factors.

#### *Stock Performance Graph*

The chart shown below depicts total return to shareholders during the period beginning December 31, 2019 and ending December 31, 2024. The total return includes appreciation or depreciation in market value of the Corporation’s common stock as well as actual cash and stock dividends paid to common stockholders. Indices shown below, for comparison purposes only, are the Total Return Index for the Nasdaq Composite, which is a broad nationally recognized index of stock performance by publicly traded companies, and the KBW Bank Nasdaq, which is an index that contains securities of Nasdaq-listed companies classified according to the Industry Classification Benchmark as banks.



Index	As of December 31,					
	2019	2020	2021	2022	2023	2024
First Business Financial Services, Inc.	\$ 100.00	\$ 72.55	\$ 118.14	\$ 151.43	\$ 171.01	\$ 202.55
NASDAQ Composite Index	100.00	144.92	177.06	119.45	172.77	223.87
KBW NASDAQ Bank Index	100.00	89.69	124.06	97.52	96.65	132.60

*Issuer Purchases of Securities*

As previously announced, on April 26, 2024, the Corporation's Board of Directors authorized the repurchase by the Corporation of shares its common stock with a maximum aggregate purchase price of \$5.0 million, in such quantities, at such prices and on such other terms and conditions as the Corporation's Chief Executive Officer or Chief Financial Officer determine in their discretion to be in the best interests of the Corporation and its shareholders, any time with no expiration date. As of December 31, 2024, the Corporation has not repurchased any shares under this repurchase program.

The following table sets forth information about the Corporation's purchases of its common stock during the three months ended December 31, 2024.

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Total Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2024 - October 31, 2024	—	\$ —	—	—
November 1, 2024 - November 30, 2024	282	49.82	—	—
December 1, 2024 - December 31, 2024	—	—	—	—
<b>Total</b>	<b>282</b>	<b>\$ 49.82</b>	<b>—</b>	<b>108,015</b>

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- (1) During the fourth quarter of 2024, the Corporation repurchased an aggregate 282 shares of the Corporation's common stock in open-market transactions, all of which were surrendered to us to satisfy income tax withholding obligations in connection with the vesting of restricted awards. The Corporation did not repurchase any shares pursuant to the publicly announced program described above during the quarter.

**Item 6.** [Reserved]

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### General

Unless otherwise indicated or unless the context requires otherwise, all references in this Report to the “Corporation,” “we,” “us,” “our,” or similar references mean First Business Financial Services, Inc. together with our subsidiary. “FBB” or the “Bank” refers to our subsidiary, First Business Bank.

### Forward-Looking Statements

This report may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, which reflect our current views with respect to future events and financial performance. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results, or other developments. Forward-looking statements are based on management’s expectations as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Such statements are subject to risks and uncertainties, including among other things:

- Adverse changes in the economy or business conditions, either nationally or in our markets including, without limitation, inflation, economic downturn, labor shortages, wage pressures, and the adverse effects of public health events on the global, national, and local economy.
- Uncertainty created by potential federal government actions relating to the authority of regulatory agencies (including bank regulators), international trade policy, and other significant policy matters.
- Competitive pressures among depository and other financial institutions nationally and in our markets.
- Increases in defaults by borrowers and other delinquencies.
- Our ability to manage growth effectively, including the successful expansion of our client support, administrative infrastructure, and internal management systems.
- Fluctuations in interest rates and market prices.
- Changes in legislative or regulatory requirements applicable to us and our subsidiaries.
- Changes in tax requirements, including tax rate changes, new tax laws, and revised tax law interpretations.
- Fraud, including client and system failure or breaches of our network security, including our internet banking activities.
- Failure to comply with the applicable SBA regulations in order to maintain the eligibility of the guaranteed portions of SBA loans.
- Ongoing volatility in the banking sector may result in new legislation, regulations or policy changes that could subject the Corporation and the Bank to increased government regulation and supervision.
- The proportion of the Corporation’s deposit account balances that exceed FDIC insurance limits may expose the Bank to enhanced liquidity risk.
- The Corporation may be subject to increases in FDIC insurance assessments.

These risks, together with the risks identified in **Item 1A — Risk Factors**, could cause actual results to differ materially from what we have anticipated or projected. These risk factors and uncertainties should be carefully considered by our stockholders and potential investors. Investors should not place undue reliance on any such forward-looking statements, which speak only as of the date made.

Where any such forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, we caution that, while our management believes such assumptions or bases are reasonable and are made in good faith, assumed facts or bases can vary from actual results, and the differences between assumed facts or bases and actual results can be material, depending on the circumstances. Where, in any forward-looking statement, an expectation or belief is expressed as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will be achieved or accomplished.

We do not intend to, and specifically disclaim any obligation to, update any forward-looking statements.

The following discussion and analysis is intended as a review of significant events and factors affecting our financial condition and results of operations for the periods indicated. The discussion should be read in conjunction with the Consolidated Financial Statements and the Notes thereto.

### **Overview**

We are a registered bank holding company incorporated under the laws of the State of Wisconsin and are engaged in the commercial banking business through our wholly-owned banking subsidiary, FBB. All of our operations are conducted through FBB and First Business Specialty Finance, LLC (“FBSF”), a wholly-owned subsidiary of FBB. We operate as a business bank focusing on delivering a full line of commercial banking products and services tailored to meet the specific needs of small and medium-sized businesses, business owners, executives, professionals, and high net worth individuals. Our products and services include those for business banking, private wealth management services, and bank consulting. Within business banking, we offer commercial lending, asset-based lending, accounts receivable financing, equipment financing, floorplan financing, vendor financing, SBA lending and servicing, treasury management services, and company retirement plans. Our private wealth management services include trust and estate administration, financial planning, investment management, and private banking for executives and owners of our business banking clients and others. Our bank consulting experts provide investment portfolio administrative services, asset liability management services, and asset liability management process validation for other financial institutions. We do not utilize a branch network to attract retail clients. Our operating model is predicated on deep client relationships, financial expertise, and an efficient, centralized administration function delivering best in class client satisfaction. Our focused model allows experienced staff to provide the level of financial expertise needed to develop and maintain long-term relationships with our clients.

### **Long-Term Strategic Plan**

In early 2024, management finalized the development of its five year strategic plan and began the implementation of strategies and initiatives that drive successful execution. Management’s objective over this five year period is to foster innovative and engaged team members who develop deep client relationships and deliver exceptional results for all stakeholders. To meet this objective, we identified five key strategies which are linked to corporate financial goals, all business lines, and centralized administration functions to ensure communication and execution are consistent at all levels of the Corporation.

These strategies are described below:

- We will protect and strengthen our unique culture with a growing and geographically diverse team.
- We will develop future-ready talent who will thrive in the workplace of the future by continuously investing in our team to elevate their impact and contribution.
- We will grow our core deposits by driving a company-wide commitment to adding new relationships and capitalizing on innovative sources and new technologies.
- We will achieve operational excellence by fostering a culture of continuous process improvement and utilization of innovative technology.
- We will optimize the performance of each business line and market to achieve sustainable profitability and growth.

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The table below shows the Corporation's performance for the years ended December 31, 2024, 2023, and 2022 in comparison to the key performance indicators included in the Corporation's 2024 strategic plan.

Key Performance Indicators	As of December 31,			Strategic Plan
	2022	2023	2024	
Return on average tangible common equity ("ROATCE") <sup>(1)</sup>	17.7%	14.5%	15.4%	≥ 15% by 2028
Tangible book value ("TBV") growth	8.6%	12.9%	15.0%	≥ 10% per year
Top line revenue growth	13.4%	12.6%	6.6%	≥ 10% per year
Efficiency ratio	62.31%	60.99%	60.61%	< 60% by 2028
Core deposits to total funding	76.1%	76.0%	71.1%	≥ 75%
Employee engagement & participation <sup>(2)</sup>	87%	90%	86%	≥ 85%
Net promoter score <sup>(3)</sup>	77	78	70	≥ 70

(1) Excluding tax and SBA recourse benefits, the 2024 ROATCE was 14.6%.

(2) Anonymous survey conducted annually.

(3) Net promoter score assesses likelihood to recommend on a 11-point scale, where detractors (scores 0-6) are subtracted from promoters (scores 9-10), while passives (scores 7-8) are not considered.

### Financial Performance Summary

Results as of and for the year ended December 31, 2024, include:

- Net income available to common shareholders for the year ended December 31, 2024 was \$43.4 million, increasing 20.0% compared to \$36.2 million for the year ended December 31, 2023.
- Diluted earnings per common share were \$5.20 for the year ended December 31, 2024, increasing 20.0% compared to \$4.33 in the prior year.
- Return on average assets ("ROAA") for the year ended December 31, 2024, was 1.20%, compared to 1.13% for 2023.
- Return on average common equity ("ROACE") is defined as net income available to common shareholders divided by average equity less average preferred stock. ROACE was 14.73% for the year ended December 31, 2024, compared to 13.79% for the year ended December 31, 2023.
- Pre-tax, pre-provision ("PTPP") adjusted earnings, which excludes certain one-time and discrete items, was \$60.4 million for the year ended December 31, 2024, compared to \$56.2 million for the year ended December 31, 2023.
- Fees in lieu of interest, defined as prepayment fees, asset-based loan fees, non-accrual interest, and loan fee amortization, totaled \$5.5 million for the year ended December 31, 2024, compared to \$3.5 million for the year ended December 31, 2023.
- Net interest margin was 3.66% for the year ended December 31, 2024, compared to 3.78% for the year ended December 31, 2023. Adjusted net interest margin, which excludes certain one-time and volatile items including fees in lieu of interest, was 3.47% for the year ended December 31, 2024, compared to 3.62% for the year ended December 31, 2023.
- Top line revenue, defined as net interest income plus non-interest income, totaled \$153.5 million for the year ended December 31, 2024, compared to \$143.9 million in the year ended December 31, 2023.
- Effective tax rate, including the benefit from Low-Income Housing Tax Credits, was 13.5% for the year ended December 31, 2024, compared to 21.5% for the year ended December 31, 2023.
- Provision for credit loss expense was \$8.8 million for the year ended December 31, 2024, compared to \$8.2 million for the year ended December 31, 2023.
- Total assets at December 31, 2024, increased \$345.4 million, or 9.8%, to \$3.853 billion from \$3.508 billion at December 31, 2023.

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- Period-end gross loans and leases receivable increased \$263.8 million, or 9.3%, to \$3.114 billion as of December 31, 2024, compared to \$2.850 billion as of December 31, 2023. Average gross loans and leases of \$2.997 billion increased \$349.0 million, or 13.2%, for the year ended December 31, 2024, compared to \$2.648 billion for the year ended December 31, 2023.
- Non-performing assets were \$28.4 million and 0.74% of total assets as of December 31, 2024, compared to \$20.8 million and 0.59% of total assets as of December 31, 2023.
- The allowance for credit losses, including reserve for unfunded credit commitments, increased \$4.3 million compared to December 31, 2023. The allowance for credit losses, including reserve for unfunded credit commitments, was 1.20% of total loans, compared to 1.16% at December 31, 2023.
- Period-end core deposits at December 31, 2024, increased \$57.4 million, or 2.5%, to \$2.396 billion from \$2.339 billion as of December 31, 2023. Average core deposits of \$2.378 billion increased \$280.3 million, or 13.4%, for the year ended December 31, 2024, compared to \$2.098 billion for the year ended December 31, 2023.
- Private wealth and trust assets under management and administration increased by \$297.2 million, or 9.5%, to \$3.419 billion at December 31, 2024, compared to \$3.122 billion at December 31, 2023. Private wealth management service fees increased \$1.8 million, or 16.1%, for the year ended December 31, 2024, compared to the year ended December 31, 2023.

The detailed financial discussion that follows focuses on 2024 results compared to 2023. Information pertaining to 2023 in comparison to 2022 was included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2023, on page 37 under Part II, Item 7, "Management's Discussion and Analysis of Financial and Result of Operations," which was filed with the SEC on February 26, 2024.

### Results of Operations

#### Top Line Revenue

Top line revenue, comprised of net interest income and non-interest income, increased \$9.6 million, or 6.6%, for the year ended December 31, 2024, compared to the year ended December 31, 2023, due to a 10.3% increase in net interest income partially offset by a 6.6% decrease in non-interest income. The increase in net interest income was driven by an increase in average gross loans and leases outstanding. The decrease in non-interest income was due to lower returns on investments in SBIC funds, commercial loan swap fee income, and gains on the sale of SBA loans; partially offset by increases in private wealth fee income.

The components of top line revenue were as follows:

	For the Year Ended December 31,			Change From Prior Year			
	2024	2023	2022	\$ Change 2024	% Change 2024	\$ Change 2023	% Change 2023
	(Dollars in Thousands)						
Net interest income	\$124,206	\$112,588	\$98,422	\$11,618	10.3%	\$14,166	14.4%
Non-interest income	29,251	31,308	29,428	(2,057)	(6.6)	\$1,880	6.4
Top line revenue	<u>\$153,457</u>	<u>\$143,896</u>	<u>\$127,850</u>	<u>\$9,561</u>	6.6	<u>\$16,046</u>	12.6

#### Return on Average Assets and Return on Average Common Equity

ROAA was 1.20% for the year ended December 31, 2024, compared to 1.13% for the year ended December 31, 2023. The increase in ROAA was due to the increase in net interest income and a lower effective tax rate, partially offset by a decrease in non-interest income. We consider ROAA a critical metric to measure the profitability of our organization and how efficiently our assets are deployed. ROAA also allows us to better benchmark our profitability to our peers without the need to consider different degrees of leverage which can ultimately influence return on equity measures.

ROACE for the year ended December 31, 2024, was 14.73%, compared to 13.79% for the year ended December 31, 2023. The reasons for the change in ROACE are consistent with the net income variance explanation as discussed under ROAA above. We view

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ROACE as an important measurement for monitoring profitability and continue to focus on improving our return to our shareholders by enhancing the overall profitability of our client relationships, controlling our expenses, and minimizing our costs of credit.

### Efficiency Ratio and Pre-Tax, Pre-Provision Adjusted Earnings

Efficiency ratio measured 60.61% for the year ended December 31, 2024, compared to 60.99% for the year ended December 31, 2023. Efficiency ratio is a non-GAAP measure representing operating expense divided by operating revenue. Operating expense is defined as non-interest expense excluding the effects of the SBA recourse benefit or provision, impairment of tax credit investments, net gains or losses on repossessed assets, amortization of other intangible assets, and other discrete items, if any. Operating revenue is defined as net interest income plus non-interest income less realized net gains or losses on securities, if any, and other discrete items.

PTPP adjusted earnings for the year ended December 31, 2024, was \$60.4 million, compared to \$56.2 million for the year ended December 31, 2023. PTPP adjusted earnings is a non-GAAP measure defined as operating revenue less operating expense. In the judgment of the Corporation's management, the adjustments made to non-interest expense and non-interest income allow investors and analysts to better assess the Corporation's operating expenses in relation to its core operating revenue by removing the volatility associated with certain one-time items and other discrete items. PTPP adjusted earnings allows management to benchmark performance of our model to our peers without the influence of the loan loss provision and tax considerations, which will ultimately influence other traditional financial measurements, including ROA and ROAE. The information provided below reconciles the efficiency ratio to its most comparable GAAP measure.

Please refer to the **Non-Interest Income** and **Non-Interest Expense** sections below for discussion on additional drivers of the year-over-year change in the efficiency ratio and PTPP adjusted earnings.

	For the Year Ended December 31,			Change From Prior Year			
	2024	2023	2022	\$ Change 2024	% Change 2024	\$ Change 2023	% Change 2023
	(Dollars in Thousands)						
Total non-interest expense	\$93,480	\$88,575	\$79,474	\$4,905	5.5%	\$9,101	11.5%
Less:							
Net (gain) loss on repossessed assets	168	12	49	156	NM	(37)	(75.5)
SBA recourse provision (benefit)	(104)	775	(188)	(879)	NM	963	(512.2)
Contribution to First Business Charitable Foundation	—	—	809	—	NM	(809)	NM
Impairment of tax credit investments	400	—	(351)	400	NM	351	NM
Total operating expense (a)	\$93,016	\$87,788	\$79,155	\$5,228	6.0	\$8,633	10.9
Net interest income	\$124,206	\$112,588	\$98,422	\$11,618	10.3	\$14,166	14.4
Total non-interest income	29,251	31,308	29,428	(2,057)	(6.6)	1,880	6.4
Less:							
Bank-owned life insurance claim	—	—	809	—	NM	(809)	NM
Net loss on sale of securities	(8)	(45)	—	37	NM	(45)	NM
Adjusted non-interest income	29,259	31,353	28,619	(2,094)	(6.7)	2,734	9.6
Operating revenue (b)	\$153,465	\$143,941	\$127,041	\$9,524	6.6	\$16,900	13.3
Efficiency ratio	60.61%	60.99%	62.31%				
Pre-tax, pre-provision adjusted earnings (b-a)	\$60,449	\$56,153	\$47,886	\$4,296	7.7	\$8,267	17.3
Average total assets	\$3,626,273	\$3,212,149	\$2,752,916	\$414,124	12.9	\$459,233	16.7

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**Net Interest Income**

Net interest income levels depend on the amount of and yield on interest-earning assets as compared to the amount of and rate paid on interest-bearing liabilities. Net interest income is sensitive to changes in market rates of interest and the asset/liability management processes to prepare for and respond to such changes.

The table below shows average balances, interest, average rates, net interest margin and the spread between combined average rates earned on our interest-earning assets and cost of interest-bearing liabilities for the periods indicated. The average balances are derived from average daily balances.

	2024		Average Yield/Rate	2023		Average Yield/Rate	2022		Average Yield/Rate
	Average Balance	Interest		Average Balance	Interest		Average Balance	Interest	
For the Year Ended December 31,									
(Dollars in Thousands)									
<b>Interest-earning assets</b>									
Commercial real estate and other mortgage loans <sup>(1)</sup>	\$1,793,041	\$118,339	6.60%	\$1,586,967	\$98,370	6.20%	\$1,484,239	\$66,917	4.51%
Commercial and industrial loans <sup>(1)</sup>	1,153,955	95,782	8.30%	1,013,866	81,963	8.08%	771,056	46,575	6.04%
Consumer and other loans <sup>(1)</sup>	49,885	2,777	5.57%	47,018	2,316	4.93%	49,695	1,876	3.78%
Total loans and leases receivable <sup>(1)</sup>	2,996,881	216,898	7.24%	2,647,851	182,649	6.90%	2,304,990	115,368	5.01%
Mortgage-related securities <sup>(2)</sup>	266,098	10,405	3.91%	200,383	6,433	3.21%	173,495	3,486	2.01%
Other investment securities <sup>(3)</sup>	56,301	1,507	2.68%	62,921	1,770	2.81%	51,700	986	1.91%
FHLB and FRB stock	12,167	1,133	9.31%	15,162	1,231	8.12%	16,462	989	6.01%
Short-term investments	59,853	3,186	5.32%	54,311	2,845	5.24%	30,845	542	1.76%
Total interest-earning assets	3,391,300	233,129	6.87%	2,980,628	194,928	6.54%	2,577,492	121,371	4.71%
Non-interest-earning assets	234,973			231,521			175,424		
Total assets	\$3,626,273			\$3,212,149			\$2,752,916		
<b>Interest-bearing liabilities</b>									
Transaction accounts	\$884,321	33,796	3.82%	\$689,500	23,727	3.44%	\$503,668	3,963	0.79%
Money market accounts	815,603	32,180	3.95%	681,336	22,129	3.25%	761,469	6,241	0.82%
Certificates of deposit	237,228	10,879	4.59%	273,387	11,209	4.10%	97,448	1,358	1.39%
Wholesale deposits	515,197	21,066	4.09%	346,285	14,353	4.14%	48,825	1,616	3.31%
Total interest-bearing deposits	2,452,349	97,921	3.99%	1,990,508	71,418	3.59%	1,411,410	13,178	0.93%
FHLB advances	282,437	7,719	2.73%	351,990	8,881	2.52%	414,191	7,024	1.70%
Other borrowings	51,072	3,284	6.43%	38,891	2,041	5.25%	43,818	2,243	5.12%
Junior subordinated notes <sup>(4)</sup>	—	—	—	—	—	—	2,429	504	20.75%
Total interest-bearing liabilities	2,785,858	108,924	3.91%	2,381,389	82,340	3.46%	1,871,848	22,949	1.23%
Non-interest-bearing demand deposit accounts	441,313			453,930			566,230		
Other non-interest-bearing liabilities	92,708			102,668			65,611		
Total liabilities	3,319,879			2,937,987			2,503,689		
Stockholders' equity	306,394			274,162			249,227		
Total liabilities and stockholders' equity	\$3,626,273			\$3,212,149			\$2,752,916		
Net interest income		\$124,205			\$112,588			\$98,422	
Interest rate spread			2.96%			3.08%			3.48%
Net interest-earning assets	\$605,442			\$599,239			\$705,644		
Net interest margin			3.66%			3.78%			3.82%
Average interest-earning assets to average interest-bearing liabilities	121.73%			125.16%			137.70%		
Return on average assets	1.20%			1.13%			1.46%		
Return on average common equity	14.73%			13.79%			16.79%		
Average equity to average assets	8.45%			8.54%			9.05%		
Non-interest expense to average assets <sup>(4)</sup>	2.58%			2.76%			2.89%		

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- (1) The average balances of loans and leases include non-accrual loans and leases and loans held for sale. Interest income related to non-accrual loans and leases is recognized when collected. Interest income includes net loan fees in lieu of interest.
- (2) Includes amortized cost basis of assets available-for-sale and held-to-maturity.
- (3) Yields on tax-exempt municipal securities are not presented on a tax-equivalent basis in this table.
- (4) Weighted average rate of junior subordinated notes and debentures reflects the accelerated amortization of subordinated debt issuance costs as a result of the early redemption of the junior subordinated notes during the first quarter of 2022.

The following table provides information with respect to: (1) the change in net interest income attributable to changes in rate (changes in rate multiplied by prior volume); and (2) the change in net interest income attributable to changes in volume (changes in volume multiplied by prior rate) for the year ended December 31, 2024 compared to the year ended December 31, 2023. The change in net interest income attributable to changes in rate and volume (changes in rate multiplied by changes in volume) has been allocated to the rate and volume changes in proportion to the relationship of the absolute dollar amounts of the change in each.

	Increase (Decrease) for the Year Ended December 31,					
	2024 Compared to 2023			2023 Compared to 2022		
	Rate	Volume	Net	Rate	Volume	Net
	(In Thousands)					
<b>Interest-earning assets</b>						
Commercial real estate and other mortgage loans <sup>(1)</sup>	\$ 6,643	\$ 13,326	\$ 19,969	\$ 26,551	\$ 4,902	\$ 31,453
Commercial and industrial loans <sup>(1)</sup>	2,240	11,579	13,819	18,329	17,059	35,388
Consumer and other loans <sup>(1)</sup>	314	147	461	546	(106)	440
Total loans and leases receivable	9,197	25,052	34,249	45,426	21,855	67,281
Mortgage-related securities	1,586	2,386	3,972	2,341	606	2,947
Other investment securities	(83)	(180)	(263)	538	246	784
FHLB and FRB Stock	(47)	(51)	(98)	325	(83)	242
Short-term investments	47	294	341	1,664	639	2,303
Total net change in income on interest-earning assets	10,700	27,501	38,201	50,294	23,263	73,557
<b>Interest-bearing liabilities</b>						
Transaction accounts	2,832	7,237	10,069	17,816	1,948	19,764
Money market accounts	5,242	4,809	10,051	16,612	(724)	15,888
Certificates of deposit	1,245	(1,575)	(330)	5,105	4,746	9,851
Wholesale deposits	(197)	6,910	6,713	507	12,230	12,737
Total deposits	9,122	17,381	26,503	40,040	18,200	58,240
FHLB advances	(315)	(847)	(1,162)	3,033	(1,176)	1,857
Other borrowings	520	723	1,243	56	(258)	(202)
Junior subordinated debentures	—	—	—	—	(504)	(504)
Total net change in expense on interest-bearing liabilities	9,327	17,257	26,584	43,129	16,262	59,391
Net change in net interest income	\$ 1,373	\$ 10,244	\$ 11,617	\$ 7,165	\$ 7,001	\$ 14,166

- (1) The average balances of loans and leases include non-accrual loans and leases and loans held for sale.

The change in yield of the respective interest-earning asset or the rate paid on interest-bearing liability compared to the change in short-term market rates is commonly referred to as a beta. The table below displays the beta calculations for loans and leases, total interest earning assets, core deposits, interest-bearing deposits and total interest-bearing liabilities for the year ended December 31, 2024, and 2023. Additionally, adjusted total loans and leases and total interest-earning assets excludes the volatile impact of fees in lieu of interest.

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	For the Year Ended December 31,			2024 Compared to 2022 Increase (Decrease)
	2024	2023	2022	
<b>Asset and Liability Beta Analysis</b>	Average Yield/Rate <sup>(4)</sup>			
Total loans and leases receivable <sup>(a)</sup>	7.24%	6.90%	5.01%	2.23%
Total interest-earning assets <sup>(b)</sup>	6.87%	6.54%	4.71%	2.16%
Adjusted total loans and leases receivable <sup>(1)(c)</sup>	7.05%	6.77%	4.78%	2.27%
Adjusted total interest-earning assets <sup>(1)(d)</sup>	6.71%	6.42%	4.50%	2.21%
Total core deposits <sup>(e)</sup>	3.23%	2.72%	0.60%	2.63%
Total bank funding <sup>(f)</sup>	3.33%	2.87%	0.84%	2.49%
Net interest margin <sup>(g)</sup>	3.66%	3.78%	3.82%	-0.16%
Adjusted net interest margin <sup>(h)</sup>	3.47%	3.62%	3.63%	-0.16%
Effective fed funds rate <sup>(3)(i)</sup>	5.14%	5.02%	1.69%	3.45%
<b>Beta Calculations:</b>				
Total loans and leases receivable <sup>(a)(i)</sup>				64.64%
Total interest-earning assets <sup>(b)(i)</sup>				62.61%
Adjusted total loans and leases receivable <sup>(1)(c)(i)</sup>				65.80%
Adjusted total interest-earning assets <sup>(1)(d)(i)</sup>				64.06%
Total core deposits <sup>(e)(i)</sup>				76.23%
Total bank funding <sup>(2)(f)(i)</sup>				72.17%

(1) Excluding fees in lieu of interest.

(2) Total bank funding represents total deposits plus FHLB advances.

(3) Board of Governors of the Federal Reserve System (US), Effective Federal Funds Rates (EFFR) retrieved from FRED, Federal Reserve Bank of St. Louis.

(4) Represents annualized yields/rates.

Net interest income increased \$11.6 million, or 10.3% during the year ended December 31, 2024, compared to the year ended December 31, 2023. The increase in net interest income reflected an increase in average gross loans and leases and an increase in fees in lieu of interest, partially offset by net interest margin compression. Average gross loans and leases of \$2.997 billion increased by \$349.0 million, or 13.2%, for the year ended December 31, 2024, compared to \$2.648 billion for the same period in 2023. Loan fees collected in lieu of interest increased 59.8% to \$5.5 million, compared to \$3.5 million during the same period of comparison.

The yield on average interest-earning assets for the year ended December 31, 2024, was 6.87%, compared to 6.54% for the year ended December 31, 2023. The increase in yield was primarily due to the reinvestment of cash flows from fixed-rate loan portfolios and securities in a higher rate environment. Excluding loan fees in lieu of interest, the yield on average interest-earning assets for the year ended December 31, 2024, was 6.71%, compared to 6.42% for the year ended December 31, 2023.

The average rate paid on total interest-bearing liabilities was 3.91% for the year ended December 31, 2024, an increase from 3.46% for the year ended December 31, 2023. Total interest-bearing liabilities includes interest-bearing deposits, FHLB advances, subordinated and junior subordinated notes and debentures payable, federal funds purchased, and other borrowings. The average rates paid increased due to the increase in short-term market rates, the replacement of maturing wholesale funds at higher fixed rates, and client movement from non-interest bearing to interest bearing core deposit products.

Net interest margin decreased to 3.66% for the year ended December 31, 2024, compared to 3.78% for the year ended December 31, 2023. Adjusted net interest margin measured 3.47% for the year ended December 31, 2024, compared to 3.62% for the year ended December 31, 2023. The decrease in net interest margin is due to increased total bank funding costs in a higher rate environment. This was partially offset by an increase in fees collected in lieu of interest and an increase in earning asset yields due to the reinvestment of cash flows from the fixed-rate loan and securities portfolios in a higher rate environment. Adjusted net interest margin is a non-GAAP measure representing net interest income excluding the impact of fees in lieu of interest, and other recurring, but volatile, components

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of net interest margin divided by average interest-earning assets less other recurring, but volatile, components of average interest-earning assets.

The Corporation maintains a long-term target for net interest margin in the range of 3.60% - 3.65%. Performance in future periods will vary due to factors such as the level of fees in lieu of interest and the timing, pace, and scale of future interest rate changes.

### Provision for Credit Losses

We determine our provision for credit losses pursuant to our allowance for credit loss methodology. It is based on a reasonable and supportable forecast as well as considerations for composition, risk, and performance indicators in our credit portfolio. Refer to **Allowance for Credit Losses** in the **Critical Accounting Policy section**, for further information regarding our allowance for credit loss methodology.

The following table shows the components of the provision for credit losses.

	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands)		
Change in qualitative factors	\$ 332	\$ 33	\$ (384)
Change in quantitative factors	(977)	(1,453)	(2,012)
Charge-offs	5,255	1,781	979
Recoveries	(699)	(548)	(4,741)
Change in reserves on individually evaluated loans, net	2,928	4,330	146
Change due to loan growth, net	2,227	3,652	2,144
Change in unfunded credit commitment reserves	(239)	387	—
Total provision for credit losses <sup>(a)</sup>	<u>\$ 8,827</u>	<u>\$ 8,182</u>	<u>\$ (3,868)</u>

(a) Management adopted ASC 326 on January 1, 2023. Prior periods are presented under the incurred loss model.

Refer to **Asset Quality**, below, for further information regarding the overall credit quality of our loan and lease portfolio.

### Non-Interest Income

Non-interest income decreased by \$2.1 million, or 6.6%, to \$29.3 million for the year ended December 31, 2024, from \$31.3 million for the year ended December 31, 2023. Management continues to focus on revenue growth from multiple non-interest income sources to maintain a diversified revenue stream through greater contributions from fee-based revenues. Total non-interest income accounted for 19.1% of total revenues for the year ended December 31, 2024, compared to 21.8% in 2023. The decrease in total non-interest income for the year ended December 31, 2024, was driven by lower returns on investments in SBIC funds, commercial loan swap fee income, and gains on the sale of SBA loans, partially offset by an increase in private wealth fee income and service charges on deposits.

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The components of non-interest income were as follows:

	For the Year Ended December 31,			Change From Prior Year			
	2024	2023	2022	\$ Change 2024	% Change 2024	\$ Change 2023	% Change 2023
	(Dollars in Thousands)						
Private wealth management services fee income	\$13,262	\$11,425	\$10,881	\$1,837	16.1%	\$544	5.0%
Gain on sale of SBA loans	1,942	2,055	2,537	(113)	(5.5)	(482)	(19.0)
Service charges on deposits	3,771	3,131	3,849	640	20.4	(718)	(18.7)
Loan fees	3,399	3,363	3,010	36	1.1	353	11.7
Increase in cash surrender value of bank-owned life insurance	1,649	1,494	2,227	155	10.4	(733)	(32.9)
Net loss on sale of securities	(8)	(45)	—	37	(82.2)	(45)	NM
Swap fees	1,403	2,964	1,793	(1,561)	(52.7)	1,171	65.3
Other non-interest income	3,833	6,921	5,131	(3,088)	(44.6)	1,790	34.9
Total non-interest income	<u>\$29,251</u>	<u>\$31,308</u>	<u>\$29,428</u>	<u>\$(2,057)</u>	<u>(6.6)</u>	<u>\$1,880</u>	<u>6.4</u>
Fee income ratio <sup>(1)</sup>	19.1%	21.8%	23.0%				

(1) Fee income ratio is fee income, per the above table, divided by top line revenue (defined as net interest income plus non-interest income).

Private wealth fee income increased \$1.8 million, or 16.1%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. Private wealth fee income is up compared to prior year primarily due to an increase in assets under management and administration, increases in fee rates across the client base, and non-recurring transaction fees in the 2024 period. Private wealth fee income can vary due to the mix of business at different fee structures and can be positively or negatively influenced by the timing and magnitude of volatility within the capital markets. As of December 31, 2024, private wealth and trust assets under management and administration totaled \$3.419 billion, increasing \$297.2 million, or 9.5%, compared to \$3.122 billion as of December 31, 2023, due to an increase in market values, new clients, and new money from existing clients.

Service charges on deposits increased \$640,000, or 20.4%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. The increase is primarily driven by new and expanded core deposit relationships. Treasury management business development efforts remain robust as gross treasury management service charges increased \$647,000, or 11.1%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. Management believes growth in gross analyzed service charges is a strong indicator of success for the Corporation given the direct correlation to adding and expanding core business relationships.

Other non-interest income decreased \$3.1 million, or 44.6%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. The change was primarily due to a decrease from unexpectedly high 2023 returns on the Corporation's investments in SBIC funds. Income from SBIC funds varies from period to period based on changes in the realized and unrealized fair value of underlying investments.

Commercial loan interest rate swap fee income decreased \$1.6 million, or 52.7%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. We originate commercial real estate loans in which we offer clients a floating rate and an interest rate swap. The client's swap is then offset with a counter-party dealer. The execution of these transactions generates swap fee income. The aggregate amortizing notional value of interest rate swaps with various borrowers was \$1.022 billion as of December 31, 2024, compared to \$939.2 million as of December 31, 2023. Interest rate swaps can be an attractive product for our commercial borrowers, although associated fee income varies from period to period based on loan activity and the interest rate environment.

Gain on sale of SBA loans decreased \$113,000, or 5.5%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. Management expects the SBA loan sales to increase in 2025 as production increases and previously closed commitments fully fund and become eligible for sale, due to additions to the business development team.

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### Non-Interest Expense

Non-interest expense increased by \$4.9 million, or 5.5%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. Operating expense, which excludes certain one-time and discrete items as defined in the Efficiency Ratio table above, increased \$5.2 million, or 6.0%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. The increase in operating expense was primarily due to an increase in compensation expense, computer software expense, and data processing expense.

The components of non-interest expense were as follows:

	For the Year Ended December 31,			Change From Prior Year			
	2024	2023	2022	\$ Change 2024	% Change 2024	\$ Change 2023	% Change 2023
	(Dollars in Thousands)						
Compensation	\$63,105	\$61,059	\$57,742	\$2,046	3.4%	\$3,317	5.7%
Occupancy	2,373	2,381	2,358	(8)	(0.3)	23	1.0
Professional fees	5,671	5,325	4,881	346	6.5	444	9.1
Data processing	4,892	3,826	3,197	1,066	27.9	629	19.7
Marketing	3,518	2,889	2,354	629	21.8	535	22.7
Equipment	1,314	1,340	1,091	(26)	(1.9)	249	22.8
Computer software	6,166	4,985	4,416	1,181	23.7	569	12.9
FDIC insurance	2,760	2,238	1,042	522	23.3	1,196	114.8
Other non-interest expense	3,681	4,532	2,393	(851)	(18.8)	2,139	89.4
Total non-interest expense	<u>\$93,480</u>	<u>\$88,575</u>	<u>\$79,474</u>	<u>\$4,905</u>	5.5	<u>\$9,101</u>	11.5
Total operating expense <sup>(1)</sup>	<u>\$93,016</u>	<u>\$87,788</u>	<u>\$79,155</u>	<u>\$5,228</u>	6.0	<u>\$8,633</u>	10.9
Actual full-time equivalent employees	349	343	337	6	1.7	6	1.8

(1) Total operating expense represents total non-interest expense, adjusted to exclude the impact of discrete items as previously defined in the non-GAAP efficiency ratio calculation, above.

Compensation expense increased by \$2.0 million, or 3.4%, for the year ended December 31, 2024, compared to the year ended December 31, 2023, principally due to an increase in average FTEs, annual merit increases, growth in employee benefit costs, and increase in incentive compensation. The increase reflects a \$2.7 million, or 7.2%, increase in employee salaries and a \$428,000, or 8.4%, increase in estimated annual cash bonuses compared to 2023. These increases were partially offset by a \$768,000, or 17.2% decrease in individual production incentive compensation. Average FTEs were 350 for the year ended December 31, 2024, increased by seven, or 2.0%, from 343 for the year ended December 31, 2023.

Computer software expense increased \$1.2 million, or 23.7%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. The increase was primarily due to our commitment to innovative technology to support growth initiatives, enhance productivity, and improve the client experience.

Data processing expense increased \$1.1 million, or 27.9%, for the year ended December 31, 2024, compared to the year ended December 31, 2023, primarily due to an increase in core processing costs due to loan and deposit account growth, private wealth asset growth, and a one-time expense resulting from a change in credit card vendors.

Marketing expense increased \$629,000, or 21.8%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. The increase was primarily due to an increase in business development efforts and advertising projects related to the Company's growth initiatives.

FDIC insurance increased \$522,000, or 23.3%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. The increase was primarily due to an increase in total assets and use of brokered deposits.

Professional fees increased \$346,000, or 6.5%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. The increase was primarily due to an increase in recruiting expense and professional consulting services for various projects.

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Other non-interest expense decreased \$851,000, or 18.8%, for the year ended December 31, 2024, compared to the year ended December 31, 2023. The decrease was primarily due to a decrease in SBA recourse provision and liquidation expenses partially offset by an impairment on historical tax credit investments at exit.

### **Income Taxes**

Income tax expense totaled \$6.9 million for the year ended December 31, 2024, compared to \$10.1 million for the year ended December 31, 2023. Income tax expense included a \$1.6 million net benefit from tax credit investments in both periods. The effective tax rate for the year ended December 31, 2024, was 13.5% compared to 21.5% for the year ended December 31, 2023. The decrease is primarily due to a \$1.7 million partial release of a state deferred tax asset valuation allowance due to changes in projected taxable state income based on revised state taxation guidance and 2023 state tax return actual results. The Corporation expects to report an effective tax rate between 16% and 18% for 2025.

## **Financial Condition**

### **General**

Total assets increased by \$345.4 million, or 9.8%, to \$3.853 billion as of December 31, 2024, compared to \$3.508 billion at December 31, 2023. The increase in total assets was primarily driven by an increase in loans and leases receivable and available-for-sale securities, partially offset by a reduction in short-term investments. Total liabilities increased by \$306.4 million, or 9.5%, to \$3.525 billion at December 31, 2024, compared to \$3.218 billion at December 31, 2023. The increase in total liabilities was principally due to an increase in deposits.

### **Cash and Cash Equivalents**

Cash and cash equivalents include short-term investments and cash and due from banks. Cash and due from banks decreased \$2.9 million to \$29.5 million at December 31, 2024, from \$32.3 million at December 31, 2023. Short-term investments increased by \$21.0 million to \$128.2 million at December 31, 2024, from \$107.2 million at December 31, 2023. Our short-term investments primarily consist of interest-bearing deposits held at the Federal Reserve Bank ("FRB"). We value the safety and soundness provided by the FRB, and therefore, we incorporate short-term investments in our readily accessible liquidity program. As of December 31, 2024, and December 31, 2023, interest-bearing deposits held at the FRB were \$127.8 million and \$106.8 million, respectively. In general, the level of our cash and short-term investments will be influenced by the timing of deposit gathering, scheduled maturities of wholesale deposits, funding of loan and lease growth when opportunities are presented, and the level of our securities portfolio. Please refer to the section entitled **Liquidity and Capital Resources** for further discussion.

### **Securities**

Total securities, including available-for-sale and held-to-maturity, increased by \$42.6 million, or 14.0%, to \$348.1 million, or 9.0% of total assets at December 31, 2024, compared to \$305.5 million or 8.7% of total assets at December 31, 2023. As of December 31, 2024, and 2023, our total securities portfolio had a weighted average estimated remaining maturity of approximately 5.2 years and 5.6 years, respectively. The investment portfolio primarily consists of mortgage-backed securities and is used to provide a source of liquidity, including the ability to pledge securities for possible future cash advances, while contributing to the earnings potential of the Bank. The overall duration of the securities portfolio is established and maintained to further mitigate interest rate risk present within our balance sheet as identified through asset/liability simulations. We purchase investment securities intended to protect net interest margin while maintaining an acceptable risk profile. In addition, we will purchase investment securities to utilize our cash position effectively within appropriate policy guidelines and estimates of future cash demands. While mortgage-backed securities present prepayment risk and extension risk, we believe the overall credit risk associated with these investments is minimal, as all of the securities we hold are guaranteed by the United States Treasury, the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), or the Government National Mortgage Association ("GNMA"), a U.S. government agency. The estimated repayment streams associated with this portfolio also allow us to better match short-term liabilities. The Bank's investment policies allow for various types of investments, including tax-exempt municipal securities. The ability to invest in tax-exempt municipal securities provides for further opportunity to improve our overall yield on the securities portfolio. We evaluate the

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credit risk of the municipal securities prior to purchase and generally limit exposure to general obligation issuances from municipalities, primarily in Wisconsin.

The majority of the securities we hold have active trading markets; therefore, we have not experienced difficulties in pricing our securities. We use a third-party pricing service as our primary source of market prices for the securities portfolio. On a quarterly basis, we validate the reasonableness of prices received from this source through independent verification of the portfolio, data integrity validation through comparison of current price to prior period prices, and an expectation-based analysis of movement in prices based upon the changes in the related yield curves and other market factors. On a periodic basis, we review the third-party pricing vendor's methodology for pricing relevant securities and the results of its internal control assessments. Our securities portfolio is sensitive to fluctuations in the interest rate environment and has limited sensitivity to credit risk due to the nature of the issuers and guarantors of the securities as previously discussed. If interest rates decline and the credit quality of the securities remains constant or improves, the fair value of our debt securities portfolio would likely improve, thereby increasing total comprehensive income. If interest rates increase and the credit quality of the securities remains constant or deteriorates, the fair value of our debt securities portfolio would likely decline and therefore decrease total comprehensive income. The magnitude of the fair value change will be based upon the duration of the portfolio. A securities portfolio with a longer average duration will exhibit greater market price volatility than a securities portfolio with a shorter average duration in a changing rate environment. During the year ended December 31, 2024, we recognized unrealized holding losses of \$2.2 million before income taxes through other comprehensive income. These losses were the result of an increase in interest rates. No securities within our portfolio were deemed to require an allowance for credit losses as of December 31, 2024. We sold approximately \$7.5 million of securities during the year ended December 31, 2024, to proactively manage our securities portfolio and meet our long-term investment objectives. As of December 31, 2024, no securities were classified as trading securities. At December 31, 2024, \$36.9 million of our securities were pledged to secure various obligations, including interest rate swap contracts and municipal deposits.

The tables below set forth information regarding the amortized cost and fair values of our securities.

	As of December 31,			
	2024		2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
Available-for-sale:				
U.S. treasuries	\$ 4,989	\$ 4,718	\$ 14,158	\$ 13,776
U.S. government agency securities - government-sponsored enterprises	3,500	3,153	27,986	27,566
Municipal securities	39,997	34,861	40,407	35,881
Residential mortgage-backed securities - government issued	125,571	123,223	69,441	68,056
Residential mortgage-backed securities - government-sponsored enterprises	145,888	134,765	131,321	120,833
Commercial mortgage-backed securities - government issued	2,665	2,224	2,995	2,525
Commercial mortgage-backed securities - government-sponsored enterprises	43,033	38,448	32,774	28,369
	<u>\$ 365,643</u>	<u>\$ 341,392</u>	<u>\$ 319,082</u>	<u>\$ 297,006</u>

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	As of December 31,			
	2024		2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
<b>Held-to-maturity:</b>				
Municipal securities	\$ 3,137	\$ 3,099	\$ 4,210	\$ 4,173
Residential mortgage-backed securities - government issued	836	788	1,211	1,135
Residential mortgage-backed securities - government-sponsored issued	766	724	1,078	1,025
Commercial mortgage-backed securities - government-sponsored enterprises	2,002	1,924	2,004	1,922
	<u>\$ 6,741</u>	<u>\$ 6,535</u>	<u>\$ 8,503</u>	<u>\$ 8,255</u>

U.S. Treasuries represent treasury bonds issued by the United States Treasury. U.S. government agency securities - government-sponsored enterprises represent securities issued by FNMA and the SBA. Municipal securities include securities issued by various municipalities located primarily within Wisconsin and are primarily general obligation bonds that are tax-exempt in nature. Residential and commercial mortgage-backed securities - government issued represent securities guaranteed by GNMA. Residential and commercial mortgage-backed securities - government-sponsored enterprises include securities guaranteed by FHLMC, FNMA, and the FHLB. Other securities represent certificates of deposit of insured banks and savings institutions with an original maturity greater than three months. As of December 31, 2024, no issuer's securities exceeded 10% of our total stockholders' equity.

The following table sets forth the contractual maturity and weighted average yield characteristics of the fair value of our available-for-sale securities and the amortized cost of our held-to-maturity securities at December 31, 2024, classified by remaining contractual maturity. Actual maturities may differ from contractual maturities because issuers have the right to call or prepay securities without call or prepayment penalties. Yields on tax-exempt securities have not been computed on a tax equivalent basis.

	Less than One Year		One to Five Years		Five to Ten Years		Over Ten Years		Total
	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	
	(Dollars in Thousands)								
<b>Available-for-sale:</b>									
U.S. treasuries	\$ —	—%	\$ 4,718	1.00%	\$ —	—%	\$ —	—%	\$ 4,718
U.S. government agency securities - government-sponsored enterprises	976	0.56	2,177	0.95	—	—	—	—	3,153
Municipal securities	497	1.48	10,007	1.47	7,570	2.05	16,787	2.07	34,861
	<u>1,473</u>		<u>16,902</u>		<u>7,570</u>		<u>16,787</u>		<u>42,732</u>
Residential mortgage-backed securities									257,988
Commercial mortgage-backed securities									40,672
	<u>\$ 1,473</u>		<u>\$ 16,902</u>		<u>\$ 7,570</u>		<u>\$ 16,787</u>		<u>\$ 341,392</u>
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Total
	(Dollars in Thousands)								
<b>Held-to-maturity:</b>									
Municipal securities	\$ 987	2.51%	\$ 2,150	2.93%	\$ —	—%	\$ —	—%	\$ 3,137
	<u>987</u>		<u>2,150</u>		<u>—</u>		<u>—</u>		<u>3,137</u>
Residential mortgage-backed securities									1,602
Commercial mortgage-backed securities									2,002
	<u>\$ 987</u>		<u>\$ 2,150</u>		<u>\$ —</u>		<u>\$ —</u>		<u>\$ 6,741</u>

## Derivatives

The Board approved Bank policies allow the Bank to participate in hedging strategies or to use financial futures, options, forward commitments, or interest rate swaps. The Bank utilizes, from time to time, derivative instruments in the course of its asset/liability management. The Corporation's derivative financial instruments, under which the Corporation is required to either receive cash from or pay cash to counterparties depending on changes in interest rates applied to notional amounts, are carried at fair value on the consolidated balance sheets.

As of December 31, 2024, the aggregate amortizing notional value of interest rate swaps with various commercial borrowers was approximately \$1.022 billion, compared to \$939.2 million as of December 31, 2023. We receive fixed rates and pay floating rates based upon designated benchmark interest rates on the swaps with commercial borrowers. These swaps mature between June 2025 and July 2041. Commercial borrower swaps are completed independently with each borrower and are not subject to master netting arrangements. As of December 31, 2024, the commercial borrower swaps were reported on the Consolidated Balance Sheet as a derivative asset of \$2.0 million and liability of \$56.6 million compared to a derivative asset of \$7.9 million and liability of \$51.1 million as of December 31, 2023. On the offsetting swap contracts with dealer counterparties, we pay fixed rates and receive floating rates based upon designated benchmark interest rates. These interest rate swaps also have maturity dates between June 2025 and July 2041. Dealer counterparty swaps are subject to master netting agreements among the contracts within our Bank and were reported on the Consolidated Balance Sheet as a net derivative asset of \$54.5 million as of December 31, 2024, compared to a net derivative asset of \$43.2 million as of December 31, 2023. In both periods, the counterparties pledged U.S. Treasuries to fully collateralize the position. The gross amount of dealer counterparty swaps as of December 31, 2024, without regard to the enforceable master netting agreement, was a gross derivative liability of \$2.0 million and gross derivative asset of \$56.6 million, compared to a gross derivative liability of \$7.9 million and gross derivative asset of \$51.1 million as of December 31, 2023.

The Corporation also enters into interest rate swaps to manage interest rate risk and reduce the cost of match-funding certain long-term fixed rate loans. These derivative contracts involve the receipt of floating rate interest from a counterparty in exchange for the Corporation making fixed-rate payments over the life of the agreement, without the exchange of the underlying notional value. The instruments are designated as cash flow hedges as the receipt of floating rate interest from the counterparty is used to manage interest rate risk associated with forecasted interest payments on short-term FHLB advances or wholesale deposits. The change in the fair value of these hedging instruments is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged transactions affect earnings. As of December 31, 2024, the aggregate notional value of interest rate swaps designated as cash flow hedges was \$484.7 million. These interest rate swaps mature between January 2025 and February 2041. A pre-tax unrealized loss of \$4.7 million was recognized in other comprehensive income for the year ended December 31, 2024, respectively, and there was no ineffective portion of these hedges.

The Corporation also enters into interest rate swaps to mitigate market value volatility on certain long-term fixed securities. The objective of the hedge is to protect the Corporation against changes in fair value due to changes in benchmark interest rates. The instruments are designated as fair value hedges as the changes in the fair value of the interest rate swap are expected to offset changes in the fair value of the hedged item attributable to changes in the SOFR swap rate, the designated benchmark interest rate. These derivative contracts involve the receipt of floating rate interest from a counterparty in exchange for the Corporation making fixed-rate payments over the life of the agreement, without the exchange of the underlying notional value. The change in the fair value of these hedging instruments is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged transactions affect earnings. As of December 31, 2024, the aggregate notional value of interest rate swaps designated as fair value hedges was \$12.5 million. These interest rate swaps mature between February 2031 and October 2034. A pre-tax unrealized loss of \$390,000 was recognized in other comprehensive income for the year ended December 31, 2024, and there was no ineffective portion of these hedges.

## Loans and Leases Receivable

Period-end loans and leases receivable, net of allowance for credit losses, increased by \$258.4 million, or 9.2%, to \$3.077 billion at December 31, 2024, from \$2.819 billion at December 31, 2023.

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There continues to be a concentration in CRE loans which represented 61.6% and 59.6% of our total loans, as of December 31, 2024, and December 31, 2023, respectively. As of December 31, 2024, approximately 14.3% of the CRE loans were owner-occupied CRE, compared to 15.1% as of December 31, 2023. We consider owner-occupied CRE more characteristic of the Corporation's C&I portfolio as, in general, the client's primary source of repayment is the cash flow from the operating entity occupying the commercial real estate property.

Our C&I portfolio increased \$45.9 million, or 4.1%, to \$1.152 billion at December 31, 2024, from \$1.106 billion at December 31, 2023. The Corporation experienced C&I loan growth in 2024, due to growth across products and geographies. Management believes the investment in the Corporation's C&I product lines has positioned the Corporation for strong and sustainable growth in 2025 and beyond.

We continue to actively pursue C&I loans across the Corporation as this segment of our loan and lease portfolio provides an attractive yield commensurate with an appropriate level of credit risk and creates opportunities for core deposit, treasury management, and private wealth management relationships which generate additional fee revenue. Underwriting of new credit is primarily through approval from a serial sign-off or committee process and is a key component of our operating philosophy. Business development officers have no individual lending authority limits, and thus, a significant portion of our new credit extensions require approval from a loan approval committee regardless of the type of loan or lease, or the related complexities of each proposal. To monitor the ongoing credit quality of our loans and leases, each credit is evaluated for proper risk rating using a nine grade risk rating system at the time of origination, subsequent renewal, evaluation of updated financial information from our borrowers, or as other circumstances dictate.

While we continue to experience competition from banks operating in our primary geographic areas, we remain committed to our underwriting standards and will not deviate from those standards for the sole purpose of growing our loan and lease portfolio. We expect our new loan and lease activity to allow us to continue growing in future years.

The following table presents information concerning the composition of the Bank's consolidated loans and leases receivable.

	As of December 31,			
	2024		2023	
	Amount Outstanding	% of Total Loans and Leases	Amount Outstanding	% of Total Loans and Leases
(Dollars in Thousands)				
Commercial real estate:				
Commercial real estate — owner occupied	\$ 273,397	8.8%	\$ 256,479	9.0%
Commercial real estate — non-owner occupied	845,298	27.1	773,494	27.1
Construction	221,086	7.1	193,080	6.8
Multi-family	530,853	17.1	450,529	15.8
1-4 family	46,496	1.5	26,289	0.9
Total commercial real estate	1,917,130	61.6	1,699,871	59.6
Commercial and industrial	1,151,720	37.0	1,105,835	38.8
Consumer and other	45,000	1.4	44,312	1.6
Total gross loans and leases receivable	3,113,850	100.0%	2,850,018	100.0%
Less:				
Allowance for credit losses	35,785		31,275	
Deferred loan fees and costs, net	722		(243)	
Loans and leases receivable, net	\$ 3,077,343		\$ 2,818,986	

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Below is a view of selected loan portfolios disaggregated by North American Industry Classification (“NAICs”) code as of December 31, 2024:

	Real Estate	Wholesale and Manufacturing	Retail and Hospitality	Transportation and Warehousing	Other	Total
Commercial real estate — owner occupied	7%	33%	13%	13%	34%	100%
Commercial real estate — non-owner occupied	73% <sup>(1)</sup>	1%	10%	2%	14%	100%
Commercial and industrial	3%	29%	17%	9%	42%	100%

(1) Includes approximately \$276.9 million of office real estate, or 9% of gross loans.

See **Asset Quality** for further discussion of industry-specific risks.

The following table shows the scheduled contractual maturities of the Bank’s consolidated gross loans and leases receivable, as well as the dollar amount of such loans and leases which are scheduled to mature after one year and have fixed or adjustable interest rates, as of December 31, 2024.

	Amounts Due				Interest Terms On Amounts Due after One Year	
	In One Year or Less	After One Year through Five Years	After Five Years	Total	Fixed Rate	Variable Rate
(In Thousands)						
Commercial real estate:						
Owner-occupied	\$ 37,671	\$ 140,164	\$ 95,562	\$ 273,397	\$ 189,652	\$ 46,074
Non-owner occupied	137,567	399,957	307,774	845,298	287,445	420,286
Construction	51,408	65,282	104,396	221,086	36,466	133,212
Multi-family	65,693	255,367	209,793	530,853	95,555	369,605
1-4 family	6,094	28,487	11,915	46,496	21,490	18,912
Commercial and industrial	355,703	672,139	123,878	1,151,720	266,426	529,591
Consumer and other	18,446	26,145	409	45,000	21,588	4,966
	<u>\$ 672,582</u>	<u>\$ 1,587,541</u>	<u>\$ 853,727</u>	<u>\$ 3,113,850</u>	<u>\$ 918,622</u>	<u>\$ 1,522,646</u>

**Commercial Real Estate.** The Bank originates owner-occupied and non-owner-occupied commercial real estate loans which have fixed or adjustable rates and generally terms of three to 10 years and amortization of up to 30 years on existing commercial real estate. The Bank also originates loans to construct commercial properties and complete land development projects. The Bank’s construction loans generally have terms of six to 24 months with fixed or adjustable interest rates and fees that are due at the time of origination. Loan proceeds are disbursed in increments as construction progresses and as project inspections warrant.

The repayment of commercial real estate loans generally is dependent on sufficient income from the occupants of properties securing the loans to cover operating expenses and debt service. Payments on commercial real estate loans are often dependent on external market conditions impacting the successful operation or development of the property or business involved. Therefore, repayment of such loans is often sensitive to conditions in the real estate market or the general economy, which are outside the borrower’s control. In the event that the cash flow from the property is reduced, the borrower’s ability to repay the loan could be negatively impacted. The deterioration of one or a few of these loans could cause a material increase in our level of non-accrual loans, which would result in a loss of revenue from these loans and could result in an increase in the provision for credit losses and an increase in charge-offs, all of which could have a material adverse impact on our net income. Additionally, many of these loans have real estate as a primary or secondary component of collateral. The market value of real estate can fluctuate significantly in a short period of time as a result of economic conditions. Adverse developments affecting real estate values in one or more of our markets could impact collateral coverage associated with the commercial real estate segment of our portfolio, possibly leading to increased specific reserves or charge-offs, which would adversely affect profitability.

**Commercial and Industrial.** The Bank’s commercial and industrial loan portfolio is comprised of loans for a variety of purposes which principally are secured by inventory, accounts receivable, equipment, machinery, and other corporate assets and are advanced

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within limits prescribed by our loan policy. The majority of such loans are secured and typically backed by personal guarantees of the owners of the borrowing business. Of the \$1.152 billion of C&I loans outstanding as of December 31, 2024, \$502.1 million were conventional C&I loans and \$649.6 million were originated by the FBSF subsidiary. FBSF products consists of equipment financing, asset-based lending, accounts receivable financing, and floorplan financing.

**Consumer and Other.** The Bank originates a small amount of consumer loans consisting of home equity, first and second mortgages, and other personal loans for professional and executive clients of the Bank.

**Asset Quality**

Our total non-performing assets consisted of the following:

	December 31, 2024	December 31, 2023
	(Dollars in Thousands)	
Non-accrual loans and leases		
Commercial real estate:		
Commercial real estate - owner occupied	\$ 591	\$ —
Commercial real estate - non-owner occupied	—	—
Construction	—	—
Multi-family	—	—
1-4 family	—	22
Total non-accrual commercial real estate	591	22
Commercial and industrial	27,776	20,575
Consumer and other	—	—
Total non-accrual loans and leases	28,367	20,597
Reposessed assets, net	51	247
Total non-performing assets	\$ 28,418	\$ 20,844

Total non-accrual loans and leases to gross loans and leases	0.91 %	0.72 %
Total non-accrual loans to gross loans and leases plus reposessed assets, net	0.91	0.73
Total non-performing assets to total assets	0.74	0.59
Allowance for credit losses to gross loans and leases	1.20	1.16
Allowance for credit losses to non-accrual loans and leases	131.38	160.21

Non-accrual loans and leases increased \$7.8 million, to \$28.4 million at December 31, 2024, compared to \$20.6 million at December 31, 2023. The Corporation's non-accrual loans and leases as a percentage of total gross loans and leases measured 0.91% and 0.72% at December 31, 2024, and 2023, respectively. The change in non-accrual loans and leases is primarily driven by a conventional C&I loan that management identified as non-performing and recognized a specific reserve. While we continue to expect full repayment of the one ABL loan that defaulted during the second quarter of 2023, the liquidation process under Chapter 7 bankruptcy has delayed final resolution. Through our collection efforts, the current balance of this loan is \$6.2 million, down from \$8.8 million in the prior year. Excluding this credit, non-performing assets totaled \$22.2 million, or 0.58% of total assets and \$12.0 million, or 0.34% of total assets in the prior year.

We use a wide variety of available metrics to assess the overall asset quality of the portfolio and no one metric is used independently to make a final conclusion as to the asset quality of the portfolio. Non-performing assets as a percentage of total assets was 0.74% and 0.59% at December 31, 2024, and December 31, 2023, respectively. As of December 31, 2024, and December 31, 2023, the payment performance of our loans and leases did not point to any new areas of concern, as approximately 99.1% and 99.2%, respectively, of the total portfolio at the end of each period was in a current payment status.

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We reviewed loans and leases with exposure to certain industries:

- Transportation and Logistics, Equipment Finance: 1% of total loans - Management considered the following: 13% of Equipment Finance Transportation loans are rated Category IV. Based on our reserve methodology for individually and collectively evaluated loans, we believe our reserves related to this industry to be appropriate.
- Transportation and Logistics, other than Equipment Finance: 3% of total loans - Management considered the following: Less than 1% of the Transportation loans outside of Equipment Finance are rated Category IV. Based on our reserve methodology for individually and collectively evaluated loans, we believe our reserves related to this industry to be appropriate.
- Office, Commercial Real Estate: 9% of total loans - Management considered the following: office exposure is concentrated in the Wisconsin markets where local market vacancy rates are below national rates; a majority of office loan maturity terms are 2031 and beyond; all office loans with 2031+ maturities are conventional fixed rate or fixed to the client via an interest rate swap; there are no non-accrual loans in the portfolio. Based on our reserve methodology for individually and collectively evaluated loans, we believe our reserves related to this loan category to be appropriate.
- Multifamily, Commercial Real Estate: 17% of total loans - Management considered the following: multifamily exposure is concentrated in the Wisconsin markets where local market vacancy rates are below national rates, all multi-family loans with 2031+ maturities are conventional fixed rate or fixed to the client via an interest rate swap, and there are no non-accrual loans in the portfolio. Based on our reserve methodology for individually and collectively evaluated loans, we believe our reserves related to this loan category to be appropriate.

We also monitor asset quality through our established categories as defined in **Note 4 – Loans, Lease Receivables, and Allowance for Credit Losses** of the Consolidated Financial Statements. As we continue to actively monitor the credit quality of our loan and lease portfolios, we may identify additional loans and leases for which the borrowers or lessees are having difficulties making the required principal and interest payments based upon factors including, but not limited to, the inability to sell the underlying collateral, inadequate cash flow from the operations of the underlying businesses, liquidation events, or bankruptcy filings. We proactively work with our loan borrowers experiencing financial difficulty to find meaningful solutions to difficult situations that are in the best interests of the Bank.

The following represents additional information regarding our non-accrual loans and leases:

	As of and for the Year Ended	
	December 31,	
	2024	2023
	(In Thousands)	
Individually evaluated loans and leases with no specific reserves required	\$ 13,125	\$ 9,691
Individually evaluated loans and leases with specific reserves required	15,242	10,906
Total individually evaluated loans and leases	28,367	20,597
Less: Specific reserves (included in allowance for credit losses)	8,918	5,990
Net non-accrual loans and leases	\$ 19,449	\$ 14,607
Average non-accrual loans and leases	\$ 19,589	\$ 10,450

Loans and leases with no specific reserves represent non-accrual loans where the collateral, less cost to sell, equals or exceeds the net realizable value of the loan. As part of the underwriting process, as well as our ongoing monitoring efforts, we evaluate sufficiency of collateral to protect our interest in the related loan or lease. As a result of this practice, a significant portion of our outstanding balance of non-accrual loans or leases may not require additional specific reserves or require only a minimal amount of required specific reserve. Management is proactive in recording charge-offs to bring loans to their net realizable value in situations where it is determined with certainty that we will not recover the entire amount of our principal. This practice may lead to a lower allowance for credit loss to non-accrual loans and leases ratio as compared to our peers or industry expectations.

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In 2024, as well as in all previous reporting periods, there were no loans over 90 days past due and still accruing interest. Loans and leases greater than 90 days past due are considered non-accrual and are placed on non-accrual status. Cash received while a loan or a lease is on non-accrual status is applied against the outstanding principal. If collectability of the contractual principal and interest is not in doubt, payments received may be applied to both interest due on a cash basis and principal.

**Allowance for Credit Losses**

The allowance for credit losses ("ACL"), including unfunded commitment reserves, increased \$4.3 million, or 12.9%, to \$37.3 million as of December 31, 2024, from \$33.0 million as of December 31, 2023. A summary of the activity in the ACL, inclusive of reserves for unfunded credit commitments, follows:

	Year Ended December 31,	
	2024	2023
	(Dollars in Thousands)	
Allowance at beginning of period	\$ 32,997	\$ 24,230
Impact of adoption of ASC 326	—	1,818
Charge-offs:		
Commercial real estate:		
Commercial real estate — owner occupied	—	—
Commercial real estate — non-owner occupied	—	—
Construction	—	—
Multi-family	—	—
1-4 family	—	—
Commercial and industrial	(5,233)	(1,781)
Consumer and other	(22)	—
Total charge-offs	(5,255)	(1,781)
Recoveries:		
Commercial real estate:		
Commercial real estate — owner occupied	5	9
Commercial real estate — non-owner occupied	—	1
Construction	—	—
Multi-family	—	—
1-4 family	132	40
Commercial and industrial	541	478
Consumer and other	21	20
Total recoveries	699	548
Net charge-offs	(4,556)	(1,233)
Provision for credit losses	8,827	8,182
Allowance at end of period	\$ 37,268	\$ 32,997
Components:		
Allowance for credit losses on loans	\$ 35,785	\$ 31,275
Allowance for credit losses on unfunded credit commitments	1,483	1,722
Total ACL	\$ 37,268	\$ 32,997
Net charge-offs as a percent of average gross loans and leases	0.15%	0.05%

The Corporation recognized \$8.8 million provision expense for the year ended December 31, 2024, compared to \$8.2 million for the year ended December 31, 2023. The provision expense for the year ended December 31, 2024, was primarily due to \$4.6 million in net charge-offs, a \$2.9 million increase in the specific reserves on individually evaluated loans, and a \$2.2 million increase in the general reserve due to loan growth. These increases were partially offset by a \$645,000 reduction in the general reserve from quantitative and qualitative factors.

The increase in ACL was primarily driven by loan growth and net increase in specific reserves within the Commercial and Industrial portfolio.

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As a result of our review process, we have concluded an appropriate ACL for the loan and lease portfolio is \$37.3 million, or 1.20% of gross loans and leases, at December 31, 2024. However, given ongoing complexities with current workout situations and the uncertainty surrounding future economic conditions, further charge-offs, and increased provisions for credit losses may be recorded if additional facts and circumstances lead us to a different conclusion.

The table below shows our allocation of the allowance for loan losses by loan portfolio segments. The allocation of the allowance by segment is management's best estimate of the inherent risk in the respective loan portfolio as described in *Allowance for Credit Losses* in the **Critical Accounting Policies and Estimates** section. Despite the specific allocation noted in the table below, the entire allowance is available to cover any loss.

	As of December 31,			
	2024		2023	
	Balance	(a)	Balance	(a)
(Dollars in Thousands)				
<b>Loan and lease portfolios:</b>				
Commercial real estate	\$ 14,569	0.76 %	\$ 12,170	0.72 %
Commercial and industrial	20,934	1.82	18,710	1.69
Consumer and other	282	0.63	395	0.89
Total allowance for loan losses	\$ 35,785	1.15 %	\$ 31,275	1.10 %
Reserve for unfunded credit commitments	1,483		1,722	
Total allowance for credit losses	\$ 37,268	1.20 %	\$ 32,997	1.16 %

(a) Allowance for credit losses category as a percentage of total loans by category.

**Deposits**

As of December 31, 2024, deposits increased by \$310.4 million to \$3.107 billion from \$2.797 billion at December 31, 2023. The increase in deposits was primarily due to increases of \$253.0 million, \$98.5 million, and \$70.3 million in wholesale deposits, money market accounts, and interest-bearing transaction accounts, respectively. These increases were partially offset by decreases of \$102.1 million and \$9.3 million in certificates of deposits and non-interest-bearing transaction accounts, respectively.

The following table presents the composition of the Bank's consolidated deposits:

	As of December 31,			
	2024		2023	
	Balance	% of Total Deposits	Balance	% of Total Deposits
(Dollars in Thousands)				
Non-interest-bearing transaction accounts	\$ 436,111	14.0 %	\$ 445,376	15.9 %
Interest-bearing transaction accounts	965,637	31.1	895,319	32.0
Money market accounts	809,695	26.0	711,245	25.4
Certificates of deposit	184,986	6.0	287,131	10.3
Wholesale deposits	710,711	22.9	457,708	16.4
Total deposits	\$ 3,107,140	100.0 %	\$ 2,796,779	100.0 %
Uninsured deposits	980,278		994,687	
Less: uninsured deposits collateralized by pledged assets	6,864		17,051	
Total uninsured, net of collateralized deposits	\$ 973,414	31.3 %	\$ 977,636	35.0 %

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Period-end deposit balances associated with core deposit relationships will fluctuate based upon maturity of time deposits, client demands for the use of their cash, and our ability to maintain existing and acquire new client relationships. Deposits continue to be the primary source of the Bank's funding for lending and other investment activities. A variety of accounts are designed to attract both short- and long-term deposits. These accounts include non-interest-bearing transaction accounts, interest-bearing transaction accounts, money market accounts, and certificates of deposit. Deposit terms offered by the Bank vary according to the minimum balance required, the time period the funds must remain on deposit, the rates and products offered by competitors, and the interest rates charged on other sources of funds, among other factors. Our Bank's core deposits are obtained primarily from the South Central, Northeast and Southeast regions of Wisconsin and the greater Kansas City Metro.

We measure the success of core deposit gathering efforts based on the average balances of our deposit accounts rather than ending balances due to the volatility of some of our larger relationships. Average core deposits for the year ended December 31, 2024, were approximately \$2.378 billion, or 74.9% of total bank funding. Total bank funding is defined as total deposits plus FHLB advances. This compares to average core deposits of \$2.098 billion, or 75.0% of total bank funding, for 2023.

The following table sets forth the amount and maturities of the Bank's certificates of deposit and term wholesale deposits at December 31, 2024:

Interest Rate	Three	Over Three	Over Six	Over Twelve	Total
	Months and Less	Months Through Six Months	Months Through Twelve Months		
	(In Thousands)				
0.00% to 0.99%	\$ 95	\$ 11	\$ 124	\$ 1	\$ 231
1.00% to 1.99%	210	—	—	—	210
2.00% to 2.99%	473	—	499	2,141	3,113
3.00% to 3.99%	33,734	14,648	12,888	52,448	113,718
4.00% to 4.99%	396,974	14,041	44,709	125,996	581,720
5.00% and greater	897	—	—	719	1,616
	<u>\$ 432,383</u>	<u>\$ 28,700</u>	<u>\$ 58,220</u>	<u>\$ 181,305</u>	<u>\$ 700,608</u>

At December 31, 2024, time deposits included \$67.3 million of certificates of deposit and wholesale deposits in denominations greater than or equal to \$250,000. Of these certificates, \$42.7 million are scheduled to mature in three months or less, \$13.5 million in greater than three through six months, \$9.6 million in greater than six through twelve months and \$1.5 million in greater than twelve months.

Of the total time deposits outstanding as of December 31, 2024, \$519.3 million are scheduled to mature in 2025, \$76.2 million in 2026, \$79.9 million in 2027, \$18.1 million in 2028, and \$5.8 million in 2029. As of December 31, 2024, we have no wholesale certificates of deposit which the Bank has the right to call prior to the scheduled maturity.

### **Borrowings**

We had total borrowings of \$320.0 million as of December 31, 2024, a decrease of \$10.9 million, or 3.28%, from \$330.9 million at December 31, 2023. The Bank elected to utilize more wholesale deposits in lieu of FHLB advances in consideration of cost, efficiency, managing interest rate risk, and liquidity. Total wholesale funding as a percentage of total bank funding was 28.9% as of December 31, 2024, compared to 24.0% as of December 31, 2023. Total bank funding is defined as total deposits plus FHLB advances.

Please refer to the section entitled **Liquidity and Capital Resources**, below, for further information regarding our use and monitoring of wholesale funds.

The following table sets forth the outstanding balances, weighted average balances, and weighted average interest rates for our borrowings (short-term and long-term) as indicated.

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	December 31, 2024			December 31, 2023		
	Balance	Weighted Average Balance	Weighted Average Rate	Balance	Weighted Average Balance	Weighted Average Rate
	(Dollars in Thousands)					
Federal funds purchased	\$ —	\$ 2	38.40%	\$ —	\$ 3	5.37%
FHLB advances	265,350	282,437	2.73	281,500	351,990	2.52
Line of credit	—	1,229	8.03	—	38	7.26
Other borrowings	10	8	—	20	600	8.33
Subordinated notes and debentures	54,689	49,833	6.36	49,396	38,250	5.16
	<u>\$ 320,049</u>	<u>\$ 333,509</u>	3.30	<u>\$ 330,916</u>	<u>\$ 390,881</u>	2.79

A summary of annual maturities of borrowings at December 31, 2024, is as follows:

(In Thousands)

Maturities during the year ended December 31,

2025	\$	116,410
2026		65,000
2027		10,000
2028		10,450
2029		35,000
Thereafter		83,189
	<u>\$</u>	<u>320,049</u>

The Corporation redeemed \$15.0 million of subordinated notes payable that bore a fixed interest rate of 5.5% as of August 15, 2024. The Corporation issued new subordinated notes payable on September 13, 2024. The aggregate principal amount of the newly issued subordinated notes payable was \$20.0 million. The subordinated notes payable bear a fixed interest rate of 7.5% with a maturity date of September 13, 2024.

### Stockholders' Equity

As of December 31, 2024, stockholders' equity was \$328.6 million, or 8.53% of total assets, compared to stockholders' equity of \$289.6 million, or 8.26% of total assets, as of December 31, 2023. Stockholders' equity increased by \$39.0 million during the year ended December 31, 2024. The increase was due to net income of \$44.2 million for the year ended December 31, 2024, partially offset by preferred and common stock dividend declarations of \$875,000 and \$8.3 million, respectively.

On March 4, 2022, the Corporation issued 12,500 shares, or \$12.5 million in aggregate liquidation preference, of 7.0% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A, par value \$0.01 per share, with a liquidation preference of \$1,000 per share (the "Series A Preferred Stock") in a private placement to institutional investors. The net proceeds received from the issuance of the Series A Preferred Stock were \$12.0 million.

The Corporation expects to pay dividends on the Series A Preferred Stock when and if declared by its Board, at a fixed rate of 7.0% per annum, payable quarterly, in arrears, on March 15, June 15, September 15 and December 15 of each year up to, but excluding, March 15, 2027. For each dividend period from and including March 15, 2027, dividends will be paid at a floating rate of Three-Month Term SOFR plus a spread of 539 basis points per annum. During the year ended December 31, 2024, the Corporation paid \$875,000 in preferred cash dividends. The Series A Preferred Stock is perpetual and has no stated maturity. The Corporation may redeem the Series A Preferred Stock at its option at a redemption price equal to \$1,000 per share, plus any declared and unpaid dividends (without regard to any undeclared dividends), subject to regulatory approval, on or after March 15, 2027 or within 90 days following a regulatory capital treatment event, in accordance with the terms of the Series A Preferred Stock.

On April 26, 2024, the Corporation's Board of Directors authorized the repurchase by the Corporation of shares of its common stock with a maximum aggregate purchase price of \$5.0 million, in such quantities, at such prices and on such other terms and conditions as the Corporation's Chief Executive Officer or Chief Financial Officer determine in their discretion to be in the best interests of the

Corporation and its shareholders, any time with no expiration date. As of December 31, 2024, the Corporation has not repurchased any shares under this repurchase program.

### **Liquidity and Capital Resources**

The Corporation expects to meet its liquidity needs through existing cash on hand, established cash flow sources, its third party senior line of credit, and dividends received from the Bank. While the Bank is subject to certain generally applicable regulatory limitations regarding its ability to pay dividends to the Corporation, we do not believe that the Corporation will be adversely affected by these dividend limitations. The Corporation's principal liquidity requirements at December 31, 2024, were the interest payments due on subordinated notes and cash dividends payable to both common and preferred stockholders. During 2024 and 2023, FBB declared and paid cash dividends totaling \$11.5 million and \$12.1 million, respectively. The capital ratios of the Bank met all applicable regulatory capital adequacy requirements in effect on December 31, 2024, and continue to meet the heightened requirements imposed by Basel III, including the capital conservation buffer. The Corporation's Board and management teams adhere to the appropriate regulatory guidelines on decisions which affect their capital positions, including but not limited to, decisions relating to the payment of dividends and increasing indebtedness.

The Bank maintains liquidity by obtaining funds from several sources. The Bank's primary source of funds are principal and interest payments on loans receivable and mortgage-related securities and deposits and other borrowings, such as federal funds and FHLB advances. The scheduled payments of loans and mortgage-related securities are generally a predictable source of funds. Deposit flows and loan prepayments, however, are greatly influenced by general interest rates, economic conditions, and competition.

We view readily accessible liquidity as a critical element to meet our cash and collateral obligations. We define our readily accessible liquidity as the total of our short-term investments, our unencumbered securities available-for-sale, and our unencumbered pledged loans. As of December 31, 2024, and 2023, our readily accessible liquidity was \$882.8 million and \$734.4 million, respectively. At December 31, 2024, and 2023, the Bank had \$127.8 million and \$106.8 million on deposit with the FRB recorded in short-term investments, respectively. Any excess funds not used for loan funding or satisfying other cash obligations were maintained as part of our readily accessible liquidity in our interest-bearing accounts with the FRB, as we value the safety and soundness provided by the FRB.

We had \$976.1 million of outstanding wholesale funds at December 31, 2024, compared to \$739.2 million of wholesale funds as of December 31, 2023, which represented 28.9% and 24.0%, respectively, of period end total bank funding. Wholesale funds include FHLB advances, brokered certificates of deposit, and deposits gathered from internet listing services. Total bank funding is defined as total deposits plus FHLB advances. We are committed to raising core deposits while utilizing wholesale funds to match-fund our loan portfolio and mitigate interest rate risk. Wholesale funds continue to be an efficient and cost effective source of funding for the Bank and allows it to gather funds across a larger geographic base at price levels and maturities that are more attractive than local time deposits when required to raise a similar level of core deposits within a short time period. Access to such deposits and borrowings allows us the flexibility to refrain from pursuing less desirable deposit relationships. In addition, the administrative costs associated with wholesale funds are considerably lower than those that would be incurred to administer a similar level of local deposits with a similar maturity structure. During the time frames necessary to accumulate wholesale funds in an orderly manner, we will use short-term FHLB advances to meet any temporary funding needs. The short-term FHLB advances will typically have terms of one week to one month to cover expected funding demands.

Period-end core deposits increased \$57.4 million, or 2.5%, to \$2.396 billion at December 31, 2024, from \$2.339 billion at December 31, 2023, as core deposit balances increased due to successful business development efforts, partially offset by clients funding their normal course of business. Our core relationships continue to grow; however, deposit balances associated with those relationships will fluctuate. We expect to establish new client relationships and continue marketing efforts aimed at increasing the balances in existing clients' deposit accounts. Nonetheless, we will continue to use wholesale funds in specific maturity periods, typically three to five years, needed to effectively mitigate the interest rate risk measured through our asset/liability management process or in shorter time periods if core deposit balances decline. In order to provide for ongoing liquidity and funding, substantially all of our wholesale funds are certificates of deposit which do not allow for withdrawal at the option of the depositor before the stated

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maturity (with the exception of deposits accumulated through the internet listing service which have the same early withdrawal privileges and fees as do our other core deposits) and FHLB advances with contractual maturity terms and no call provisions. The Bank limits the percentage of wholesale funds to total bank funds in accordance with liquidity policies approved by its Board. The Bank was in compliance with its policy limits as of December 31, 2024.

The Bank was able to access the wholesale funding market as needed at rates and terms comparable to market standards during the year ended December 31, 2024. In the event that there is a disruption in the availability of wholesale funds at maturity, the Bank has managed the maturity structure, in compliance with our approved liquidity policy, so at least one year of maturities could be funded through readily available liquidity. These potential funding sources include deposits maintained at the FRB or Federal Reserve Discount Window utilizing currently unencumbered securities and acceptable loans as collateral. As of December 31, 2024, the readily available liquidity was in excess of the stated policy minimum. We believe the Bank will also have access to the unused federal funds lines, cash flows from borrower repayments, and cash flows from security maturities. The Bank also has the ability to raise core deposits by offering attractive rates to generate the level required to fulfill its liquidity needs.

The Corporation maintains a shelf registration with the Securities and Exchange Commission that would allow the Corporation to offer and sell, from time to time and in one or more offerings, up to \$75.0 million in aggregate initial offering price of common and preferred stock, debt securities, warrants, subscription rights, units, or depository shares, or any combination thereof.

The Bank is required by federal regulation to maintain sufficient liquidity to ensure safe and sound operations. We believe that the Bank has sufficient liquidity to match the balance of net withdrawable deposits and short-term borrowings in light of present economic conditions and deposit flows.

During the year ended December 31, 2024, operating activities resulted in a net cash inflow of \$57.5 million driven by net income of \$44.2 million. Net cash used in investing activities for the year ended December 31, 2024, was \$328.5 million which consisted of \$267.4 million in cash outflows to fund net loan growth and \$146.2 million in net cash outflows to purchase available-for-sale securities. Net cash provided by financing activities for the year ended December 31, 2024, was \$289.2 million. Financing cash flows included a \$310.4 million net increase in deposits and a \$16.2 million net increase in FHLB advances, partially offset by cash dividends paid of \$8.3 million.

Refer to **Note 12 – Regulatory Capital** for additional information regarding the Corporation’s and the Bank’s capital ratios and the ratios required by their federal regulators at December 31, 2024, and 2023.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, changes in these assumptions and estimates could significantly affect the Corporation’s financial position or results of operations. Actual results could differ from those estimates. Discussed below are certain policies that are critical to the Corporation. We view critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements.

**Allowance for Credit Losses.** Management believes the determination of the ACL involves a higher degree of judgment and complexity than its other significant accounting policies. The ACL is calculated with the objective of maintaining a reserve level believed by management to be sufficient to absorb estimated credit losses over the life of an asset or an off-balance sheet credit exposure. Management’s determination of the adequacy of the ACL is based on periodic evaluations of past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. However, this evaluation has subjective components requiring material estimates, including expected default probabilities, the expected loss given default, the amounts and timing of expected future cash flows, and estimated losses based on historical loss experience and forecasted

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economic conditions. All of these factors may be susceptible to significant change. To the extent that actual results differ from management estimates, additional provisions for credit losses may be required that would adversely impact earnings in future periods. The ACL represents our recognition of the risks of extending credit and our evaluation of the quality of the loan and lease portfolio and as such, requires the use of judgment as well as other systematic objective and quantitative methods which may include additional assumptions and estimates.

One of the most significant judgments impacting the ACL estimate is the economic forecast for United States national unemployment and United States national GDP. Changes in the economic forecast could significantly affect the estimated credit losses which could potentially lead to materially different allowance levels from one reporting period to the next. Loans that no longer conform to the risk characteristics of any pool are evaluated individually. This includes all non-accrual loans and leases and may also include other loans and leases that management identifies as non-conforming. Reserves on individually-evaluated loans are estimated based on one or a combination of estimates of fair value of the underlying collateral less cost to sell, seniority of the Bank's claim, and borrower repayment forecasts. For loans and leases less than \$1,000,000 in the Equipment Finance pool, the recovery value is based on historical experience rather than specific asset appraisals.

Management also evaluates debt securities for credit losses when a default or decline in fair value is identified.

We also continue to exercise our legal rights and remedies as appropriate in the collection and disposal of non-performing assets and adhere to rigorous underwriting standards in our origination process in order to achieve strong asset quality. Although we believe that the ACL was appropriate as of December 31, 2024, based upon the evaluation of loan and lease delinquencies, non-performing assets, charge-off trends, economic conditions, and other factors, there can be no assurance that future adjustments to the allowance will not be necessary.

**Goodwill Impairment Assessment.** Goodwill is not amortized but, instead, is subject to impairment tests on at least an annual basis, and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, including goodwill. The Corporation conducted its annual impairment test as of July 1, 2024, utilizing a qualitative assessment, and concluded that it was more likely than not the estimated fair value of the reporting unit exceeded its carrying value, resulting in no impairment. Although no goodwill impairment was noted, there can be no assurances that future goodwill impairment will not occur.

**Income Taxes.** The Corporation and its wholly owned subsidiaries file a consolidated federal income tax return and a combined Wisconsin state tax return. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The determination of current and deferred income taxes is based on complex analysis of many factors, including the interpretation of federal and state income tax laws, the difference between the tax and financial reporting basis of assets and liabilities (temporary differences), estimates of amounts currently due or owed, such as the timing of reversals of temporary differences, and current accounting standards. We apply a more likely than not approach to each of our tax positions when determining the amount of tax benefit to record in our Consolidated Financial Statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

We have made our best estimate of valuation allowances utilizing available evidence and evaluation of sources of taxable income including tax planning strategies and expected reversals of timing differences to determine if valuation allowances were needed for deferred tax assets. Realization of deferred tax assets over time is dependent on our ability to generate sufficient taxable earnings in future periods and a valuation allowance may be necessary if management determines that it is more likely than not that the deferred asset will not be utilized. These estimates and assumptions are subject to change. Changes in these estimates and assumptions could adversely affect future consolidated results of operations. The Corporation believes the tax assets, liabilities, and allowances are properly recorded in the Consolidated Financial Statements.

The Corporation also invests in certain development entities that generate federal historic, low income housing, and renewable energy tax credits. The tax benefits associated with these investments are accounted for either under the flow-through method, equity method, or proportional amortization method and are recognized when the respective project is placed in service or over the investment term.

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The federal and state taxing authorities who make assessments based on their determination of tax laws may periodically review our interpretation of federal and state income tax laws. Tax liabilities could differ significantly from the estimates and interpretations used in determining the current and deferred income tax liabilities based on the completion of examinations by taxing authorities.

### Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk is interest rate risk, which arises from exposure of our financial position to changes in interest rates. It is our strategy to reduce the impact of interest rate risk on net interest margin by maintaining a match-funded position between the maturities and repricing dates of interest-earning assets and interest-bearing liabilities. This strategy is monitored by the Bank's Asset/Liability Management Committee, in accordance with policies approved by the Bank's Board. The committee meets regularly to review the sensitivity of the Bank's assets and liabilities to changes in interest rates, liquidity needs and sources, and pricing and funding strategies.

The primary technique we use to measure interest rate risk is simulation of earnings. In this measurement technique the balance sheet is modeled as an ongoing entity whereby future growth, pricing, and funding assumptions are implemented. These assumptions are modeled under different rate scenarios that include a simultaneous, instant and sustained change in interest rates.

The following table illustrates the potential impact of changes in market rates on our net interest income for the next twelve months.

Instantaneous Rate Change in Basis Points	Impact on Net Interest Income as of December 31,	
	2024	2023
Down 300	(1.35)%	(0.20)%
Down 200	(0.10)	1.54
Down 100	0.10	1.92
No Change	—	—
Up 100	0.37	2.11
Up 200	0.75	2.24
Up 300	1.13	2.36

We manage the structure of interest-earning assets and interest-bearing liabilities by adjusting their mix, yield, maturity and/or repricing characteristics based on market conditions. FHLB advances and, to a lesser extent, wholesale certificates of deposit are a significant source of funds. We use a variety of maturities to augment our management of interest rate exposure. Management has the authorization, as permitted within applicable approved policies, and ability to utilize derivatives should they be appropriate to manage interest rate exposure. We maintained our historically neutral balance sheet throughout 2024 and believe we ended the year appropriately positioned.

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**Item 8. Financial Statements and Supplementary Data**

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**First Business Financial Services, Inc.**  
**Consolidated Balance Sheets**

	December 31, 2024	December 31, 2023
	(In Thousands, Except Share Data)	
<b>Assets</b>		
Cash and due from banks	\$ 29,495	\$ 32,348
Short-term investments	128,207	107,162
Cash and cash equivalents	157,702	139,510
Securities available-for-sale, at fair value	341,392	297,006
Securities held-to-maturity, at amortized cost	6,741	8,503
Loans held for sale	13,498	4,589
Loans and leases receivable, net of allowance for credit losses of \$35,785 and \$31,275, respectively	3,077,343	2,818,986
Premises and equipment, net	5,227	6,190
Repossessed assets	51	247
Right-of-use assets, net	5,702	6,559
Bank-owned life insurance	57,210	55,536
Federal Home Loan Bank stock, at cost	11,616	12,042
Goodwill and other intangible assets	11,912	12,023
Derivatives	65,762	55,597
Accrued interest receivable and other assets	99,059	91,058
<b>Total assets</b>	<b>\$ 3,853,215</b>	<b>\$ 3,507,846</b>
<b>Liabilities and Stockholders' Equity</b>		
Deposits	\$ 3,107,140	\$ 2,796,779
Federal Home Loan Bank advances and other borrowings	320,049	330,916
Lease liabilities	7,926	8,954
Derivatives	57,068	51,949
Accrued interest payable and other liabilities	32,443	29,660
<b>Total liabilities</b>	<b>3,524,626</b>	<b>3,218,258</b>
<b>Stockholders' equity:</b>		
Preferred stock, \$0.01 par value, 2,500,000 shares authorized, 12,500 shares of 7% non-cumulative perpetual preferred stock, Series A, outstanding at December 31, 2024 and 2023, respectively	11,992	11,992
Common stock, \$0.01 par value, 25,000,000 shares authorized, 9,433,637 and 9,418,463 shares issued, 8,293,928 and 8,314,778 shares outstanding at December 31, 2024 and 2023, respectively	95	95
Additional paid-in capital	93,545	90,616
Retained earnings	265,778	230,728
Accumulated other comprehensive loss	(11,425)	(13,717)
Treasury stock, 1,139,709 and 1,103,685 shares at December 31, 2024 and 2023, respectively, at cost	(31,396)	(30,126)
<b>Total stockholders' equity</b>	<b>328,589</b>	<b>289,588</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,853,215</b>	<b>\$ 3,507,846</b>

See accompanying Notes to Consolidated Financial Statements.

**First Business Financial Services, Inc.**  
**Consolidated Statements of Income**

	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands, Except Per Share Data)		
<b>Interest income</b>			
Loans and leases	\$ 216,899	\$ 182,650	\$ 115,368
Securities	11,912	8,203	4,472
Short-term investments	4,319	4,075	1,531
Total interest income	233,130	194,928	121,371
<b>Interest expense</b>			
Deposits	97,922	71,418	13,178
Federal Home Loan Bank advances and other borrowings	11,002	10,922	9,267
Junior subordinated notes	—	—	504
Total interest expense	108,924	82,340	22,949
Net interest income	124,206	112,588	98,422
Provision for credit losses	8,827	8,182	(3,868)
Net interest income after provision for credit losses	115,379	104,406	102,290
<b>Non-interest income</b>			
Private wealth management service fees	13,262	11,425	10,881
Gain on sale of Small Business Administration loans	1,942	2,055	2,537
Service charges on deposits	3,771	3,131	3,849
Loan fees	3,399	3,363	3,010
Increase in cash surrender value of bank-owned life insurance	1,649	1,494	2,227
Net loss on sale of securities	(8)	(45)	—
Swap fees	1,403	2,964	1,793
Other non-interest income	3,833	6,921	5,131
Total non-interest income	29,251	31,308	29,428
<b>Non-interest expense</b>			
Compensation	63,105	61,059	57,742
Occupancy	2,373	2,381	2,358
Professional fees	5,671	5,325	4,881
Data processing	4,892	3,826	3,197
Marketing	3,518	2,889	2,354
Equipment	1,314	1,340	1,091
Computer software	6,166	4,985	4,416
FDIC insurance	2,760	2,238	1,042
Other non-interest expense	3,681	4,532	2,393
Total non-interest expense	93,480	88,575	79,474
Income before income tax expense	51,150	47,139	52,244
Income tax expense	6,905	10,112	11,386
Net income	44,245	37,027	40,858
Preferred stock dividend	875	875	683
Net income available to common shareholders	\$ 43,370	\$ 36,152	\$ 40,175
<b>Earnings per common share</b>			
Basic	\$ 5.20	\$ 4.33	\$ 4.75
Diluted	5.20	4.33	4.75
Dividends declared per share	1.00	0.91	0.79

See accompanying Notes to Consolidated Financial Statements.

**First Business Financial Services, Inc.**  
**Consolidated Statements of Comprehensive Income**

	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands)		
Net income	\$ 44,245	\$ 37,027	\$ 40,858
Other comprehensive income (loss)			
Securities available-for-sale:			
Unrealized securities (losses) gains arising during the period	(2,185)	5,606	(27,730)
Reclassification adjustment for net loss realized in net income	8	45	—
Securities held-to-maturity:			
Amortization of net unrealized losses transferred from available-for-sale	2	4	14
Interest rate swaps:			
Unrealized gains (losses) on interest rate swaps arising during the period	5,046	(3,514)	9,102
Income tax (expense) benefit	(579)	(548)	4,761
Total other comprehensive income (loss)	2,292	1,593	(13,853)
Comprehensive income	<u>\$ 46,537</u>	<u>\$ 38,620</u>	<u>\$ 27,005</u>

See accompanying Notes to Consolidated Financial Statements.

**First Business Financial Services, Inc.**  
**Consolidated Statements of Changes in Stockholders' Equity**

	Common Shares Outstanding	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
	(In Thousands, Except Share Data)							
Balance at January 1, 2022	8,457,564	\$—	\$93	\$85,797	\$170,020	\$(1,457)	\$(22,031)	\$232,422
Net income	—	—	—	—	40,858	—	—	40,858
Other comprehensive loss	—	—	—	—	—	(13,853)	—	(13,853)
Issuance of preferred stock, net of issuance costs	—	11,992	—	—	—	—	—	11,992
Share-based compensation - restricted shares and employee stock purchase plan	75,564	—	1	2,583	—	—	—	2,584
Issuance of common stock under the employee stock purchase plan	4,535	—	—	134	—	—	—	134
Treasury stock re-issued	—	—	—	(1,002)	—	—	1,002	—
Preferred stock dividends	—	—	—	—	(683)	—	—	(683)
Cash dividends (\$0.79 per share)	—	—	—	—	(6,688)	—	—	(6,688)
Treasury stock purchased	(175,578)	—	—	—	—	—	(6,126)	(6,126)
Balance at December 31, 2022	8,362,085	11,992	94	87,512	203,507	(15,310)	(27,155)	260,640
Cumulative change in accounting principle	—	—	—	—	(1,353)	—	—	(1,353)
Balance at January 1, 2023	8,362,085	11,992	94	87,512	202,154	(15,310)	(27,155)	259,287
Net income	—	—	—	—	37,027	—	—	37,027
Other comprehensive income	—	—	—	—	—	1,593	—	1,593
Share-based compensation - restricted shares and employee stock purchase plan	43,057	—	1	2,976	—	—	—	2,977
Issuance of common stock under the employee stock purchase plan	4,328	—	—	128	—	—	—	128
Preferred stock dividends	—	—	—	—	(875)	—	—	(875)
Cash dividends (\$0.91 per share)	—	—	—	—	(7,578)	—	—	(7,578)
Treasury stock purchased	(94,692)	—	—	—	—	—	(2,971)	(2,971)
Balance at December 31, 2023	8,314,778	11,992	95	90,616	230,728	(13,717)	(30,126)	289,588
Net income	—	—	—	—	44,245	—	—	44,245
Other comprehensive income	—	—	—	—	—	2,292	—	2,292
Share-based compensation - restricted shares and employee stock purchase plan	11,342	—	—	2,785	—	—	—	2,785
Issuance of common stock under the employee stock purchase plan	3,832	—	—	144	—	—	—	144
Preferred stock dividends	—	—	—	—	(875)	—	—	(875)
Cash dividends (\$1.00 per share)	—	—	—	—	(8,320)	—	—	(8,320)
Treasury stock purchased	(36,024)	—	—	—	—	—	(1,270)	(1,270)
Balance at December 31, 2024	8,293,928	\$11,992	\$95	\$93,545	\$265,778	\$(11,425)	\$(31,396)	\$328,589

See accompanying Notes to Consolidated Financial Statements.

**First Business Financial Services, Inc.**  
**Consolidated Statements of Cash Flows**

	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands)		
<b>Operating activities</b>			
Net income	\$44,245	\$37,027	\$40,858
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes, net	(3,513)	2,120	(775)
Tax credit investments recovery	224	—	(351)
Provision for credit losses	8,827	8,182	(3,868)
Depreciation, amortization and accretion, net	3,738	3,636	4,066
Share-based compensation	2,785	2,977	2,584
Net loss on disposal of fixed assets	10	73	—
Net loss on sale of tax credit investments	177	—	—
Amortization of tax credit investments	5,992	4,053	1,035
Bank-owned life insurance policy income	(1,649)	(1,494)	(2,227)
Origination of loans for sale	(167,548)	(149,669)	(124,915)
Sale of loans originated for sale	160,581	149,767	128,391
Gain on sale of loans originated for sale	(1,942)	(2,055)	(2,537)
Net loss (gain) on repossessed assets	168	13	(429)
Return on investment in limited partnerships	3,311	4,922	721
Excess tax benefit from share-based compensation	186	194	264
Net payments on operating lease liabilities	(1,453)	(1,425)	(1,470)
Net decrease (increase) in accrued interest receivable and other assets	6,218	(21,497)	(7,728)
Net (decrease) increase in accrued interest payable and other liabilities	(2,866)	15,468	5,026
Net cash provided by operating activities	<u>57,491</u>	<u>52,292</u>	<u>38,645</u>
<b>Investing activities</b>			
Proceeds from maturities, redemptions, and paydowns of available-for-sale securities	91,902	22,114	40,835
Proceeds from maturities, redemptions, and paydowns of held-to-maturity securities	1,749	4,115	7,080
Proceeds from sale of available-for-sale securities	7,533	5,085	—
Purchases of available-for-sale securities	(146,241)	(106,967)	(75,740)
Proceeds from sale of repossessed assets	18	25	71
Net increase in loans and leases	(267,413)	(408,618)	(199,467)
Investments in limited partnerships	(1,842)	(1,413)	(1,508)
Returns of investments in limited partnerships	704	7	17
Investment in tax credit investments	(17,143)	(24,160)	(11,454)
Distribution from tax credit investments	174	101	474
Proceeds from sale of tax credit	1,879	—	—
Investment in Federal Home Loan Bank stock	(24,945)	(32,069)	(45,660)
Proceeds from the sale of Federal Home Loan Bank stock	25,371	37,839	41,184
Purchases of leasehold improvements and equipment, net	(223)	(2,884)	(3,223)
Proceeds from sale of leasehold improvements and equipment	30	—	—
Premium payment on bank owned life insurance policies	(25)	(24)	(50)
Proceeds from bank owned life insurance claim	—	—	1,859
Proceeds from redemption of Trust II stock	—	—	315
Net cash used in investing activities	<u>(328,472)</u>	<u>(506,849)</u>	<u>(245,267)</u>
<b>Financing activities</b>			
Net increase in deposits	310,361	628,573	210,283
Repayment of Federal Home Loan Bank advances	(1,148,378)	(1,698,730)	(2,374,849)
Proceeds from Federal Home Loan Bank advances	1,132,228	1,563,851	2,422,429
Repayment of subordinated notes and debentures	(15,000)	—	(9,090)
Repayment of junior subordinated debt	—	—	(10,076)
Proceeds from issuance of subordinated notes and debentures	20,000	15,000	20,000
Net increase (decrease) in long-term borrowed funds	283	(6,013)	(5,132)
Cash dividends paid	(8,320)	(7,578)	(6,688)
Preferred stock dividends paid	(875)	(875)	(683)
Proceeds from issuance of common stock under ESPP	144	128	134
Proceeds from issuance of preferred stock	—	—	11,992
Purchase of treasury stock	(1,270)	(2,971)	(6,126)
Net cash provided by financing activities	<u>289,173</u>	<u>491,385</u>	<u>252,194</u>
Net increase in cash and cash equivalents	<u>18,192</u>	<u>36,828</u>	<u>45,572</u>



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Cash and cash equivalents at the beginning of the period	139,510	102,682	57,110
Cash and cash equivalents at the end of the period	<u>\$157,702</u>	<u>\$139,510</u>	<u>\$102,682</u>
<b>Supplementary cash flow information</b>			
<b>Cash paid during the period for:</b>			
Interest paid on deposits and borrowings	\$109,610	\$75,533	\$20,110
Net income taxes paid	158	7,456	8,038
<b>Non-cash investing and financing activities:</b>			
Transfer of repossessed assets to (from) loans	10	(190)	(50)
Lease liability in exchange for right-of-use-asset	—	—	6,265

See accompany Notes to Consolidated Financial Statements

**First Business Financial Services, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 — Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

The accounting and reporting practices of First Business Financial Services, Inc. (“FBFS” or the “Corporation”), through our wholly-owned subsidiary, First Business Bank (“FBB” or the “Bank”), have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). FBB operates as a commercial banking institution primarily in Wisconsin and the greater Kansas City metropolitan area. The Bank provides a full range of financial services to businesses, business owners, executives, professionals, and high net worth individuals. FBB also offers bank consulting services to community financial institutions. The Bank is subject to competition from other financial institutions and service providers and is also subject to state and federal regulations. As of December 31, 2024, FBB had the following wholly-owned subsidiaries: First Business Specialty Finance, LLC (“FBSF”), First Madison Investment Corp. (“FMIC”), ABKC Real Estate, LLC (“ABKC”), FBB Real Estate 2, LLC (“FBB RE 2”), Mitchell Street Apartments Investment, LLC (“Mitchell Street”), and FBB Tax Credit Investment, LLC (“FBB Tax Credit”).

**Basis of Presentation.** The Consolidated Financial Statements include the accounts of the Corporation and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates.** Management of the Corporation is required to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that could significantly change in the near-term include the value of securities and interest rate swaps, level of allowance for credit losses, lease residuals, property under operating leases, goodwill, and income taxes.

**Subsequent Events.** Subsequent events have been evaluated through the date of issuance of the Consolidated Financial Statements. No significant subsequent events have occurred through this date requiring adjustment to the financial statements or disclosures.

**Cash and Cash Equivalents.** The Corporation considers federal funds sold, interest-bearing deposits, and short-term investments that have original maturities of three months or less to be cash equivalents.

**Securities.** The Corporation classifies its investment and mortgage-related securities as available-for-sale, held-to-maturity, and trading. Debt securities that the Corporation has the positive intent and ability to hold to maturity are classified as held-to-maturity and are stated at amortized cost. Debt securities bought expressly for the purpose of selling in the near term are classified as trading securities and are measured at fair value with unrealized gains and losses reported in earnings. Debt securities not classified as held-to-maturity or as trading are classified as available-for-sale. Available-for-sale securities are measured at fair value with unrealized gains and losses reported as a separate component of stockholders’ equity, net of tax. Realized gains and losses are included in the Consolidated Statements of Income as a component of non-interest income. Credit losses for securities are recorded as an allowance for credit losses through the provision for credit losses. The cost of securities sold is based on the specific identification method. The Corporation did not hold any trading securities at December 31, 2024 or 2023.

Discounts and premiums on securities are accreted and amortized into interest income using the effective yield method over the estimated life (based on maturity date, call date, or weighted average life) of the related security.

**Allowance for Credit Loss (“ACL”) - Available For Sale (“AFS”) Debt Securities.** For AFS debt securities in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and

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an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any decline in fair value that has not been recorded through an allowance for credit losses is recognized in other comprehensive income, net of applicable taxes.

Changes in the ACL are recorded as a provision for (or recovery of) credit loss expense. Losses are charged against allowance when management believes that uncollectibility of an AFS debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on AFS debt securities totaled \$1.3 million at December 31, 2024 and is excluded from the estimate of credit losses.

**ACL - Held To Maturity (“HTM”) Debt Securities.** Management measures expected credit losses on HTM debt securities on a collective basis by major security type. Accrued interest receivable on HTM debt securities totaled \$31,000 at December 31, 2024 and is excluded from the estimate of credit losses. The HTM securities portfolio includes residential mortgage backed securities (“MBS”) commercial MBS, and municipal securities. All residential and commercial MBS are U.S. government issued or U.S. government sponsored and substantially all municipal bonds are rated A or above.

**Loans Held for Sale.** The guaranteed portions of SBA loans which are originated and intended for sale in the secondary market are classified as held for sale. These loans are carried at the lower of cost or fair value in the aggregate. Unrealized losses on such loans are recognized through a valuation allowance by a charge to other non-interest income. Gains and losses on the sale of loans are also included in other non-interest income. As assets specifically originated for sale, the origination of, disposition of, and gain/loss on these loans are classified as operating activities in the Consolidated Statements of Cash Flows. Fees received from the borrower and direct costs to originate the loans are deferred and recognized as part of the gain or loss on sale. There were \$13.5 million and \$4.6 million in loans held for sale outstanding at December 31, 2024 and 2023, respectively.

**Loans and Leases.** Loans and leases which management has the intent and ability to hold for the foreseeable future or until maturity are reported at their outstanding principal balance with adjustments for partial charge-offs, the allowance for credit losses, deferred fees or costs on originated loans and leases, and unamortized premiums or discounts on any purchased loans.

Occasionally, the Corporation modifies loans or leases to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-significant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit loss.

Interest on non-accrual loans and leases is accrued and credited to income on a daily basis based on the unpaid principal balance and is calculated using the effective interest method. Per policy, a loan or a lease is placed on non-accrual status when it becomes 90 days past due or it is doubtful that contractual principal and interest will be collected in accordance with the terms of the contract. A loan or lease is determined to be past due if the borrower fails to meet a contractual payment and will continue to be considered past due until all contractual payments are received. When a loan or lease is placed on non-accrual, the interest accrual is discontinued and previously accrued but uncollected interest is deducted from interest income. If collectability of the contractual principal and interest is in doubt, payments received are first applied to reduce the loan principal. If collectability of the contractual payments is not in doubt, payments may be applied to interest for interest amounts due on a cash basis. As soon as it is determined with certainty that the principal of a non-performing loan or lease is uncollectible, either through collections from the borrower or disposition of the underlying collateral, the portion of the carrying balance that exceeds the estimated measurement value of the loan or lease is charged off. Loans or leases are returned to accrual status when they are brought current in terms of both principal and accrued interest due, have performed in accordance with contractual terms for a reasonable period of time, and when the ultimate collectability of total contractual principal and interest is no longer doubtful.

Transfers of assets, including but not limited to the guaranteed portions of SBA loans and participation interests in other, non-SBA originated loans, that upon completion of the transfer satisfy the conditions to be reported as a sale, including legal isolation, are derecognized from the Consolidated Financial Statements. Transfers of assets that upon completion of the transfer do not meet the conditions of a sale are recorded on a gross basis with a secured borrowing identified to reflect the amount of the transferred interest.

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Loan and lease origination fees as well as certain direct origination costs are deferred and amortized as an adjustment to loan yields over the stated term of the loan. Loans or leases that result from a refinance or restructuring, other than modified loans or leases to borrowers in financial distress, where terms are at least as favorable to the Corporation as the terms for comparable loans to other borrowers with similar collection risks and result in an essentially new loan, are accounted for as a new loan. Any unamortized net fees, costs, or penalties are recognized when the new loan or lease is originated. Unamortized net loan or lease fees or costs for loans and leases that result from a refinance or restructure with only minor modifications to the original loan or lease contract are carried forward as a part of the net investment in the new loan. For modified loans or leases to borrowers in financial distress, all fees received in connection with a modification of terms are applied as a reduction of the loan or lease and any related costs, including direct loan origination costs, are charged to expense as incurred.

**ACL - Loans.** The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amounts expected to be collected on the loans. Loans are charged off against the allowance when management believes that the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as changes in external conditions, such as changes in unemployment rates, property values, or other relevant factors.

Accrued interest receivable on loans totaled \$11.0 million at December 31, 2024 and is excluded from the estimate of credit losses.

**ACL - Loans - Collectively Evaluated.** The ACL is measured on a collective pool basis when similar risk characteristics exist. The Corporation has identified the following portfolio segments:

Commercial Real Estate: Commercial real estate portfolio segments utilize substantially similar processes and controls. Due to the collateral types, availability of data, and results of the Loss Driver Analysis ("LDA"), management utilizes a unique forecast model for each portfolio segment along with a separate analysis of subjective factors.

- Construction - Loans secured by real estate used to finance land development or construction.
- 1-4 Family - Loans secured by 1-4 family residential property
- Multi-family - Loans secured by multi-family residential property
- Owner Occupied - Loans secured by nonfarm, nonresidential owner-occupied property
- Non-owner Occupied - Loans secured by other nonfarm, nonresidential property

Commercial and Industrial Lending: Commercial and industrial lending is a portfolio segment where management uses a common forecast due to common risk management, similarity in collateral types, availability of data, and results of the LDA. Management has distinct processes, controls, and procedures which enable more precise development of subjective factors at the pool level.

- Commercial - Loans to small- to medium-sized companies in our primary markets in Wisconsin, Kansas, and Missouri, predominantly through lines of credit and term loans to businesses.
- Asset Based Lending - Products include revolving lines of credit and term loans for strategic acquisitions, capital expenditures, working capital, bank debt refinancing, debt restructuring, and corporate turnaround strategies.
- Floorplan - Floor plan financing for independent auto dealerships nationwide.
- SBA - Loans originated in accordance with the guidelines of the Small Business Administration ("SBA"). As the Corporation prefers to sell the guaranteed portion, the on-balance sheet loans are primarily unguaranteed.
- Equipment finance - Loans and leases secured by a broad range of equipment to commercial clients in a variety of industries.

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Consumer and other: Consumer loans consisted of marketable security loans and other personal loans for executives and high net-worth individuals. The Corporation uses a unique forecast model and subjective factors for this portfolio segment due to the client type and data availability.

Measures of the ACL are as follows:

<b>Portfolio Segment</b>	<b>Pool</b>	<b>Measurement Method</b>	<b>Loss Driver</b>
Commercial real estate			
Owner occupied		Discounted Cash Flow	National unemployment, National GDP
Non-owner occupied		Discounted Cash Flow	National unemployment, National GDP
Construction		Discounted Cash Flow	National unemployment, National GDP
Multi-family		Discounted Cash Flow	National unemployment, National GDP
1-4 Family		Discounted Cash Flow	National unemployment, National GDP
Commercial and industrial			
	Commercial	Discounted Cash Flow	National unemployment, National GDP
	ABL	Discounted Cash Flow	National unemployment, National GDP
	Floorplan	Discounted Cash Flow	National unemployment, National GDP
	SBA	Weighted Average Remaining Maturity	N/A
	Equipment Finance	Discounted Cash Flow	National unemployment, National GDP
Consumer and other		Discounted Cash Flow	National unemployment, National GDP

The Corporation utilized a discounted cash flow (DCF) or Weighted Average Remaining Maturity (WARM) method to estimate the quantitative portion of the allowance for credit losses for loans evaluated on a collective pooled basis. For each segment, a LDA was performed in order to identify loss drivers and create a regression model for use in forecasting cash flows. For all DCF-based pools, the LDA analyses utilized the Corporation's and peer data from the Federal Financial Institutions Examination Council's ("FFIEC") Call Report filings.

In creating the DCF model, the Corporation has established a one-year reasonable and supportable forecast period with a one-year straight line reversion to the long-term historical average. Due to the infrequency of losses, the Corporation elected to use peer data for a more statistically sound calculation.

Key inputs into the DCF model include loan-level detail, including the amortized cost basis of individual loans, payment structure, loss history, and forecasted loss drivers. The Corporation utilizes a third party to provide economic forecasts under various scenarios, which are assessed quarterly considering the scenarios in the context of the current economic environment and presumed risk of loss.

Expected credit losses are estimated over the contractual term of the loans, adjusted for prepayments when appropriate. The contractual term excludes extensions, renewals, and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Corporation.

Additional key assumptions in the DCF model include the probability of default ("PD"), loss given default ("LGD"), and prepayment/curtailment rates. The Corporation utilizes the model-driven PD and a LGD derived using a method referred to as Frye Jacobs. The Frye Jacobs method is a mathematical formula that traces the relationship between LGD and PD over time and projects the LGD based on the level of PD forecasted. In all cases, the Frye Jacobs method is utilized to calculate LGDs during the forecast period, reversion period and long-term historical average. Prepayment and curtailment rates were calculated through third party studies of the Corporation's own data.

When the DCF method is used to determine the allowance for credit losses, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

For the WARM-based SBA pool, Corporation-specific data was used to develop the model assumptions. The Corporation developed a reasonable and supportable estimate for the remaining maturity and estimated loss through analysis of historical data. The remaining maturity calculation excludes loans originated under the Paycheck Protection Program as such loans are inconsistent with the current portfolio composition. The quarterly loss rate data includes 2017 to current as the SBA lending policies and procedures were realigned in 2016 following the acquisition of Alterra Bank. Only the unguaranteed portion of the SBA loans are assessed via WARM. The risk of a failed guarantee claim is captured under ASC 450 contingency accounting.

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Qualitative factors for DCF and WARM methodologies include the following:

- The Corporation's lending policies and procedures, including changes in lending strategies, underwriting standards and practices for collections, write-offs, and recoveries;
- Actual and expected changes in international, national, regional, and local economic and business conditions and developments in which the Corporation operates that affect the collectability of financial assets;
- The experience, ability, and depth of the Corporation's lending, investment, collection, and other relevant management and staff;
- The volume of past due loans and leases, the volume of non-accrual and the volume and severity of adversely classified or graded assets;
- The existence and effect of industry concentrations of credit;
- Independent indicators of collateral quality;
- The quality of the Corporation's credit review function and;
- The effect of other external factors such as the regulatory, legal and technological environments, competition, and events such as natural disasters or pandemics

**ACL - Loans - Individually Evaluated.** Loans that do not share risk characteristics are evaluated on an individual basis and are excluded from the collective evaluation. The Corporation has determined that all loans which have been placed on non-performing status and other performing loans that have been identified due to non-conforming characteristics will be individually evaluated. Individual analysis will evaluate the required specific reserve for loans in scope. Specific reserves on non-performing loans are typically based on management's best estimate of the fair value of collateral securing these loans, adjusted for selling costs as appropriate.

**ACL - Off-Balance Sheet Credit Exposures.** The Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Corporation. The allowance for credit losses on off-balance sheet credit exposure is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. Funding rates are based on a historical analysis of the Corporation's portfolio, while estimates of credit losses are determined using the same loss rates as funded loans.

**Premises and Equipment, net.** The cost of capitalized leasehold improvements is amortized on the straight-line method over the lesser of the term of the respective lease or estimated economic life. Equipment is stated at cost less accumulated depreciation and amortization which is calculated by the straight-line method over the estimated useful lives of 3 to 10 years. Maintenance and repair costs are charged to expense as incurred. Improvements which extend the useful life are capitalized and depreciated over the remaining useful life of the assets.

**Repossessed Assets.** Property acquired by repossession, foreclosure, or by deed in lieu of foreclosure is recorded at the fair value of the underlying property, less costs to sell. This fair value becomes the new cost basis for the repossessed asset. Any write-down in the carrying value of a loan or lease at the time of acquisition is charged to the allowance for credit losses. Any subsequent write-downs to reflect current fair value, as well as gains and losses on disposition and revenues are recorded in non-interest expense. Any required or prudent costs incurred relating to the development and improvement of the property are capitalized while holding period costs are charged to other non-interest expense.

**Leases.** At contract inception, the Corporation determines whether the arrangement is or contains a lease and determines the lease classification. The lease term is determined based on the non-cancellable term of the lease adjusted to the extent optional renewal terms and termination rights are reasonably certain. Lease expense is recognized evenly over the lease term. Variable lease payments are recognized as period costs. The present value of remaining lease payments is recognized as a liability on the balance sheet with a corresponding right-of-use asset adjusted for prepaid or accrued lease payments. The Corporation uses the Federal Home Loan Bank fixed advance rate as of the lease inception date that most closely resembles the remaining term of the lease as the incremental borrowing rate, unless the interest rate implicit in the lease contract is readily determinable. The Corporation has elected to exclude

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short-term leases as well as all non-lease items, such as common area maintenance, from being included in the lease liability on the Consolidated Balance Sheets.

**Bank-Owned Life Insurance.** Bank-owned life insurance (“BOLI”) is reported at the amount that would be realized if the life insurance policies were surrendered on the balance sheet date. BOLI policies owned by the Bank are purchased with the objective to fund certain future employee benefit costs with the death benefit proceeds. The cash surrender value of such policies is recorded in bank-owned life insurance on the Consolidated Balance Sheets and changes in the value are recorded in non-interest income. The total death benefit of all BOLI policies was \$133.8 million and \$133.7 million as of December 31, 2024 and 2023, respectively. There are no restrictions on the use of BOLI proceeds nor are there any contractual restrictions on the ability to surrender the policy. As of December 31, 2024 and 2023, there were no borrowings against the cash surrender value of the BOLI policies.

**Federal Home Loan Bank Stock.** The Bank is required to maintain Federal Home Loan Bank (“FHLB”) stock as members of the FHLB, and in amounts as required by the FHLB. This equity security is “restricted” in that it can only be sold back to the FHLB or another member institution at par. Therefore, it is less liquid than other marketable equity securities and the fair value is equal to cost. At December 31, 2024 and 2023, the Bank had FHLB stock of \$11.6 million and \$12.0 million, respectively. The Corporation periodically evaluates its holding in FHLB stock for impairment. Should the stock be impaired, it would be written down to its estimated fair value. There were no impairments recorded on FHLB stock during the years ended December 31, 2024 and 2023.

**Goodwill and Other Intangible Assets.** Goodwill and other intangible assets consist primarily of goodwill and loan servicing rights. Core deposit intangibles have estimated finite lives and are amortized on an accelerated basis to expense over a period of seven years. Loan servicing rights, when originated, are initially recorded at fair value and subsequently amortized in proportion to and over the period of estimated net servicing income. The Corporation reviews other intangible assets for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, in which case an impairment charge would be recorded.

Goodwill is not amortized but is subject to impairment tests on at least an annual basis, and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount (including goodwill). An initial qualitative evaluation is made to assess the likelihood of impairment and determine whether further quantitative testing to calculate the fair value is necessary. When the qualitative evaluation indicates that impairment is more likely than not, quantitative testing is required whereby the fair value of each reporting unit is calculated and compared to the recorded book value. If the calculated fair value of the reporting unit exceeds its carrying value, goodwill is not considered impaired. If the carrying value of a reporting unit exceeds its calculated fair value, an impairment charge is recognized in earnings in an amount equal to the difference.

**Other Investments.** The Corporation owns certain equity investments in other corporate organizations which are not consolidated because the Corporation does not own more than a 50% interest or exercise control over the organization. Investments in corporations representing at least a 20% interest are generally accounted for using the equity method and investments in corporations representing less than 20% interest are generally accounted for at cost. Investments in limited partnerships representing from at least a 3% up to a 50% interest in the entity are generally accounted for using the equity method and investments in limited partnerships representing less than 3% are generally accounted for at cost. All of these investments are periodically evaluated for impairment. Should an investment be impaired, it would be written down to its estimated fair value. The equity investments are reported in other assets and the income and expense from such investments, if any, is reported in non-interest income and non-interest expense.

**Derivative Instruments.** The Corporation uses derivative instruments to protect against the risk of adverse price or interest rate movements on the value of certain assets, liabilities, future cash flows, and economic hedges for written client derivative contracts. Derivative instruments represent contracts between parties that usually require little or no initial net investment and result in one party delivering cash to the other party based on a notional amount and an underlying variable, as specified in the contract, and may be subject to master netting agreements.

Market risk is the risk of loss arising from an adverse change in interest rates, exchange rates, or equity prices. The Corporation’s primary market risk is interest rate risk. Instruments designed to manage interest rate risk include interest rate swaps, interest rate options, and interest rate caps and floors with indices that relate to the pricing of specific assets and liabilities. The nature and volume of the derivative instruments used to manage interest rate risk depend on the level and type of assets and liabilities on the balance

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sheet and the risk management strategies for the current and anticipated rate environments. Counterparty risk with respect to derivative instruments occurs when a counterparty to a derivative contract with an unrealized gain fails to perform according to the terms of the agreement. Counterparty risk is managed by limiting the counterparties to highly rated dealers, requiring collateral postings when values are in deficit positions, applying uniform credit standards to all activities with credit risk, and monitoring the size and the maturity structure of the derivative portfolio.

All derivative instruments are to be carried at fair value on the Consolidated Balance Sheets. The accounting for the gain or loss due to changes in the fair value of a derivative instrument depends on whether the derivative instrument qualifies as a hedge. If the derivative instrument does not qualify as a hedge, the gains or losses are reported in earnings when they occur. However, if the derivative instrument qualifies as a hedge, the accounting varies based on the type of risk being hedged. The Corporation utilizes interest rate swaps offered directly to qualified commercial borrowers, which do not qualify for hedge accounting, and therefore, all changes in fair value and gains and losses on these instruments are reported in earnings as they occur. The effects of netting arrangements are disclosed within the Notes of the Consolidated Financial Statements. The Corporation offers interest rate swap products directly to qualified commercial borrowers. The Corporation economically hedges client derivative transactions by entering into offsetting interest rate swap contracts executed with a third party. Derivative transactions executed as part of this program are not considered hedging instruments and are marked-to-market through earnings each period. The derivative contracts have mirror-image terms, which results in the positions' changes in fair value offsetting through earnings each period. The credit risk and risk of non-performance embedded in the fair value calculations is different between the dealer counterparties and the commercial borrowers which may result in a difference in the changes in the fair value of the mirror-image swaps. The Corporation incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the counterparty's risk in the fair value measurements. When evaluating the fair value of its derivative contracts for the effects of non-performance and credit risk, the Corporation considers the impact of netting and any applicable credit enhancements such as collateral postings, thresholds and guarantees.

The Corporation also enters into interest rate swaps to manage interest rate risk and reduce the cost of match-funding certain long-term fixed rate loans. These derivative contracts are designated as a cash flow hedge as the receipt of floating interest from the counterparty is used to manage interest rate risk associated with forecasted issuances of wholesale deposits and short-term FHLB advances. The change in fair value of the hedging instrument is recorded in accumulated other comprehensive income.

**SBA Recourse Reserve.** The Corporation establishes SBA recourse reserves on the guaranteed portions of sold SBA loans when it is probable that the SBA will deny or repair the guaranty on the sold portion of the loan and there is an estimated collateral shortfall. The recourse reserve is reported in accrued interest payable and other liabilities on the Consolidated Balance Sheets.

In the ordinary course of business, the Corporation sells the guaranteed portions of SBA loans to third parties. The Corporation has a continuing involvement in each of the transferred lending arrangements by way of relationship management, servicing the loans, as well as being subject to normal and customary requirements of the SBA loan program; however, there are no further obligations to the third-party participant required of the Corporation, other than standard representations and warranties related to sold amounts. In the event of a loss resulting from default and a determination by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced by the Corporation, the SBA may require the Corporation to repurchase the loan, deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of the principal loss related to the deficiency from the Corporation. The Corporation must comply with applicable SBA regulations in order to maintain the guaranty. In addition, the Corporation retains the option to repurchase the sold guaranteed portion of an SBA loan if the loan defaults.

**Income Taxes.** Deferred income tax assets and liabilities are computed for temporary differences in timing between the financial statement and tax basis of assets and liabilities that result in taxable or deductible amounts in the future based on enacted tax law and rates applicable to periods in which the differences are expected to affect taxable income. The effect of a change in tax rates on deferred taxes is recognized in income in the period that includes the enactment date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, appropriate tax planning strategies, and projections for future taxable income over the period which the deferred tax assets are deductible. When necessary, valuation allowances are established to reduce deferred tax assets to the realizable amount.

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Income tax expense or benefit represents the tax payable or tax refundable for a period, adjusted by the applicable change in deferred tax assets and liabilities for that period. The Corporation also invests in certain development entities that generate federal and state historic and low income housing tax credits and solar renewable energy tax credits. The tax benefits associated with these investments are accounted for either under the flow-through method, equity method, or proportional amortization method and are recognized when the respective project is placed in service or over the investment term. The Corporation and its subsidiaries file a consolidated federal income tax return and separate state income tax returns. Tax sharing agreements allocate taxes to each legal entity for the settlement of intercompany taxes. The Corporation applies a more likely than not standard to each of its tax positions when determining the amount of tax expense or benefit to record in its financial statements. Unrecognized tax benefits are recorded in other liabilities. The Corporation recognizes accrued interest relating to unrecognized tax benefits in income tax expense and penalties in other non-interest expense.

**Other Comprehensive Income or Loss.** Comprehensive income or loss, shown as a separate financial statement, includes net income or loss, changes in unrealized gains and losses on available-for-sale securities, changes in deferred gains and losses on investment securities transferred from available-for-sale to held-to-maturity, if any, changes in unrealized gains and losses associated with cash flow hedging instruments, if any, and the amortization of deferred gains and losses associated with terminated cash flow hedges, if any. For the years ended December 31, 2024 and 2023, \$8,000 and \$45,000 of realized securities losses were recognized and reclassified out of accumulated other comprehensive loss, respectively.

**Earnings Per Common Share.** Earnings per common share (“EPS”) is computed using the two-class method. Basic EPS is computed by dividing net income allocated to common shares by the weighted average number of common shares outstanding for the period, excluding any participating securities. Participating securities include unvested restricted shares. Unvested restricted shares are considered participating securities because holders of these securities receive non-forfeitable dividends at the same rate as the holders of the Corporation’s common stock. Diluted EPS is computed by dividing net income allocated to common shares adjusted for reallocation of undistributed earnings of unvested restricted shares by the weighted average number of common shares determined for the basic EPS plus the dilutive effect of common stock equivalents using the treasury stock method based on the average market price for the period.

**Operating Segments.** While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Corporation-wide basis. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

**Share-Based Compensation.** The Corporation may grant restricted stock awards, restricted stock units, and other stock based awards to plan participants, subject to forfeiture upon the occurrence of certain events until the dates specified in the participant’s award agreement. The Corporation accounts for forfeitures as they occur. While restricted stock is subject to forfeiture, restricted stock award participants may exercise full voting rights and will receive all dividends and other distributions paid with respect to the restricted shares. Dividend equivalent units with respect to restricted stock grants made after January 2023 will be deferred and paid at the time of vesting. Restricted stock units do not have voting rights and are provided dividend equivalents. The restricted stock granted under the 2019 Equity Incentive Plan (the “Plan”) is typically subject to a three or four year vesting period. Compensation expense for restricted stock is recognized over the requisite service period of three or four years for the entire award on a straight-line basis. Upon vesting of restricted stock, the benefit of tax deductions in excess of recognized compensation expense is reflected as an income tax benefit in the Consolidated Statements of Income.

The Corporation issues a combination of performance-based restricted stock units and restricted stock awards to plan participants. Vesting of the performance-based restricted stock units will be measured on Total Shareholder Return (“TSR”) and Return on Average Equity (“ROAE”) prior to 2023 or Return on Average Tangible Common Equity (“ROATCE”) for issuances after 2022, and will cliff-vest after a three-year measurement period based on the Corporation’s performance relative to a custom peer group. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 200% of target amounts. Compensation expense is recognized for performance-based restricted stock units over the requisite service and performance period of generally three years for the entire expected award on a straight-line basis. The compensation expense for the awards expected to vest for the percentage of performance-based restricted stock units subject to the metric will be adjusted if there is a change in the expectation of metric. The compensation expense for the awards expected to vest for the percentage of performance-based restricted

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stock units subject to the TSR metric are never adjusted, and are amortized utilizing the accounting fair value provided using a Monte Carlo pricing model.

The Corporation offers an Employee Stock Purchase Plan (“ESPP”) to all qualifying employees. The plan qualifies as an ESPP under section 423 of the Internal Revenue Code of 1986. Under the ESPP, eligible employees may enroll in a three month offer period that begins January, April, July, and October of each year. Employees may purchase a limited number of shares of the Corporation’s common stock at 90% of the fair market value on the last day of the offering period. The ESPP is treated as a compensatory plan for purposes of share-based compensation expense.

**Recent Accounting Pronouncements.** In November 2023, the FASB issued ASU No. 2023-07, “Segment Reporting (Topic 820): Improvements to Reportable Segment Disclosures.” This update is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This update was adopted for the year ended December 31, 2024. The Corporation is one operating segment and therefore, the adoption of ASU 2023-07 did not have a material impact to the consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” This update enhances the transparency and decision usefulness of income tax disclosures by providing better information regarding exposure to potential changes in jurisdictional tax legislation and related forecasting and cash flow opportunities. This update is effective for fiscal years beginning after December 15, 2024. The Corporation is assessing the impact of the standard.

**Reclassifications.** Certain amounts in the 2023 consolidated financial statements have been reclassified to conform to the 2024 presentation. These reclassifications were not material and did not impact previously reported net income or comprehensive income.

### Note 2 — Cash and Cash Equivalents

Cash and due from banks was approximately \$29.5 million and \$32.3 million at December 31, 2024 and 2023, respectively. As of March 26, 2020, the Federal Reserve Bank (“FRB”) reduced reserve requirement ratios to zero percent for all depository institutions. FRB balances were \$127.8 million and \$106.8 million at December 31, 2024 and 2023, respectively, and are included in short-term investments on the Consolidated Balance Sheets. Short-term investments, considered cash equivalents, were \$128.2 million and \$107.2 million at December 31, 2024 and 2023, respectively.

### Note 3 — Securities

The amortized cost and fair value of securities available-for-sale and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows:

	As of December 31, 2024			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
	(In Thousands)			
Available-for-sale:				
U.S. treasuries	\$ 4,989	\$ —	\$ (271)	4,718
U.S. government agency securities - government-sponsored enterprises	3,500	—	(347)	3,153
Municipal securities	39,997	—	(5,136)	34,861
Residential mortgage-backed securities - government issued	125,571	470	(2,818)	123,223
Residential mortgage-backed securities - government-sponsored enterprises	145,888	234	(11,357)	134,765
Commercial mortgage-backed securities - government issued	2,665	—	(441)	2,224
Commercial mortgage-backed securities - government-sponsored enterprises	43,033	24	(4,609)	38,448
	<u>\$ 365,643</u>	<u>\$ 728</u>	<u>\$ (24,979)</u>	<u>\$ 341,392</u>

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	As of December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available-for-sale:				
U.S. treasuries	\$ 14,158	\$ 7	\$ (389)	\$ 13,776
U.S. government agency securities - government-sponsored enterprises	27,986	35	(455)	27,566
Municipal securities	40,407	—	(4,526)	35,881
Residential mortgage-backed securities - government issued	69,441	1,000	(2,385)	68,056
Residential mortgage-backed securities - government-sponsored enterprises	131,321	281	(10,769)	120,833
Commercial mortgage-backed securities - government issued	2,995	—	(470)	2,525
Commercial mortgage-backed securities - government-sponsored enterprises	32,774	65	(4,470)	28,369
	<u>\$ 319,082</u>	<u>\$ 1,388</u>	<u>\$ (23,464)</u>	<u>\$ 297,006</u>

The amortized cost and fair value of securities held-to-maturity and the corresponding amounts of gross unrecognized gains and losses were as follows:

	As of December 31, 2024			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(In Thousands)			
Held-to-maturity:				
Municipal securities	\$ 3,137	\$ —	\$ (38)	\$ 3,099
Residential mortgage-backed securities - government issued	836	—	(48)	788
Residential mortgage-backed securities - government-sponsored enterprises	766	—	(42)	724
Commercial mortgage-backed securities - government-sponsored enterprises	2,002	—	(78)	1,924
	<u>\$ 6,741</u>	<u>\$ —</u>	<u>\$ (206)</u>	<u>\$ 6,535</u>

	As of December 31, 2023			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(In Thousands)			
Held-to-maturity:				
Municipal securities	\$ 4,210	\$ 4	\$ (41)	\$ 4,173
Residential mortgage-backed securities - government issued	1,211	—	(76)	1,135
Residential mortgage-backed securities - government-sponsored enterprises	1,078	—	(53)	1,025
Commercial mortgage-backed securities - government-sponsored enterprises	2,004	—	(82)	1,922
	<u>\$ 8,503</u>	<u>\$ 4</u>	<u>\$ (252)</u>	<u>\$ 8,255</u>

U.S. Treasuries contain treasury bonds issued by the United States Treasury. U.S. government agency securities - government-sponsored enterprises represent securities issued by Federal National Mortgage Association (“FNMA”) and the SBA. Municipal securities include securities issued by various municipalities located primarily within Wisconsin and are primarily general obligation bonds that are tax-exempt in nature. Residential and commercial mortgage-backed securities - government issued represent securities guaranteed by the Government National Mortgage Association. Residential and commercial mortgage-backed securities -

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government-sponsored enterprises include securities guaranteed by the Federal Home Loan Mortgage Corporation, FNMA, and the FHLB. The Corporation sold five available-for-sale securities during the year ended December 31, 2024 and 16 available-for-sale securities during the year ended December 31, 2023.

Total proceeds and gross realized gains and losses from sales of securities available-for-sale were as follows:

	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands)		
Gross gains	\$ —	\$ 68	\$ —
Gross losses	(8)	(113)	—
Net losses on sale of available-for-sale securities	<u>\$ (8)</u>	<u>\$ (45)</u>	<u>\$ —</u>
Proceeds from sale of available-for-sale securities	\$ 7,533	\$ 5,085	\$ —

At December 31, 2024 and December 31, 2023, securities with a fair value of \$36.9 million and \$45.4 million, respectively, were pledged to secure various obligations, including interest rate swap contracts and municipal deposits.

The amortized cost and fair value of securities by contractual maturity at December 31, 2024 are shown below. Actual maturities may differ from contractual maturities because issuers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
Due in one year or less	\$ 1,501	\$ 1,473	\$ 987	\$ 983
Due in one year through five years	18,145	16,902	2,150	2,116
Due in five through ten years	8,430	7,570	—	—
Due in over ten years	20,410	16,787	—	—
	<u>48,486</u>	<u>42,732</u>	<u>3,137</u>	<u>3,099</u>
Residential mortgage-backed securities	271,459	257,988	1,602	1,512
Commercial mortgage-backed securities	45,698	40,672	2,002	1,924
	<u>\$ 365,643</u>	<u>\$ 341,392</u>	<u>\$ 6,741</u>	<u>\$ 6,535</u>

The tables below show the Corporation's gross unrealized losses and fair value of available-for-sale investments aggregated by investment category and length of time that individual investments were in a continuous loss position at December 31, 2024 and December 31, 2023. At December 31, 2024, the Corporation held 188 available-for-sale securities that were in an unrealized loss position, 155 of which have been in a continuous unrealized loss position for twelve months or greater.

The Corporation has not specifically identified available-for-sale securities in a loss position that it intends to sell in the near term and does not believe that it will be required to sell any such securities. The Corporation reviews its securities on a quarterly basis to assess declines in fair value for credit losses. Consideration is given to such factors as the credit rating of the borrower, market conditions such as current interest rates, any adverse conditions specific to the security, and delinquency status on contractual payments. For the years ended December 31, 2024 and 2023, management concluded that in all instances securities with fair value less than carrying value was due to market factors; thus, no credit loss provision was required.

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A summary of unrealized loss information for securities available-for-sale, categorized by security type and length of time for which the security has been in a continuous unrealized loss position, follows:

	As of December 31, 2024					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Available-for-sale:						
U.S. treasuries	\$ —	\$ —	\$ 4,718	\$ 271	\$ 4,718	\$ 271
U.S. government agency securities - government- sponsored enterprises	—	—	3,153	347	3,153	347
Municipal securities	—	—	34,861	5,136	34,861	5,136
Residential mortgage-backed securities - government issued	40,320	374	18,999	2,444	59,319	2,818
Residential mortgage-backed securities - government-sponsored enterprises	43,907	995	71,103	10,362	115,010	11,357
Commercial mortgage-backed securities - government issued	—	—	2,224	441	2,224	441
Commercial mortgage-backed securities - government-sponsored enterprises	10,717	425	26,751	4,184	37,468	4,609
	<u>\$ 94,944</u>	<u>\$ 1,794</u>	<u>\$ 161,809</u>	<u>\$ 23,185</u>	<u>\$ 256,753</u>	<u>\$ 24,979</u>

	As of December 31, 2023					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Available-for-sale:						
U.S. treasuries	\$ —	\$ —	\$ 4,595	\$ 389	\$ 4,595	\$ 389
U.S. government agency securities - government- sponsored enterprises	13,370	30	3,076	425	16,446	455
Municipal securities	—	—	35,881	4,526	35,881	4,526
Residential mortgage-backed securities - government issued	13,178	160	13,819	2,225	26,997	2,385
Residential mortgage-backed securities - government-sponsored enterprises	19,925	285	78,086	10,484	98,011	10,769
Commercial mortgage-backed securities - government issued	—	—	2,525	470	2,525	470
Commercial mortgage-backed securities - government-sponsored enterprises	893	20	26,465	4,450	27,358	4,470
	<u>\$ 47,366</u>	<u>\$ 495</u>	<u>\$ 164,447</u>	<u>\$ 22,969</u>	<u>\$ 211,813</u>	<u>\$ 23,464</u>

The tables below show the Corporation's gross unrealized losses and fair value of held-to-maturity investments, aggregated by investment category and length of time that individual investments were in a continuous loss position at December 31, 2024 and December 31, 2023. At December 31, 2024, the Corporation held 22 held-to-maturity securities that were in an unrealized loss position, 21 of which have been in a continuous loss position for twelve months or greater. Management assesses held-to-maturity securities for credit losses on a quarterly basis. The assessment includes review of credit ratings, identification of delinquency and evaluation of market factors. Based on this analysis, management concludes the decline in fair value is due to market factors, specifically changes in interest rates. Accordingly, no credit loss provision was recorded in the Consolidated Statements of Income for the years ended December 31, 2024, 2023, and 2022.

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A summary of unrecognized loss information for securities held-to-maturity, categorized by security type and length of time for which the security has been in a continuous unrealized loss position, follows:

	As of December 31, 2024					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
	(In Thousands)					
Held-to-maturity:						
Municipal securities	\$ 454	\$ 5	\$ 2,139	\$ 33	\$ 2,593	\$ 38
Residential mortgage-backed securities - government issued	—	—	788	48	788	48
Residential mortgage-backed securities - government-sponsored enterprises	—	—	724	42	724	42
Commercial mortgage-backed securities - government-sponsored enterprises	—	—	1,924	78	1,924	78
	<u>\$ 454</u>	<u>\$ 5</u>	<u>\$ 5,575</u>	<u>\$ 201</u>	<u>\$ 6,029</u>	<u>\$ 206</u>

	As of December 31, 2023					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
	(In Thousands)					
Held-to-maturity:						
Municipal securities	\$ 1,424	\$ 4	\$ 2,234	\$ 37	\$ 3,658	\$ 41
Residential mortgage-backed securities - government issued	—	—	1,135	76	1,135	76
Residential mortgage-backed securities - government-sponsored enterprises	—	—	1,025	53	1,025	53
Commercial mortgage-backed securities - government-sponsored enterprises	—	—	1,922	82	1,922	82
	<u>\$ 1,424</u>	<u>\$ 4</u>	<u>\$ 6,316</u>	<u>\$ 248</u>	<u>\$ 7,740</u>	<u>\$ 252</u>

### Note 4 — Loans, Lease Receivables, and Allowance for Credit Losses

Loan and lease receivables consist of the following:

	December 31, 2024	December 31, 2023
	(In Thousands)	
Commercial real estate:		
Commercial real estate — owner occupied	\$ 273,397	\$ 256,479
Commercial real estate — non-owner occupied	845,298	773,494
Construction	221,086	193,080
Multi-family	530,853	450,529
1-4 family	46,496	26,289
Total commercial real estate	1,917,130	1,699,871
Commercial and industrial	1,151,720	1,105,835
Consumer and other	45,000	44,312
Total gross loans and leases receivable	3,113,850	2,850,018
Less:		
Allowance for credit losses	35,785	31,275
Deferred loan fees and costs, net	722	(243)
Loans and leases receivable, net	<u>\$ 3,077,343</u>	<u>\$ 2,818,986</u>

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Loans transferred to third parties consist of the guaranteed portions of SBA loans which the Corporation sold in the secondary market and participation interests in other, non-SBA originated loans. The total principal amount of the guaranteed portions of SBA loans sold during the years ended December 31, 2024 and 2023, was \$20.7 million and \$23.6 million, respectively. Each of the transfers of these financial assets met the qualifications for sale accounting, and therefore all of the loans transferred during the years ended December 31, 2024 and 2023, have been derecognized in the Consolidated Financial Statements. The guaranteed portions of SBA loans were transferred at their fair value and the related gain was recognized upon the transfer as non-interest income in the Consolidated Financial Statements. The total outstanding balance of sold SBA loans serviced by the Corporation at December 31, 2024, and December 31, 2023, was \$79.4 million and \$84.2 million, respectively.

The total principal amount of transferred participation interests in other, non-SBA originated loans during the years ended December 31, 2024 and 2023, was \$138.0 million and \$120.0 million, respectively, all of which were treated as sales and derecognized under the applicable accounting guidance at the time of transfer. No gain or loss was recognized on participation interests in other, non-SBA originated loans as they were transferred at or near the date of loan origination and the payments received for servicing the portion of the loans participated represents adequate compensation. The total amount of loan participations purchased on the Corporation's Consolidated Balance Sheet as of December 31, 2024 was \$5.3 million. There were no loan participation purchased on the Corporation's Consolidated Balance Sheet as of December 31, 2023. The total outstanding balance of these transferred loans serviced by the Corporation at December 31, 2024, and December 31, 2023, was \$373.1 million and \$279.5 million, respectively. As of December 31, 2024, and December 31, 2023, the total amount of the Corporation's retained ownership of these transferred loans was \$423.7 million and \$367.4 million, respectively. As of December 31, 2024 and December 31, 2023, the non-SBA originated participation portfolio contained no non-accrual loans. The Corporation does not share in the participant's portion of any potential charge-offs.

Certain of the Corporation's executive officers, directors, and their related interests are loan clients of the Bank. These loans to related parties are summarized below:

	December 31, 2024	December 31, 2023
	(In Thousands)	
Balance at beginning of year	\$ 263	\$ 224
New loans	381	349
Repayments	(399)	(310)
Balance at end of year	<u>\$ 245</u>	<u>\$ 263</u>

The Corporation's net investment in direct financing leases consists of the following:

	December 31, 2024	December 31, 2023
	(In Thousands)	
Minimum lease payments receivable	\$ 8,975	\$ 9,660
Estimated unguaranteed residual values in leased property	632	1,468
Unearned lease and residual income	(1,148)	(1,362)
Investment in commercial direct financing leases	<u>\$ 8,459</u>	<u>\$ 9,766</u>

The Corporation leases equipment under direct financing leases expiring in future years. Some of these leases provide for additional rents and generally allow the lessees to purchase the equipment for fair value at the end of the lease term.

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Future aggregate maturities of minimum lease payments to be received are as follows:

(In Thousands)

Maturities during year ended December 31,

2025	\$	3,108
2026		2,409
2027		1,898
2028		1,052
2029		469
Thereafter		39
	\$	<u>8,975</u>

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The following table illustrates ending balances of the Corporation’s loan and lease portfolio, including non-accrual loans by class of receivable, and considering certain credit quality indicators:

(In Thousands)	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
<b>Commercial real estate — owner occupied</b>								
Category								
I	\$ 26,508	\$ 45,066	\$ 42,849	\$ 34,486	\$ 37,078	\$ 85,405	\$ 447	\$ 271,839
II	—	—	—	—	—	—	—	—
III	750	—	—	—	—	217	—	967
IV	—	—	—	—	—	591	—	591
Total	<u>\$ 27,258</u>	<u>\$ 45,066</u>	<u>\$ 42,849</u>	<u>\$ 34,486</u>	<u>\$ 37,078</u>	<u>\$ 86,213</u>	<u>\$ 447</u>	<u>\$ 273,397</u>
<b>Commercial real estate — non-owner occupied</b>								
Category								
I	\$ 80,371	\$ 85,651	\$ 89,181	\$ 69,129	\$ 85,238	\$ 340,802	\$ 37,129	\$ 787,501
II	—	—	—	—	2,150	31,720	—	33,870
III	—	638	—	—	—	23,289	—	23,927
IV	—	—	—	—	—	—	—	—
Total	<u>\$ 80,371</u>	<u>\$ 86,289</u>	<u>\$ 89,181</u>	<u>\$ 69,129</u>	<u>\$ 87,388</u>	<u>\$ 395,811</u>	<u>\$ 37,129</u>	<u>\$ 845,298</u>
<b>Construction</b>								
Category								
I	\$ 36,135	\$ 110,437	\$ 24,302	\$ 1,183	\$ 719	\$ 5,520	\$ 28,205	\$ 206,501
II	—	—	—	—	—	—	—	—
III	—	—	454	8,155	5,713	263	—	14,585
IV	—	—	—	—	—	—	—	—
Total	<u>\$ 36,135</u>	<u>\$ 110,437</u>	<u>\$ 24,756</u>	<u>\$ 9,338</u>	<u>\$ 6,432</u>	<u>\$ 5,783</u>	<u>\$ 28,205</u>	<u>\$ 221,086</u>
<b>Multi-family</b>								
Category								
I	\$ 40,079	\$ 102,886	\$ 74,753	\$ 66,775	\$ 97,303	\$ 134,331	\$ 2,288	\$ 518,415
II	—	—	7,407	2,584	—	1,043	—	11,034
III	—	—	—	1,404	—	—	—	1,404
IV	—	—	—	—	—	—	—	—
Total	<u>\$ 40,079</u>	<u>\$ 102,886</u>	<u>\$ 82,160</u>	<u>\$ 70,763</u>	<u>\$ 97,303</u>	<u>\$ 135,374</u>	<u>\$ 2,288</u>	<u>\$ 530,853</u>
<b>1-4 family</b>								
Category								
I	\$ 15,220	\$ 4,200	\$ 7,005	\$ 2,336	\$ 2,282	\$ 2,178	\$ 13,275	\$ 46,496
II	—	—	—	—	—	—	—	—
III	—	—	—	—	—	—	—	—
IV	—	—	—	—	—	—	—	—
Total	<u>\$ 15,220</u>	<u>\$ 4,200</u>	<u>\$ 7,005</u>	<u>\$ 2,336</u>	<u>\$ 2,282</u>	<u>\$ 2,178</u>	<u>\$ 13,275</u>	<u>\$ 46,496</u>
<b>Commercial and industrial</b>								
Category								
I	\$ 259,976	\$ 216,621	\$ 93,119	\$ 52,066	\$ 23,960	\$ 27,370	\$ 405,499	\$ 1,078,611
II	316	2,700	2,657	—	470	8	7,676	13,827
III	4,205	5,418	3,909	1,379	2,446	3,957	10,192	31,506
IV	536	4,060	6,245	1,038	274	2,519	13,104	27,776
Total	<u>\$ 265,033</u>	<u>\$ 228,799</u>	<u>\$ 105,930</u>	<u>\$ 54,483</u>	<u>\$ 27,150</u>	<u>\$ 33,854</u>	<u>\$ 436,471</u>	<u>\$ 1,151,720</u>
<b>Consumer and other</b>								
Category								
I	\$ 6,955	\$ 5,244	\$ 7,416	\$ 2,764	\$ 10,994	\$ 3,885	\$ 7,742	\$ 45,000
II	—	—	—	—	—	—	—	—
III	—	—	—	—	—	—	—	—
IV	—	—	—	—	—	—	—	—
Total	<u>\$ 6,955</u>	<u>\$ 5,244</u>	<u>\$ 7,416</u>	<u>\$ 2,764</u>	<u>\$ 10,994</u>	<u>\$ 3,885</u>	<u>\$ 7,742</u>	<u>\$ 45,000</u>
<b>Total Loans</b>								
Category								
I	\$ 465,244	\$ 570,105	\$ 338,625	\$ 228,739	\$ 257,574	\$ 599,491	\$ 494,585	\$ 2,954,363
II	316	2,700	10,064	2,584	2,620	32,771	7,676	58,731
III	4,955	6,056	4,363	10,938	8,159	27,726	10,192	72,389
IV	536	4,060	6,245	1,038	274	3,110	13,104	28,367
Total	<u>\$ 471,051</u>	<u>\$ 582,921</u>	<u>\$ 359,297</u>	<u>\$ 243,299</u>	<u>\$ 268,627</u>	<u>\$ 663,098</u>	<u>\$ 525,557</u>	<u>\$ 3,113,850</u>

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December 31, 2023

(In Thousands)	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	2020	2019	Prior		
Commercial real estate — owner occupied								
Category								
I	\$ 31,637	\$ 43,156	\$ 38,803	\$ 44,704	\$ 22,078	\$ 72,774	\$ 451	\$ 253,603
II	—	—	—	260	—	—	—	260
III	—	—	—	—	—	2,616	—	2,616
IV	—	—	—	—	—	—	—	—
Total	\$ 31,637	\$ 43,156	\$ 38,803	\$ 44,964	\$ 22,078	\$ 75,390	\$ 451	\$ 256,479
Commercial real estate — non-owner occupied								
Category								
I	\$ 71,857	\$ 76,689	\$ 72,660	\$ 78,212	\$ 66,262	\$ 314,970	\$ 32,478	\$ 713,128
II	—	—	2,302	2,252	19,838	16,274	—	40,666
III	—	—	—	—	—	19,700	—	19,700
IV	—	—	—	—	—	—	—	—
Total	\$ 71,857	\$ 76,689	\$ 74,962	\$ 80,464	\$ 86,100	\$ 350,944	\$ 32,478	\$ 773,494
Construction								
Category								
I	\$ 63,660	\$ 83,161	\$ 8,542	\$ 744	\$ 433	\$ 6,528	\$ 15,011	\$ 178,079
II	—	—	9,289	5,712	—	—	—	15,001
III	—	—	—	—	—	—	—	—
IV	—	—	—	—	—	—	—	—
Total	\$ 63,660	\$ 83,161	\$ 17,831	\$ 6,456	\$ 433	\$ 6,528	\$ 15,011	\$ 193,080
Multi-family								
Category								
I	\$ 84,932	\$ 41,068	\$ 70,054	\$ 113,294	\$ 22,925	\$ 115,243	\$ 3,013	\$ 450,529
II	—	—	—	—	—	—	—	—
III	—	—	—	—	—	—	—	—
IV	—	—	—	—	—	—	—	—
Total	\$ 84,932	\$ 41,068	\$ 70,054	\$ 113,294	\$ 22,925	\$ 115,243	\$ 3,013	\$ 450,529
1-4 family								
Category								
I	\$ 4,242	\$ 7,684	\$ 2,672	\$ 2,359	\$ 443	\$ 2,805	\$ 6,062	\$ 26,267
II	—	—	—	—	—	—	—	—
III	—	—	—	—	—	—	—	—
IV	—	—	—	—	—	22	—	22
Total	\$ 4,242	\$ 7,684	\$ 2,672	\$ 2,359	\$ 443	\$ 2,827	\$ 6,062	\$ 26,289
Commercial and industrial								
Category								
I	\$ 302,612	\$ 144,167	\$ 85,504	\$ 38,164	\$ 20,151	\$ 26,490	\$ 415,301	\$ 1,032,389
II	1,496	5,280	785	353	94	219	5,706	13,933
III	1,093	7,168	1,882	5,919	3,861	3,957	15,058	38,938
IV	1,482	6,519	1,319	321	133	1,644	9,157	20,575
Total	\$ 306,683	\$ 163,134	\$ 89,490	\$ 44,757	\$ 24,239	\$ 32,310	\$ 445,222	\$ 1,105,835
Consumer and other								
Category								
I	\$ 5,920	\$ 8,786	\$ 3,167	\$ 12,193	\$ 2,049	\$ 3,485	\$ 8,712	\$ 44,312
II	—	—	—	—	—	—	—	—
III	—	—	—	—	—	—	—	—
IV	—	—	—	—	—	—	—	—
Total	\$ 5,920	\$ 8,786	\$ 3,167	\$ 12,193	\$ 2,049	\$ 3,485	\$ 8,712	\$ 44,312
Total Loans								
Category								
I	\$ 564,860	\$ 404,711	\$ 281,402	\$ 289,670	\$ 134,341	\$ 542,295	\$ 481,028	\$ 2,698,307
II	1,496	5,280	12,376	8,577	19,932	16,493	5,706	69,860
III	1,093	7,168	1,882	5,919	3,861	26,273	15,058	61,254
IV	1,482	6,519	1,319	321	133	1,666	9,157	20,597
Total	\$ 568,931	\$ 423,678	\$ 296,979	\$ 304,487	\$ 158,267	\$ 586,727	\$ 510,949	\$ 2,850,018

Each credit is evaluated for proper risk rating upon origination, at the time of each subsequent renewal, upon receipt and evaluation of updated financial information from the Corporation's borrowers, or as other circumstances dictate. The Corporation uses a nine grade risk rating system to monitor the ongoing credit quality of its loans and leases. The risk rating grades follow a consistent definition and are then applied to specific loan types based on the nature of the loan. Each risk rating is determined based on various quantitative and qualitative factors and is subject to various levels of review and concurrence on the stated risk rating. In addition to its nine grade risk

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rating system, the Corporation groups loans into four loan and related risk categories which determine the level and nature of review by management.

Category I — Loans and leases in this category are performing in accordance with the terms of the contract and generally exhibit no immediate concerns regarding the security and viability of the underlying collateral, financial stability of the borrower, integrity or strength of the borrowers' management team, or the industry in which the borrower operates. The Corporation monitors Category I loans and leases through payment performance, continued maintenance of its personal relationships with such borrowers, and continued review of such borrowers' compliance with the terms of their respective agreements.

Category II — Loans and leases in this category are beginning to show signs of deterioration in one or more of the Corporation's core underwriting criteria such as financial stability, management strength, industry trends, or collateral values. Management will place credits in this category to allow for proactive monitoring and resolution with the borrower to possibly mitigate the area of concern and prevent further deterioration or risk of loss to the Corporation. Category II loans are considered performing but are monitored frequently by the assigned business development officer and by asset quality review committees.

Category III — Loans and leases in this category are identified by management as warranting special attention. However, the balance in this category is not intended to represent the amount of adversely classified assets held by the Bank. Category III loans and leases generally exhibit undesirable characteristics, such as evidence of adverse financial trends and conditions, managerial problems, deteriorating economic conditions within the related industry, or evidence of adverse public filings and may exhibit collateral shortfall positions. Management continues to believe that it will collect all contractual principal and interest in accordance with the original terms of the contracts relating to the loans and leases in this category, and therefore Category III loans are considered performing with no specific reserves established for this category. Category III loans are monitored by management and asset quality review committees on a monthly basis.

Category IV — Loans and leases in this category are non-accrual loans. Management has determined that it is unlikely that the Bank will receive the contractual principal and interest in accordance with the original terms of the agreement. Non-accrual loans are individually evaluated to assess the need for the establishment of specific reserves or charge-offs. When analyzing the adequacy of collateral, the Corporation obtains external appraisals at least annually. External appraisals are obtained from the Corporation's approved appraiser listing and are independently reviewed to monitor the quality of such appraisals. To the extent a collateral shortfall position is present, a specific reserve or charge-off will be recorded. Loans and leases in this category are monitored by management and asset quality review committees on a monthly basis.

The delinquency aging of the loan and lease portfolio by class of receivable was as follows:

	December 31, 2024					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans and Leases
	(Dollars in Thousands)					
Commercial real estate:						
Owner occupied	\$ 1,102	\$ —	\$ —	\$ 1,102	\$ 272,295	\$ 273,397
Non-owner occupied	—	—	—	—	845,298	845,298
Construction	14,321	263	—	14,584	206,502	221,086
Multi-family	—	—	—	—	530,853	530,853
1-4 family	—	—	—	—	46,496	46,496
Commercial and industrial	5,405	1,072	18,984	25,461	1,126,259	1,151,720
Consumer and other	—	10	—	10	44,990	45,000
Total	<u>\$ 20,828</u>	<u>\$ 1,345</u>	<u>\$ 18,984</u>	<u>\$ 41,157</u>	<u>\$ 3,072,693</u>	<u>\$ 3,113,850</u>
Percent of portfolio	0.67%	0.04%	0.61%	1.32%	98.68%	100.00%

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December 31, 2023						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans and Leases
(Dollars in Thousands)						
Commercial real estate:						
Owner occupied	\$ —	\$ —	\$ —	\$ —	\$ 256,479	\$ 256,479
Non-owner occupied	—	—	—	—	773,494	773,494
Construction	—	—	—	—	193,080	193,080
Multi-family	—	—	—	—	450,529	450,529
1-4 family	—	—	—	—	26,289	26,289
Commercial and industrial	3,430	1,041	18,347	22,818	1,083,017	1,105,835
Consumer and other	—	—	—	—	44,312	44,312
Total	\$ 3,430	\$ 1,041	\$ 18,347	\$ 22,818	\$ 2,827,200	\$ 2,850,018
Percent of portfolio	0.12%	0.04%	0.64%	0.80%	99.20%	100.00%

The following tables provide additional detail on loans on non-accrual status and loans past due over 89 days still accruing as of:

December 31, 2024			
	Non-accrual With No Allowance for Credit Loss	Non-accrual With Allowance for Credit Loss	Loans Past Due Over 89 Days Still Accruing
(In Thousands)			
Commercial real estate:			
Commercial real estate — owner occupied	\$ —	\$ 591	\$ —
Commercial real estate — non-owner occupied	—	—	—
Construction	—	—	—
Multi-family	—	—	—
1-4 family	—	—	—
Total commercial real estate	—	591	—
Commercial and industrial	13,125	14,651	—
Consumer and other	—	—	—
Total non-accrual loans and leases	\$ 13,125	\$ 15,242	\$ —

December 31, 2023			
	Non-accrual With No Allowance for Credit Loss	Non-accrual With Allowance for Credit Loss	Loans Past Due Over 89 Days Still Accruing
(In Thousands)			
Commercial real estate:			
Commercial real estate — owner occupied	\$ —	\$ —	\$ —
Commercial real estate — non-owner occupied	—	—	—
Construction	—	—	—
Multi-family	—	—	—
1-4 family	—	22	—
Total commercial real estate	—	22	—
Commercial and industrial	9,691	10,884	—
Consumer and other	—	—	—
Total non-accrual loans and leases	\$ 9,691	\$ 10,906	\$ —

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	December 31, 2024	December 31, 2023
Total non-accrual loans and leases to gross loans and leases	0.91 %	0.72 %
Allowance for credit losses to gross loans and leases	1.20	1.16
Allowance for credit losses to non-accrual loans and leases	131.38	160.21

The following table presents the amortized cost basis of the non-accrual, collateral-dependent commercial and industrial loans as of:

	December 31, 2024	December 31, 2023
	(In Thousands)	
Inventory	\$ —	\$ 8,879
Equipment	18,185	8,903
Real Estate	926	46
Accounts Receivable	6,570	278
Other	821	1,348
Total	<u>\$ 26,502</u>	<u>\$ 19,454</u>

Occasionally, the Corporation modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

The following table presents the amortized cost basis of loans at December 31, 2024 that were both experiencing financial difficulty and modified during the years ended December 31, 2024 and 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized costs basis of each class of financing receivable is also presented below.

	For the Year Ended December 31, 2024						Total Class of Financing Receivable
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Payment Delay	Total	
	(In Thousands)						
Commercial real estate	\$—	\$5,901	\$—	\$—	\$—	\$5,901	0.31%
Commercial and industrial	—	7,108	455	—	550	8,113	0.70
Total	<u>\$—</u>	<u>\$13,009</u>	<u>\$455</u>	<u>\$—</u>	<u>\$550</u>	<u>\$14,014</u>	<u>0.45%</u>

	For the Year Ended December 31, 2023						Total Class of Financing Receivable
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Payment Delay	Total	
	(In Thousands)						
Commercial real estate	\$—	\$—	\$—	\$—	\$—	\$—	0.00%
Commercial and industrial	—	882	—	—	—	882	0.08
Total	<u>\$—</u>	<u>\$882</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$882</u>	<u>0.03%</u>

The Corporation closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months:

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	For the Year Ended December 31, 2024			
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due
	(Dollars in Thousands)			
Commercial real estate	\$ —	\$ —	\$ —	\$ —
Commercial and industrial	—	—	410	410
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 410</b>	<b>\$ 410</b>

	For the Year Ended December 31, 2023			
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due
	(Dollars in Thousands)			
Commercial real estate	\$ —	\$ —	\$ —	\$ —
Commercial and industrial	—	—	382	382
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 382</b>	<b>\$ 382</b>

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the years ended December 31, 2024 and 2023:

	For the Year Ended December 31, 2024			
	Principal Forgiveness	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (years)	Weighted Average Payment Delay (years)
(Dollars in Thousands)				
Commercial real estate	\$ —	\$ —	0.00	1.17
Commercial and industrial	—	—	0.78	0.73
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>0.78</b>	<b>1.90</b>

	For the Year Ended December 31, 2023			
	Principal Forgiveness	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (years)	Weighted Average Payment Delay (years)
(Dollars in Thousands)				
Commercial real estate	\$ —	\$ —	0.00	0.00
Commercial and industrial	—	—	0.00	0.52
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>0.00</b>	<b>0.52</b>

The following table presents the amortized cost basis of loans that had a payment default during the years ended December 31, 2024 and 2023 and were modified in the 12 months prior to that default to borrowers experience financial difficulty:

	For the Year Ended December 31, 2024			
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction
	(In Thousands)			
Commercial real estate	\$ —	\$ —	\$ —	\$ —
Commercial and industrial	—	753	—	—
<b>Total</b>	<b>\$ —</b>	<b>\$ 753</b>	<b>\$ —</b>	<b>\$ —</b>

	For the Year Ended December 31, 2023			
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction
	(In Thousands)			
Commercial real estate	\$ —	\$ —	\$ —	\$ —
Commercial and industrial	—	382	—	—
<b>Total</b>	<b>\$ —</b>	<b>\$ 382</b>	<b>\$ —</b>	<b>\$ —</b>

**Allowance for Credit Losses**

The ACL is an estimate of the expected credit losses on financial assets measured at amortized cost, which is measured using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets.

**Quantitative Considerations**

The ACL is primarily calculated utilizing a Discounted Cash Flow (“DCF”) model. Key inputs and assumptions used in this model are discussed below:

- Forecast model - For each portfolio segment, a Loss Driver Analysis (“LDA”) was performed in order to identify appropriate loss drivers and create a regression model for use in forecasting cash flows. The LDA analysis utilized peer FFIEC Call Report data for all DCF pools. The Corporation plans to update the LDA annually.
- Probability of Default (“PD”) – PD is the probability that an asset will be in default within a given time frame. The Corporation has defined default as when a charge-off has occurred, a loan goes to non-accrual status, or a loan is greater than 90 days past due. The forecast model is utilized to estimate PDs.
- Loss Given Default (“LGD”) – LGD is the percentage of the asset not expected to be collected due to default. The LGD is derived from using a method referred to as Frye Jacobs which uses industry data.
- Prepayments and curtailments – Prepayments and curtailments are calculated based on the Corporation’s own data. This analysis is updated semi-annually.
- Forecast and reversion – The Corporation has established a one-year reasonable and supportable forecast period with a one-year straight line reversion to the long-term historical average.
- Economic forecast – The Corporation utilizes a third party to provide economic forecasts under various scenarios, which are assessed against economic indicators and management’s observations in the market. As of December 31, 2023, the Corporation selected a forecast which estimates unemployment between 3.89% and 4.04% and GDP growth change between 1.29% and 2.32% over the next four quarters. As of December 31, 2024, the Corporation selected a forecast which estimates unemployment between 4.12% and 4.20% and GDP growth change between 1.85% and 2.65% over the next four quarters. Following the forecast period, the model reverts to long-term averages over four quarters. Management believes that the resulting quantitative reserve appropriately balances economic indicators with identified risks.

**Qualitative Considerations**

In addition to the quantitative model, management considers the need for qualitative adjustment for risks not considered in the DCF. Factors that are considered by management in determining loan collectability and the appropriate level of the ACL are listed below:

- The Corporation’s lending policies and procedures, including changes in lending strategies, underwriting standards and practices for collections, write-offs, and recoveries;
- Actual and expected changes in international, national, regional, and local economic and business conditions and developments in which the Corporation operates that affect the collectability of financial assets;

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- The experience, ability, and depth of the Corporation’s lending, investment, collection, and other relevant management and staff;
- The volume of past due financial assets, the volume of non-accrual loans and leases, and the volume and severity of adversely classified or graded assets;
- The existence and effect of industry concentrations of credit;
- The nature and volume of the portfolio segment or class;
- The quality of the Corporation’s credit function; and
- The effect of other external factors such as the regulatory, legal and technological environments, competition, and events such as natural disasters or pandemics.

**ACL Activity**

A summary of the activity in the allowance for credit losses by portfolio segment is as follows:

As of and for the Year Ended December 31, 2024								
	Owner Occupied	Non-Owner Occupied	Construction	Multi-Family	1-4 Family	Commercial and Industrial	Consumer and Other	Total
	(In Thousands)							
Beginning balance	\$ 1,540	\$ 5,636	\$ 2,125	\$ 3,571	\$ 266	\$ 19,408	\$ 451	\$ 32,997
Charge-offs	—	—	—	—	—	(5,233)	(22)	(5,255)
Recoveries	5	—	—	—	132	541	21	699
Net recoveries (charge-offs)	5	—	—	—	132	(4,692)	(1)	(4,556)
Provision for credit losses	84	256	701	1,042	125	6,754	(135)	8,827
Ending balance	<u>\$ 1,629</u>	<u>\$ 5,892</u>	<u>\$ 2,826</u>	<u>\$ 4,613</u>	<u>\$ 523</u>	<u>\$ 21,470</u>	<u>\$ 315</u>	<u>\$ 37,268</u>
Components:								
Allowance for credit losses on loans	\$ 1,615	\$ 5,843	\$ 2,022	\$ 4,597	\$ 492	\$ 20,934	\$ 282	\$ 35,785
Allowance for credit losses on unfunded credit commitments	14	49	804	16	31	536	33	1,483
Total ACL	<u>\$ 1,629</u>	<u>\$ 5,892</u>	<u>\$ 2,826</u>	<u>\$ 4,613</u>	<u>\$ 523</u>	<u>\$ 21,470</u>	<u>\$ 315</u>	<u>\$ 37,268</u>

As of and for the Year Ended December 31, 2023								
	Owner Occupied	Non-Owner Occupied	Construction	Multi-Family	1-4 Family	Commercial and Industrial	Consumer and Other	Total
	(In Thousands)							
Beginning balance	\$ 1,766	\$ 5,108	\$ 1,646	\$ 2,634	\$ 207	\$ 12,403	\$ 466	\$ 24,230
Impact of adopting ASC 326	(204)	(242)	796	(386)	(45)	1,873	26	1,818
Charge-offs	—	—	—	—	—	(1,781)	—	(1,781)
Recoveries	9	1	—	—	40	478	20	548
Net recoveries (charge-offs)	9	1	—	—	40	(1,303)	20	(1,233)
Provision for credit losses	(31)	769	(317)	1,323	64	6,435	(61)	8,182
Ending balance	<u>\$ 1,540</u>	<u>\$ 5,636</u>	<u>\$ 2,125</u>	<u>\$ 3,571</u>	<u>\$ 266</u>	<u>\$ 19,408</u>	<u>\$ 451</u>	<u>\$ 32,997</u>
Components:								
Allowance for credit losses on loans	\$ 1,525	\$ 5,596	\$ 1,244	\$ 3,562	\$ 243	\$ 18,710	\$ 395	\$ 31,275
Allowance for credit losses on unfunded credit commitments	15	40	881	9	23	698	56	1,722
Total ACL	<u>\$ 1,540</u>	<u>\$ 5,636</u>	<u>\$ 2,125</u>	<u>\$ 3,571</u>	<u>\$ 266</u>	<u>\$ 19,408</u>	<u>\$ 451</u>	<u>\$ 32,997</u>

As of and for the Year Ended December 31, 2022				
	Commercial Real Estate	Commercial and Industrial	Consumer and Other	Total
	(In Thousands)			
Beginning balance	\$ 15,110	\$ 8,413	\$ 813	\$ 24,336
Charge-offs	—	(958)	(21)	(979)
Recoveries	4,262	437	42	4,741
Net recoveries (charge-offs)	4,262	(521)	21	3,762
Provision for credit losses	(6,812)	3,236	(292)	(3,868)
Ending balance	<u>\$ 12,560</u>	<u>\$ 11,128</u>	<u>\$ 542</u>	<u>\$ 24,230</u>

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**ACL Summary**

Loans collectively evaluated for credit losses in the following tables include all performing loans at December 31, 2024 and December 31, 2023. Loans individually evaluated for credit losses include all non-accrual loans.

The following tables provide information regarding the allowance for credit losses and balances by type of allowance methodology.

	As of December 31, 2024							Total
	Owner Occupied	Non-Owner Occupied	Construction	Multi-Family	1-4 Family	Commercial and Industrial	Consumer and Other	
(In Thousands)								
<b>Allowance for credit losses:</b>								
Collectively evaluated for credit losses	\$ 1,615	\$ 5,843	\$ 2,022	\$ 4,597	\$ 492	\$ 12,016	\$ 282	\$ 26,867
Individually evaluated for credit loss	—	—	—	—	—	8,918	—	8,918
<b>Total</b>	<b>\$ 1,615</b>	<b>\$ 5,843</b>	<b>\$ 2,022</b>	<b>\$ 4,597</b>	<b>\$ 492</b>	<b>\$ 20,934</b>	<b>\$ 282</b>	<b>\$ 35,785</b>
<b>Loans and lease receivables:</b>								
Collectively evaluated for credit losses	\$ 272,806	\$ 845,298	\$ 221,086	\$ 530,853	\$ 46,496	\$ 1,123,944	\$ 45,000	\$ 3,085,483
Individually evaluated for credit loss	591	—	—	—	—	27,776	—	28,367
<b>Total</b>	<b>\$ 273,397</b>	<b>\$ 845,298</b>	<b>\$ 221,086</b>	<b>\$ 530,853</b>	<b>\$ 46,496</b>	<b>\$ 1,151,720</b>	<b>\$ 45,000</b>	<b>\$ 3,113,850</b>
As of December 31, 2023								
	Owner Occupied	Non-Owner Occupied	Construction	Multi-Family	1-4 Family	Commercial and Industrial	Consumer and Other	Total
(In Thousands)								
<b>Allowance for credit losses:</b>								
Collectively evaluated for credit losses	\$ 1,525	\$ 5,596	\$ 1,244	\$ 3,562	\$ 221	\$ 12,743	\$ 395	\$ 25,286
Individually evaluated for credit loss	—	—	—	—	22	5,967	—	5,989
<b>Total</b>	<b>\$ 1,525</b>	<b>\$ 5,596</b>	<b>\$ 1,244</b>	<b>\$ 3,562</b>	<b>\$ 243</b>	<b>\$ 18,710</b>	<b>\$ 395</b>	<b>\$ 31,275</b>
<b>Loans and lease receivables:</b>								
Collectively evaluated for credit losses	\$ 256,479	\$ 773,494	\$ 193,080	\$ 450,529	\$ 26,267	\$ 1,085,260	\$ 44,312	\$ 2,829,421
Individually evaluated for credit loss	—	—	—	—	22	20,575	—	20,597
<b>Total</b>	<b>\$ 256,479</b>	<b>\$ 773,494</b>	<b>\$ 193,080</b>	<b>\$ 450,529</b>	<b>\$ 26,289</b>	<b>\$ 1,105,835</b>	<b>\$ 44,312</b>	<b>\$ 2,850,018</b>

**Note 5 — Premises and Equipment**

A summary of premises and equipment was as follows:

	As of December 31,	
	2024	2023
(In Thousands)		
Leasehold improvements	\$ 5,572	\$ 5,557
Furniture and equipment	9,480	9,361
<b>Total premises and equipment</b>	<b>15,052</b>	<b>14,918</b>
Less: accumulated depreciation	(9,825)	(8,728)
<b>Total premises and equipment, net</b>	<b>\$ 5,227</b>	<b>\$ 6,190</b>

Depreciation expense was \$1.1 million, \$961,000, and \$578,000 for the years ended December 31, 2024, 2023, and 2022, respectively. During 2023, the Corporation relocated its Kansas City metropolitan office. This resulted in additional leasehold improvements and equipment of \$1.3 million and \$606,000, respectively. During 2022, the Corporation relocated its Southeastern Wisconsin office. This resulted in additional leasehold improvements and equipment of \$1.8 million and \$602,000, respectively.

**Note 6 — Leases**

The Corporation leases various office spaces and specialized lending production offices under non-cancellable operating leases which expire on various dates through 2033. The Corporation also leases office equipment. The Corporation recognizes a right-of-use asset and an operating lease liability for all leases, with the exception of short-term leases. Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term.

In June 2023, the Corporation relocated its Kansas City metropolitan area office. This resulted in a \$2.6 million right-of-use asset and \$3.7 million lease liability, which was recorded in October 2022. The Corporation received a \$1.1 million tenant improvement allowance related to this lease, which was recognized as a lease incentive and deducted from the right-of-use asset.

In November 2022, the Corporation relocated its Southeast Wisconsin office. This resulted in a \$1.6 million right-of-use asset and \$2.5 million lease liability. The Corporation received a \$991,000 tenant improvement allowance related to this lease, which was recognized as a lease incentive and deducted from the right-of-use asset.

The components of total lease expense were as follows:

	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands)		
Operating lease cost	\$ 1,366	\$ 1,411	\$ 1,544
Short-term lease cost	140	200	148
Variable lease cost	572	576	604
Less: sublease income	—	(75)	(179)
Total lease cost, net	<u>\$ 2,078</u>	<u>\$ 2,112</u>	<u>\$ 2,117</u>

Quantitative information regarding the Corporation's operating leases was as follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Weighted-average remaining lease term (in years)	6.93	7.70	8.06
Weighted-average discount rate	3.37%	3.61%	3.40%

The following maturity analysis shows the undiscounted cash flows due on the Corporation's operating lease liabilities:

(In Thousands)	
2025	\$ 1,488
2026	1,448
2027	1,469
2028	1,113
2029	792
Thereafter	2,808
Total undiscounted cash flows	<u>9,118</u>
Discount on cash flows	(1,192)
Total lease liability	<u>\$ 7,926</u>

**Note 7 — Goodwill and Other Intangible Assets**

*Goodwill*

Goodwill is not amortized, but is subject to impairment tests on an annual basis and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount (including goodwill). At December 31, 2024 and 2023, the Corporation had goodwill of \$10.7 million, which was related to the acquisition of Alterra Bank in 2014.

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The Corporation conducted its annual impairment test on July 1, 2024, utilizing a qualitative assessment, and concluded that it was more likely than not the estimated fair value of the reporting unit exceeded its carrying value, resulting in no impairment.

### *Other Intangible Assets*

The Corporation has intangible assets that are amortized consisting of loan servicing rights.

Loan servicing rights are recognized upon sale of the guaranteed portions of SBA loans with servicing rights retained. When SBA loans are sold, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Loan servicing assets are subsequently measured using the amortization method, which requires servicing rights to be amortized into interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. The amortization of loan servicing rights is included in interest income in the accompanying Consolidated Statement of Income.

Activity in the Corporation's servicing asset and related valuation allowance is as follows:

	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands)		
<b>Loan Servicing Rights:</b>			
Carrying amount, net, beginning of year	\$ 1,356	\$ 1,492	\$ 1,601
Additions	390	437	525
Amortization	(537)	(500)	(634)
Change in valuation allowance	36	(73)	—
Carrying amount, net, end of year	<u>\$ 1,245</u>	<u>\$ 1,356</u>	<u>\$ 1,492</u>
<b>Valuation Allowance:</b>			
Beginning of year	\$ 88	\$ 15	\$ 15
Change in valuation allowance	(36)	73	—
End of year	<u>\$ 52</u>	<u>\$ 88</u>	<u>\$ 15</u>

The estimated fair value of the Corporation's loan servicing asset was \$1.2 million and \$1.4 million as of December 31, 2024 and 2023, respectively. The Corporation periodically reviews this portfolio for impairment and engages a third-party valuation firm to assess the fair value of the overall servicing rights portfolio. The fair value at December 31, 2024 was established using a discount rate of 13.75% and a constant prepayment rate ("CPR") of 16.05%. The fair value at December 31, 2023 was established using a discount rate of 14.50% and a CPR of 15.50%.

### **Note 8 — Other Assets**

The Corporation is a limited partner in several limited partnership investments. The Corporation is not the general partner, does not have controlling ownership, and is not the primary beneficiary in any of these limited partnerships and the limited partnerships have not been consolidated. These investments are accounted for using the equity and proportional amortization method of accounting and are evaluated for impairment at the end of each reporting period.

#### *Historic Rehabilitation Tax Credits*

The Corporation invests in development entities through Mitchell Street and FBB Tax Credit, wholly-owned subsidiaries of FBB, to rehabilitate historic buildings. At December 31, 2024 and 2023, the net carrying value of the investments was \$4.1 million and \$2.4 million, respectively. During 2024 and 2023, the Corporation invested \$2.5 million and \$285,000, respectively, in these partnerships. During 2022, the Corporation had no activity related to these investments.

#### *Low-Income Housing Tax Credits*

The Corporation invests in development entities through FBB Tax Credit, a wholly-owned subsidiary of FBB, to develop buildings that offer low-income housing. These investments are accounted for using the proportional amortization method of accounting. At December 31, 2024 and 2023, the net carrying value of the investments were \$40.3 million and \$33.3 million, respectively. During

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2024, 2023, and 2022, the Corporation invested \$14.6 million, \$24.0 million, and \$11.5 million in these partnerships, respectively. During 2024 and 2023, the Corporation recognized \$7.6 million and \$5.3 million in tax benefit, respectively, and \$6.0 million and \$4.1 million in amortization, respectively, related to these partnerships. Amortization is included in income tax expense in the accompanying Consolidated Statements of Income.

### *Other Investments*

The Corporation's equity investment in SBIC funds, consisting of Aldine Capital Fund II, LP, Aldine Capital Fund III, LP, Aldine Capital Fund IV, LP, and Northstar Capital Fund, LP totaled \$12.9 million and \$13.5 million as of December 31, 2024 and 2023, respectively. As of December 31, 2024, the Corporation has \$8.9 million remaining of the original \$20.0 million commitment to these partnerships. The Corporation's share of these partnerships' income included in other non-interest income in the Consolidated Statements of Income for the years ended December 31, 2024, 2023, and 2022 was \$1.9 million, \$4.8 million, and \$3.0 million, respectively. The Corporation's share of these partnerships' losses included in other non-interest expense in the Consolidated Statements of Income for the years ended December 31, 2024, 2023, and 2022 was \$69,000, \$101,000, and \$0, respectively.

The Corporation's equity investment in Dane Workforce Housing Fund LLC and Dane Workforce Housing Fund II LLC, a Wisconsin limited liability company focused on community development by providing affordable workforce housing units in Dane County, Wisconsin, totaled \$1.1 million and \$916,000 as of December 31, 2024 and 2023, respectively. The Corporation has \$853,000 remaining of the original \$2.0 million commitment to these investments as of December 31, 2024. The Corporation's share of the investment fund's income included in other non-interest income in the Consolidated Statements of Income for the years ended December 31, 2024, 2023, and 2022 was \$16,000, \$13,000, and \$8,000, respectively. The Corporation's share of this partnerships' losses included in other non-interest expense in the Consolidated Statements of Income for the year ended December 31, 2024 was \$10,000. There were no losses related to this investment during the years ended December 31, 2023 and 2022.

The Corporation's equity investment in BankTech Ventures, LP, a venture capital fund, focused on the community banking industry through strategic investments in growth-stage startups that directly support community banking needs, totaled \$622,000 and \$569,000 as of December 31, 2024 and 2023, respectively. The Corporation had a \$380,000 commitment remaining of the original \$1.0 million as of December 31, 2024. The Corporation's share of the investment fund's income included in other non-interest income in the Consolidated Statements of Income for the years ended December 31, 2024 and 2023 was \$14,000 and \$211,000, respectively. There was no income related to this investment during the years ended December 31, 2022. The Corporation's share of this partnerships' losses included in other non-interest expense in the Consolidated Statements of Income for the years ended December 31, 2024, 2023, and 2022 was \$19,000, \$2,000 and \$21,000, respectively.

A summary of accrued interest receivable and other assets was as follows:

	December 31, 2024	December 31, 2023
	(In Thousands)	
Accrued interest receivable	\$ 12,879	\$ 13,275
Net deferred tax asset	12,599	9,508
Investment in historic development entities	4,133	2,393
Investment in low-income housing development entities	40,259	33,303
Investment in limited partnerships	14,680	15,027
Prepaid expenses	4,221	4,269
Other assets	10,288	13,283
Total accrued interest receivable and other assets	<u>\$ 99,059</u>	<u>\$ 91,058</u>

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**Note 9 — Deposits**

The composition of deposits is shown below. Average balances represent year-to-date averages.

	December 31, 2024			December 31, 2023		
	Balance	Average Balance	Average Rate	Balance	Average Balance	Average Rate
	(Dollars in Thousands)					
Non-interest-bearing transaction accounts	\$ 436,111	\$ 441,313	—%	\$ 445,376	\$ 453,930	—%
Interest-bearing transaction accounts	965,637	884,321	3.82	895,319	689,500	3.44
Money market accounts	809,695	815,603	3.95	711,245	681,336	3.25
Certificates of deposit	184,986	237,228	4.59	287,131	273,387	4.10
Wholesale deposits	710,711	515,196	4.09	457,708	346,285	4.14
Total deposits	<u>\$ 3,107,140</u>	<u>\$ 2,893,661</u>	3.37	<u>\$ 2,796,779</u>	<u>\$ 2,444,438</u>	2.92

A summary of annual maturities of core and wholesale certificates of deposit at December 31, 2024 is as follows:

(In Thousands)

Maturities during the year ended December 31,	
2025	\$ 519,303
2026	76,281
2027	79,850
2028	18,102
2029	5,782
Thereafter	1,290
	<u>\$ 700,608</u>

Wholesale deposits include \$515.6 million and \$195.1 million of wholesale certificates of deposit and non-reciprocal interest-bearing transaction accounts, respectively, at December 31, 2024, compared to \$407.7 million and \$50.0 million of wholesale certificates of deposit and non-reciprocal interest-bearing transaction accounts, respectively, at December 31, 2023. The Corporation has entered into derivative contracts hedging a portion of the certificates of deposit included in the 2025 maturities above. As of December 31, 2024, the notional amount of derivatives designated as cash flow hedges totaled \$416.3 million with a weighted average remaining maturity of 3.65 years and a weighted average rate of 3.81%.

Certificates of deposit and wholesale deposits denominated in amounts greater than \$250,000 were \$67.3 million at December 31, 2024 and \$120.2 million at December 31, 2023.

**Note 10 — FHLB Advances, Other Borrowings and Subordinated Notes and Debentures**

The composition of borrowed funds is shown below. Average balances represent year-to-date averages.

	December 31, 2024			December 31, 2023		
	Balance	Weighted Average Balance	Weighted Average Rate	Balance	Weighted Average Balance	Weighted Average Rate
	(Dollars in Thousands)					
Federal funds purchased	\$ —	\$ 2	38.40%	\$ —	\$ 3	5.37%
FHLB advances	265,350	282,437	2.73	281,500	351,990	2.52
Line of credit	—	1,229	8.03	—	38	7.26
Other borrowings	10	8	—	20	600	8.33
Subordinated notes and debentures	54,689	49,833	6.36	49,396	38,250	5.16
	<u>\$ 320,049</u>	<u>\$ 333,509</u>	3.30	<u>\$ 330,916</u>	<u>\$ 390,881</u>	2.79

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A summary of annual maturities of borrowings at December 31, 2024 is as follows:

(In Thousands)

Maturities during the year ended December 31,	
2025	\$ 116,410
2026	65,000
2027	10,000
2028	10,450
2029	35,000
Thereafter	83,189
	<u>\$ 320,049</u>

The Corporation has a \$709.8 million FHLB line of credit available for advances which is collateralized as noted below. At December 31, 2024, \$444.4 million of this line remained unused. There were \$265.4 million of term FHLB advances outstanding at December 31, 2024 with stated fixed interest rates ranging from 1.19% to 4.95% compared to \$281.5 million of term FHLB advances outstanding at December 31, 2023 with stated fixed interest rates ranging from 0.50% to 5.58%. The term FHLB advances outstanding at December 31, 2024 are due at various dates through December 2031.

The Corporation is required to maintain as collateral mortgage-related securities, unencumbered first mortgage loans and secured small business loans in its portfolio aggregating at least the amount of outstanding advances from the FHLB. Loans totaling approximately \$1.298 billion and \$1.172 billion were pledged as collateral at December 31, 2024 and 2023, respectively.

The Corporation has a senior line of credit with a third-party financial institution of \$10.5 million. As of December 31, 2024, the line of credit carried an interest rate of SOFR + 2.36% that matured on February 19, 2025 and had certain performance debt covenants of which the Corporation was in compliance. The Corporation pays a commitment fee on this senior line of credit. For the years ended December 31, 2024, 2023, and 2022 the Corporation incurred \$13,000 additional interest expense due to this fee. There was no outstanding balance on the line of credit as of December 31, 2024. On February 20, 2025, the credit line was renewed for one additional year with pricing terms of 1-month term SOFR + 2.36% and a maturity date of February 19, 2026.

The Corporation issued new subordinated notes payable as of September 13, 2024. The aggregate principal amount of the newly issued subordinated notes payable was \$20.0 million which qualified as Tier 2 capital. The subordinated notes payable bear a fixed interest rate of 7.5% with a maturity date of September 13, 2034. The Corporation may, at its option, redeem the notes payable, in whole or part, at anytime after the fifth anniversary of the issuance. As of August 15, 2024, the \$15.0 million subordinated notes payable that bore a fixed interest rate of 5.5% were redeemed, and the remaining unamortized debt issuance cost was accelerated due to the early redemption. As of December 31, 2024, \$311,000 of debt issuance costs remain in the subordinated note and debentures payable balance, of which \$53,000 is related to the recently issued subordinated debentures.

The Corporation has entered into derivative contracts hedging a portion of the borrowings included in the 2024 maturities above. As of December 31, 2024, the notional amount of derivatives designated as cash flow hedges totaled \$68.4 million with a weighted average remaining maturity of 2.30 years and a weighted average rate of 1.98%.

### **Note 11 — Preferred Stock**

On March 4, 2022, the Corporation issued 12,500 shares, or \$12.5 million in aggregate liquidation preference, of 7.0% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A, par value \$0.01 per share, with a liquidation preference of \$1,000 per share (the "Series A Preferred Stock") in a private placement to institutional investors. The net proceeds received from the issuance of the Series A Preferred Stock were \$12.0 million.

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The Corporation expects to pay dividends on the Series A Preferred Stock when and if declared by the Board, at a fixed rate of 7.0% per annum, payable quarterly, in arrears, on March 15, June 15, September 15 and December 15 of each year up to, but excluding, March 15, 2027. For each dividend period from and including March 15, 2027, dividends will be paid at a floating rate of Three-Month Term SOFR plus a spread of 539 basis points per annum. During the years ended December 31, 2024 and 2023, the Board of Directors declared an aggregate preferred stock dividend of \$875,000. The Series A Preferred Stock is perpetual and has no stated maturity. The Corporation may redeem the Series A Preferred Stock at its option at a redemption price equal to \$1,000 per share, plus any declared and unpaid dividends (without regard to any undeclared dividends), subject to regulatory approval, on or after March 15, 2027 or within 90 days following a regulatory capital treatment event, in accordance with the terms of the Series A Preferred Stock.

### **Note 12 — Regulatory Capital**

The Corporation and the Bank are subject to various regulatory capital requirements administered by Federal and Wisconsin banking agencies. Failure to meet minimum capital requirements can result in certain mandatory, and possibly additional discretionary actions on the part of regulators, that if undertaken, could have a direct material effect on the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory practices. The Corporation's and the Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. The Corporation regularly reviews and updates, when appropriate, its capital and liquidity action plans, which is designed to help ensure appropriate capital adequacy, to plan for future capital needs, and to ensure that the Corporation serves as a source of financial strength to the Bank. The Corporation's and the Bank's Board and management teams adhere to the appropriate regulatory guidelines on decisions which affect their respective capital positions, including but not limited to, decisions relating to the payment of dividends and increasing indebtedness.

As a bank holding company, the Corporation's ability to pay dividends is affected by the policies and enforcement powers of the Board of Governors of the Federal Reserve system (the "Federal Reserve"). Federal Reserve guidance urges financial institutions to strongly consider eliminating, deferring, or significantly reducing dividends if: (i) net income available to common shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividend; (ii) the prospective rate of earnings retention is not consistent with the bank holding company's capital needs and overall current and prospective financial condition; or (iii) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital ratios. Management intends, when appropriate under regulatory guidelines, to consult with the Federal Reserve Bank ("FRB") of Chicago and provide it with information on the Corporation's then-current and prospective earnings and capital position in advance of declaring any cash dividends. As a Wisconsin corporation, the Corporation is subject to the limitations of the Wisconsin Business Corporation Law, which prohibits the Corporation from paying dividends if such payment would: (i) render the Corporation unable to pay its debts as they become due in the usual course of business, or (ii) result in the Corporation's assets being less than the sum of its total liabilities plus the amount needed to satisfy the preferential rights upon dissolution of any shareholders with preferential rights superior to those shareholders receiving the dividend.

The Bank is also subject to certain legal, regulatory, and other restrictions on their ability to pay dividends to the Corporation. As a bank holding company, the payment of dividends by the Bank to the Corporation is one of the sources of funds the Corporation could use to pay dividends, if any, in the future and to make other payments. Future dividend decisions by the Bank and the Corporation will continue to be subject to compliance with various legal, regulatory, and other restrictions as defined from time to time.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios of Total Common Equity Tier 1 and Tier 1 capital to risk-weighted assets and of Tier 1 capital to adjusted total assets. These risk-based capital requirements presently address credit risk related to both recorded and off-balance sheet commitments and obligations.

In July 2013, the FRB and the FDIC approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks. These rules are applicable to all financial institutions that are subject to minimum capital requirements, including federal and state banks and savings and loan associations, as well as bank and savings and loan holding companies other than "small bank holding companies" (generally non-publicly traded bank holding companies with consolidated assets of less than \$1 billion). Under the final rules, minimum requirements increased for both the quantity and quality of capital held by the Corporation. The rules include a new Common Equity Tier 1 capital to risk-weighted assets minimum ratio of 4.5%, raise the minimum ratio of

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Tier 1 capital to risk-weighted assets from 4.0% to 6.0%, require a minimum ratio of Total Capital to risk-weighted assets of 8.0%, and require a minimum Tier 1 leverage ratio of 4.0%. The rules also permit banking organizations with less than \$15 billion in assets to retain, through a one-time election, the past treatment for accumulated other comprehensive income, which did not affect regulatory capital. The Corporation elected to retain this treatment, which reduces the volatility of regulatory capital ratios. The Corporation also must comply with the 2.5% conservation buffer, which the Corporation met as of December 31, 2024.

As of December 31, 2024, the Corporation's capital levels exceeded the regulatory minimums and the Bank's capital levels remained characterized as well capitalized under the regulatory framework. The following tables summarize both the Corporation's and the Bank's capital ratios and the ratios required by their federal regulators:

As of December 31, 2024								
	Actual <sup>(1)</sup>		Minimum Required for Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		Minimum Required to Be Well Capitalized Under Prompt Corrective Action Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)							
<b>Total capital</b>								
<b>(to risk-weighted assets)</b>								
Consolidated	\$ 421,639	12.08 %	\$ 279,330	8.00 %	\$ 366,621	10.50 %	N/A	N/A
First Business Bank	417,965	11.97	279,342	8.00	366,636	10.50	\$ 349,177	10.00 %
<b>Tier 1 capital</b>								
<b>(to risk-weighted assets)</b>								
Consolidated	\$ 329,796	9.45 %	\$ 209,498	6.00 %	\$ 296,788	8.50 %	N/A	N/A
First Business Bank	380,811	10.91	209,506	6.00	296,801	8.50	\$ 279,342	8.00 %
<b>Common equity tier 1 capital</b>								
<b>(to risk-weighted assets)</b>								
Consolidated	\$ 317,804	9.10 %	\$ 157,123	4.50 %	\$ 244,414	7.00 %	N/A	N/A
First Business Bank	380,811	10.91	157,130	4.50	244,424	7.00	\$ 226,965	6.50 %
<b>Tier 1 leverage capital</b>								
<b>(to adjusted assets)</b>								
Consolidated	\$ 329,796	8.78 %	\$ 150,256	4.00 %	\$ 150,256	4.00 %	N/A	N/A
First Business Bank	380,811	10.14	150,207	4.00	150,207	4.00	\$ 187,759	5.00 %

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As of December 31, 2023

	Actual <sup>(1)</sup>		Minimum Required for Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		Minimum Required to Be Well Capitalized Under Prompt Corrective Action Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)							
<b>Total capital</b>								
<b>(to risk-weighted assets)</b>								
Consolidated	\$ 375,440	11.19 %	\$ 268,500	8.00 %	\$ 352,406	10.50 %	N/A	N/A
First Business Bank	376,310	11.21	268,595	8.00	352,531	10.50	\$ 335,744	10.00 %
<b>Tier 1 capital</b>								
<b>(to risk-weighted assets)</b>								
Consolidated	\$ 293,338	8.74 %	\$ 201,375	6.00 %	\$ 285,281	8.50 %	N/A	N/A
First Business Bank	343,604	10.23	201,446	6.00	285,382	8.50	\$ 268,595	8.00 %
<b>Common equity tier 1 capital</b>								
<b>(to risk-weighted assets)</b>								
Consolidated	\$ 281,346	8.38 %	\$ 151,031	4.50 %	\$ 234,937	7.00 %	N/A	N/A
First Business Bank	343,604	10.23	151,085	4.50	235,021	7.00	\$ 218,233	6.50 %
<b>Tier 1 leverage capital</b>								
<b>(to adjusted assets)</b>								
Consolidated	\$ 293,338	8.43 %	\$ 139,145	4.00 %	\$ 139,145	4.00 %	N/A	N/A
First Business Bank	343,604	9.87	139,262	4.00	139,262	4.00	\$ 174,077	5.00 %

(1) 2024 and 2023 capital amounts include \$676,000 and \$1.0 million, respectively, of additional stockholders' equity as elected by the Corporation and permitted by federal banking regulatory agencies related to the adoption of ASC 326. Risk-weighted assets were also adjusted accordingly.

The following table reconciles stockholders' equity to federal regulatory capital at December 31, 2024 and 2023, respectively:

	As of December 31,	
	2024	2023
	(In Thousands)	
Stockholders' equity of the Corporation	\$ 328,589	\$ 289,588
Net unrealized and accumulated losses on specific items	11,425	13,717
Disallowed servicing assets	(514)	(614)
Disallowed goodwill and other intangibles	(10,380)	(10,368)
ASC 326 Phase-in	676	1,015
Tier 1 capital	329,796	293,338
Allowable general valuation allowances and subordinated debt	91,843	82,102
Total capital	\$ 421,639	\$ 375,440

**Note 13 — Earnings per Common Share**

Earnings per common share are computed using the two-class method. Basic earnings per common share are computed by dividing net income allocated to common shares by the weighted-average number of shares outstanding during the applicable period, excluding outstanding participating securities. Participating securities include unvested restricted shares. Unvested restricted shares are considered participating securities because holders of these securities receive non-forfeitable dividends, or dividend equivalents, at the same rate as holders of the Corporation's common stock. Diluted earnings per share are computed by dividing net income allocated to common shares adjusted for reallocation of undistributed earnings of unvested restricted shares by the weighted average number of

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shares determined for the basic earnings per common share computation plus the dilutive effect of common stock equivalents using the treasury stock method.

	For the Year Ended December 31,		
	2024	2023	2022
	(Dollars in Thousands, Except Share Data)		
<i>Basic earnings per common share</i>			
Net income	\$ 44,245	\$ 37,027	\$ 40,858
Less: preferred stock dividends	875	875	683
Less: earnings allocated to participating securities	1,033	938	1,106
Basic earnings allocated to common shareholders	<u>\$ 42,337</u>	<u>\$ 35,214</u>	<u>\$ 39,069</u>
Weighted-average common shares outstanding, excluding participating securities	8,148,259	8,131,251	8,226,943
Basic earnings per common share	\$ 5.20	\$ 4.33	\$ 4.75
<i>Diluted earnings per common share</i>			
Earnings allocated to common shareholders, diluted	\$ 42,337	\$ 35,214	\$ 39,069
Weighted-average diluted common shares outstanding, excluding participating securities	8,148,259	8,131,251	8,226,943
Diluted earnings per common share	\$ 5.20	\$ 4.33	\$ 4.75

### **Note 14 — Share-Based Compensation**

The Corporation initially adopted the 2019 Equity Incentive Plan (the “Plan”) during the quarter ended June 30, 2019. The Plan is administered by the Compensation Committee of the Board of Directors (the “Board”) of the Corporation and provides for the grant of equity ownership opportunities through incentive stock options and nonqualified stock options, restricted stock, restricted stock units, dividend equivalent units, and any other type of award permitted by the Plan. As of December 31, 2024, 254,729 shares were available for future grants under the Plan, as amended. Shares covered by awards that expire, terminate, or lapse will again be available for the grant of awards under the Plan.

#### **Restricted Stock**

Under the Plan, the Corporation may grant restricted stock awards (“RSA”), restricted stock units (“RSU”), and other stock-based awards to plan participants, subject to forfeiture upon the occurrence of certain events until the dates specified in the participant’s award agreement. While restricted stock is subject to forfeiture, RSA participants may exercise full voting rights and will receive all dividends and other distributions paid with respect to the restricted shares. RSUs do not have voting rights. RSUs granted prior to 2023 are provided dividend equivalents concurrent with dividends paid to shareholders while RSUs granted in 2023 and after will accrue dividend equivalents payable upon vesting. The restricted stock granted under the Plan is typically subject to a vesting period. Compensation expense for restricted stock is recognized over the requisite service period of generally three or four years for the entire award on a straight-line basis. Upon vesting of restricted stock, the benefit of tax deductions in excess of recognized compensation expense is reflected as an income tax benefit in the Consolidated Statements of Income.

The Corporation may also issue performance-based restricted stock units (“PRSU”). Vesting of the PRSU will be measured on the relative Total Shareholder Return (“TSR”) and relative Return on Average Equity (“ROAE”) for issuances prior to 2023 or Return on Average Tangible Common Equity (“ROATCE”) for issuances after 2022, and will cliff-vest after a three-year measurement period based on the Corporation’s TSR performance and ROAE or ROATCE performance compared to a broad peer group of over 100 banks. At the end of the performance period, the number of actual shares to be awarded varies between 0% and 200% of target amounts. The restricted stock awards and units issued to executive officers will vest ratably over a three-year period. Compensation expense is recognized for PRSU over the requisite service and performance period of generally three years for the entire expected award on a straight-line basis. The compensation expense for the awards expected to vest for the percentage of performance-based restricted stock units subject to the ROAE or ROATCE metric will be adjusted if there is a change in the expectation of ROAE or ROATCE. The compensation expense for the awards expected to vest for the percentage of PRSU subject to the TSR metric are never adjusted and are amortized utilizing the accounting fair value provided using a Monte Carlo pricing model.

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Restricted stock activity for the year ended December 31, 2023 and the year ended December 31, 2024 was as follows:

	RSA	Weighted Average Grant Price	PRSU	Weighted Average Grant Price	RSU	Weighted Average Grant Price	Total	Weighted Average Grant Price
Nonvested balance as of January 1, 2022	141,617	\$ 23.06	63,120	\$ 28.20	5,052	\$ 23.56	209,789	\$ 24.62
Granted <sup>(1)</sup>	62,560	34.04	37,335	24.71	3,115	27.95	103,010	30.47
Vested	(62,353)	23.21	(43,020)	18.91	(2,062)	23.20	(107,435)	21.49
Forfeited	(8,507)	26.15	—	—	—	—	(8,507)	26.15
Nonvested balance as of December 31, 2022	133,317	\$ 27.95	57,435	\$ 32.89	6,105	\$ 25.92	196,857	\$ 29.32
Granted <sup>(1)</sup>	—	—	34,840	35.79	54,955	34.43	89,795	34.96
Vested	(56,931)	27.03	(36,120)	31.31	(3,253)	26.06	(96,304)	28.60
Forfeited	(4,435)	30.20	—	—	(820)	36.42	(5,255)	31.17
Nonvested balance as of December 31, 2023	71,951	28.53	56,155	35.70	56,987	33.97	185,093	32.38
Granted <sup>(1)</sup>	—	—	27,614	34.76	65,717	30.43	93,331	31.71
Vested	(35,131)	26.86	(34,139)	25.43	(33,716)	21.25	(102,986)	24.57
Forfeited	(7,924)	29.75	—	—	(8,827)	36.25	(16,751)	33.18
Nonvested balance as of December 31, 2024	28,896	\$ 30.09	49,630	\$ 42.24	80,161	\$ 36.04	158,687	\$ 36.77
Unrecognized compensation cost (in thousands)	\$ 416		\$ 1,037		\$ 2,192		\$ 3,645	
Weighted average remaining recognition period (in years)	1.07		1.69		2.55		2.13	

(1) The number of restricted shares/units shown includes the shares that would be granted if the target level of performance is achieved related to the PRSU. The number of shares actually issued may vary. During the year ended December 31, 2024, an additional 10,589 were issued related to actual performance results of previously granted awards.

**Employee Stock Purchase Plan**

The Corporation is authorized to issue up to 250,000 shares of common stock under the employee stock purchase plan ("ESPP"). The plan qualifies as an employee stock purchase plan under section 423 of the Internal Revenue Code of 1986. Under the ESPP, eligible employees may enroll in a three month offer period that begins January, April, July, and October of each year. Employees may elect to purchase a limited number of shares of the Corporation's common stock at 90% of the fair market value on the last day of the offering period. The ESPP is treated as a compensatory item for purposes of share-based compensation expense.

During the year ended December 31, 2024, the Corporation issued 3,832 shares of common stock under the ESPP. As of December 31, 2024, 226,806 shares remained available for issuance under the ESPP.

Share-based compensation expense related to restricted stock and ESPP included in the Consolidated Statements of Income was as follows:

	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands)		
Share-based compensation expense	\$ 2,785	\$ 2,977	\$ 2,584

**Note 15 — Employee Benefit Plans**

The Corporation maintains a contributory 401(k) defined contribution plan covering substantially all employees. The Corporation matches 100% of amounts contributed by each participating employee, up to 3% of the employee's compensation. The Corporation may also make discretionary profit sharing contributions up to an additional 6% of salary. Contributions are expensed in the period incurred and recorded in compensation expense in the Consolidated Statements of Income. The Corporation made a matching contribution of 3% to all eligible employees which totaled \$1.2 million, \$1.2 million, and \$1.1 million for the years ended December 31, 2024, 2023, and 2022, respectively. Discretionary profit sharing contributions for substantially all employees of 4.34%, or \$1.7 million, 5.9%, or \$2.1 million, and 5.2%, or \$1.6 million, were made in 2024, 2023, and 2022, respectively.

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As of December 31, 2024, 2023, and 2022, the Corporation had a deferred compensation plan under which it provided contributions to supplement the retirement income of one executive. Under the terms of the plan, benefits to be received are generally payable within six months of the date of the termination of employment with the Corporation. The expense associated with the deferred compensation plan for the years ended December 31, 2024, 2023, and 2022 was \$523,000, \$493,000, and \$382,000, respectively. The deferred compensation liability under the remaining plan of \$3.3 million and \$2.8 million at December 31, 2024 and 2023, respectively, is included in accrued interest payable and other liabilities on the Consolidated Balance Sheets.

The Corporation owned life insurance policies on the life of the executive covered by the deferred compensation plan, which had cash surrender values and death benefits of approximately \$3.2 million and \$6.2 million, respectively, at December 31, 2024 and cash surrender values and death benefits of approximately \$3.1 million and \$6.2 million, respectively, at December 31, 2023. The remaining balance of the cash surrender value of bank-owned life insurance of \$54.0 million and \$52.4 million as of December 31, 2024 and 2023, respectively, is related to policies on a number of then-qualified individuals affiliated with the Bank.

### **Note 16 — Income Taxes**

Income tax expense consists of the following:

	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands)		
<b>Current:</b>			
Federal	\$ 8,783	\$ 7,759	\$ 9,174
State	1,635	233	2,987
Current tax expense	<u>10,418</u>	<u>7,992</u>	<u>12,161</u>
<b>Deferred:</b>			
Federal	(1,263)	(716)	(733)
State	(2,250)	2,836	(42)
Deferred tax (benefit) expense	<u>(3,513)</u>	<u>2,120</u>	<u>(775)</u>
Total income tax expense	<u>\$ 6,905</u>	<u>\$ 10,112</u>	<u>\$ 11,386</u>

Deferred income tax assets and liabilities reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax basis. Deferred tax assets and liabilities are measured using enacted tax rates to apply to taxable income in the period in which the temporary differences are expected to be recovered or settled. Net deferred tax assets are included in accrued interest receivable and other assets in the Consolidated Balance Sheets.

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The significant components of the Corporation's deferred tax assets and liabilities were as follows:

	December 31, 2024	December 31, 2023
	(In Thousands)	
Deferred tax assets:		
Allowance for credit losses	\$ 9,820	\$ 8,730
Deferred compensation	2,511	2,094
State net operating loss carryforwards	687	875
Write-down of repossessed assets	31	10
Non-accrual loan interest	222	95
Capital loss carryforwards	—	22
Unrealized losses on securities	4,136	4,715
Share-based compensation	761	788
Other	154	284
Total deferred tax assets before valuation allowance	18,322	17,613
Valuation allowance	(1,568)	(3,339)
Total deferred tax assets	16,754	14,274
Deferred tax liabilities:		
Leasing and fixed asset activities	1,361	1,854
Loan servicing asset	328	381
Other	2,466	2,531
Total deferred tax liabilities	4,155	4,766
Net deferred tax asset	\$ 12,599	\$ 9,508

Realization of the deferred tax assets is dependent upon the Corporation generating sufficient taxable earnings prior to the expiration of net operating loss carryforwards. Management performs an analysis to determine if a valuation allowance against deferred tax assets is required in accordance with U.S. GAAP.

For Wisconsin state deferred tax assets, management determined that it was probable that some or all of the deferred tax assets would not be utilized within the applicable carry-forward period. The primary driver is the 2023 Wisconsin Act 19 which contains a provision that provides financial institutions with a state tax-exemption for interest, fees, and penalties earned on qualifying small-business loans. In 2024, management recorded a \$1.7 million partial release of a state deferred tax asset valuation allowance due to changes in projected taxable income based on revised state taxation guidance and 2023 state tax return actual results. As of December 31, 2024, the state deferred tax valuation allowance was \$1.6 million, reducing our Wisconsin deferred tax assets to \$2.1 million. As of December 31, 2023, the state deferred tax valuation allowance was \$3.3 million, reducing our Wisconsin deferred tax assets to \$0. The Corporation had state net operating loss carryforwards of approximately \$5.7 million and \$16.4 million at December 31, 2024 and 2023, respectively.

For federal and other U.S. states, management determined that it was not required to establish a valuation allowance against the December 31, 2024 or 2023 deferred tax assets in accordance with U.S. GAAP since it was more likely than not that the deferred tax assets will be fully utilized in future periods.

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The provision for income taxes differs from that computed at the federal statutory corporate tax rate as follows:

	Year Ended December 31,		
	2024	2023	2022
	(Dollars in Thousands)		
Income before income tax expense	\$ 51,150	\$ 47,139	\$ 52,244
Tax expense at statutory federal rate of 21% applied to income before income tax expense	\$ 10,741	\$ 9,899	\$ 10,971
State income tax, net of federal effect	1,441	(52)	2,337
Tax-exempt security and loan income, net of TEFRA adjustments	(1,201)	(856)	(704)
Change in valuation allowance	(1,888)	3,349	—
Bank-owned life insurance	(346)	(313)	(468)
Tax credits, net	(1,787)	(1,045)	(338)
Share-based compensation	(251)	(159)	(392)
Section 162(m) limitation	106	123	118
Other	90	(834)	(138)
Total income tax expense	\$ 6,905	\$ 10,112	\$ 11,386
Effective tax rate	13.50%	21.45%	21.79%

There were no uncertain tax positions outstanding as of December 31, 2024 and 2023. As of December 31, 2024, tax years remaining open for the State of Wisconsin tax were 2020 through 2023. Federal tax years that remained open were 2021 through 2023. As of December 31, 2024, there were also no unrecognized tax benefits that are expected to significantly increase or decrease within the next twelve months.

**Note 17 — Derivative Financial Instruments**

The Corporation offers interest rate swap products directly to qualified commercial borrowers. The Corporation economically hedges client derivative transactions by entering into offsetting interest rate swap contracts executed with a third party. Derivative transactions executed as part of this program are not considered hedging instruments and are marked-to-market through earnings each period. The derivative contracts have mirror-image terms, which results in the positions' changes in fair value offsetting through earnings each period. The credit risk and risk of non-performance embedded in the fair value calculations is different between the dealer counterparties and the commercial borrowers which may result in a difference in the changes in the fair value of the mirror-image swaps. The Corporation incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the counterparty's risk in the fair value measurements. When evaluating the fair value of its derivative contracts for the effects of non-performance and credit risk, the Corporation considered the impact of netting and any applicable credit enhancements such as collateral postings, thresholds, and guarantees. As of December 31, 2024 and 2023, the credit valuation allowance was \$149,000 and \$117,000, respectively.

The Corporation receives fixed rates and pays floating rates based upon designated benchmark interest rates used on the swaps with commercial borrowers. Commercial borrower swaps are completed independently with each borrower and are not subject to master netting arrangements. The Corporation pays fixed rates and receives floating rates based upon designated benchmark interest rates used on the swaps with dealer counterparties. Dealer counterparty swaps are subject to master netting agreements among the contracts within our Bank and are reported on the Consolidated Balance Sheet. The gross amount of dealer counterparty swaps, without regard to the enforceable master netting agreement, was a gross derivative asset of \$56.6 million and gross derivative liability of \$2.0 million as of December 31, 2024.

All changes in fair value of these instruments are recorded in other non-interest income. Given the mirror-image terms of the outstanding derivative portfolio, the change in fair value for the years ended December 31, 2024, 2023, and 2022 had an insignificant impact on the Consolidated Statements of Income.

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The Corporation also enters into interest rate swaps to manage interest rate risk and reduce the cost of match-funding certain long-term fixed rate loans. These derivative contracts involve the receipt of floating rate interest from a counterparty in exchange for the Corporation making fixed-rate payments over the life of the agreement, without the exchange of the underlying notional value. The instruments are designated as cash flow hedges as the receipt of floating rate interest from the counterparty is used to manage interest rate risk related to cash outflows attributable to future wholesale deposit or short-term FHLB advance borrowings. The change in the fair value of these hedging instruments is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged transactions affect earnings. A pre-tax unrealized gain of \$4.7 million and \$8.5 million was recognized in other comprehensive income for the years ended December 31, 2024 and 2022, respectively, and there were no ineffective portions of the hedges. A pre-tax unrealized loss of \$3.5 million was recognized in other comprehensive income for the year ended December 31, 2023, and there were no ineffective portions of the hedges.

The Corporation also enters into interest rate swaps to mitigate market value volatility on certain long-term fixed securities. The objective of the hedge is to protect the Corporation against changes in fair value due to changes in benchmark interest rates. The instruments are designated as fair value hedges as the changes in the fair value of the interest rate swap are expected to offset changes in the fair value of the hedged item attributable to changes in the SOFR swap rate, the designated benchmark interest rate. These derivative contracts involve the receipt of floating rate interest from a counterparty in exchange for the Corporation making fixed-rate payments over the life of the agreement, without the exchange of the underlying notional value. The change in the fair value of these hedging instruments is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged transactions affect earnings. A pre-tax unrealized gain of \$390,000, \$22,000, and \$602,000 was recognized in other comprehensive income for the years ended December 31, 2024, 2023, and 2022, respectively, and there was no ineffective portion of these hedges.

	As of December 31, 2024			
	Number of Instruments	Notional Amount	Weighted Average Maturity (In Years)	Fair Value
(Dollars in Thousands)				
<b>Included in Derivative assets</b>				
<b>Derivatives not designated as hedging instruments</b>				
Interest rate swap agreements on loans with commercial loan clients	20	\$ 232,488	4.55	\$ 2,015
Interest rate swap agreements on loans with third-party counterparties	106	1,022,365	5.24	54,544
<b>Derivatives designated as hedging instruments</b>				
Interest rate swap related to AFS securities	11	\$ 12,500	7.28	\$ 1,014
Interest rate swap related to wholesale funding	36	384,655	3.95	8,189
<b>Included in Derivative liabilities</b>				
<b>Derivatives not designated as hedging instruments</b>				
Interest rate swap agreements on loans with commercial loan clients	86	\$ 789,877	5.44	\$ 56,559
<b>Derivatives designated as hedging instruments</b>				
Interest rate swap related to wholesale funding	10	\$ 100,000	1.55	\$ 509

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	As of December 31, 2023			
	Number of Instruments	Notional Amount	Weighted Average Maturity (In Years)	Fair Value
(Dollars in Thousands)				
<b>Included in Derivative assets</b>				
<b>Derivatives not designated as hedging instruments</b>				
Interest rate swap agreements on loans with commercial loan clients	25	\$ 249,454	6.33	\$ 7,904
Interest rate swap agreements on loans with third-party counter parties	106	939,156	6.06	43,234
<b>Derivatives designated as hedging instruments</b>				
Interest rate swap related to AFS securities	11	\$ 12,500	8.28	\$ 624
Interest rate swap related to wholesale funding	9	96,400	2.47	3,835
<b>Included in Derivative liabilities</b>				
<b>Derivatives not designated as hedging instruments</b>				
Interest rate swap agreements on loans with commercial loan clients	81	\$ 689,702	5.96	\$ 51,138
<b>Derivatives designated as hedging instruments</b>				
Interest rate swap related to wholesale funding	29	\$ 306,255	3.89	\$ 811

**Note 18 — Commitments and Contingencies**

The Bank is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of clients. These financial instruments include commitments to extend credit and standby letters of credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the Consolidated Financial Statements. The contract amounts reflect the extent of involvement the Bank has in these particular classes of financial instruments.

In the event of non-performance, the Bank's exposure to credit loss for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. The Bank uses the same credit policies in making commitments and conditional obligations as they do for instruments reflected in the Consolidated Financial Statements. An accrual for credit losses on financial instruments with off-balance sheet risk would be recorded separate from any valuation account related to any such recognized financial instrument. As of December 31, 2024 and 2023, there were no accrued credit losses for financial instruments with off-balance sheet risk.

Financial instruments whose contract amounts represent potential credit risk were as follows:

	At December 31,	
	2024	2023
(In Thousands)		
Commitments to extend credit, primarily commercial loans	\$ 1,046,598	\$ 1,198,031
Standby letters of credit	17,276	17,938

Commitments to extend credit are agreements to lend to a client as long as there is no violation of any condition in the contract. Commitments generally have fixed expiration dates or other termination clauses and may have a fixed interest rate or a rate which varies with the prime rate or other market indices and may require payment of a fee. Since some commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements of the Bank. The Bank evaluates the creditworthiness of each client on a case-by-case basis and generally extends credit only on a secured basis. Collateral obtained varies but consists primarily of commercial real estate, accounts receivable, inventory, equipment, and securities. There is generally no market for commercial loan commitments, the fair value of which would approximate the present value of any fees expected to be received as a result of the commitment. These are not considered to be material to the financial statements.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a client to a third party. Generally, standby letters of credit expire within one year and are collateralized by accounts receivable, equipment, inventory, and commercial properties. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan

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facilities to clients. The fair value of standby letters of credit is recorded as a liability when the standby letter of credit is issued. The fair value has been estimated to approximate the fees received by the Bank for issuance. The fees are recorded into income and the fair value of the guarantee is decreased ratably over the term of the standby letter of credit.

The Corporation sells the guaranteed portions of SBA 7(a) and 504 loans, as well as participation interests in other, non-SBA originated, loans to third parties. The Corporation has a continuing involvement in each of the transferred lending arrangements by way of relationship management and servicing the loans, as well as being subject to normal and customary requirements of the SBA loan program and standard representations and warranties related to sold amounts. In the event of a loss resulting from default and a determination by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced by the Corporation, the SBA may require the Corporation to repurchase the loan, deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of the principal loss related to the deficiency from the Corporation. The Corporation must comply with applicable SBA regulations in order to maintain the guaranty. In addition, the Corporation retains the option to repurchase the sold guaranteed portion of an SBA loan if the loan defaults.

Management has assessed estimated losses inherent in the outstanding guaranteed portions of SBA loans sold in accordance with ASC 450, *Contingencies*, and determined a recourse reserve based on the probability of future losses for these loans to be \$645,000 and \$955,000 at December 31, 2024 and 2023, respectively, which is reported in accrued interest payable and other liabilities on the Consolidated Balance Sheets.

The summary of the activity in the SBA recourse reserve is as follows:

	As of and for the Year Ended December 31,	
	2024	2023
	(In Thousands)	
Balance at the beginning of the period	\$ 955	\$ 441
SBA recourse	(104)	775
Charge-offs, net	(206)	(261)
Balance at the end of the period	<u>\$ 645</u>	<u>\$ 955</u>

In the normal course of business, various legal proceedings involving the Corporation are pending. Management, based upon advice from legal counsel, does not anticipate any significant losses as a result of these actions. Management believes that any liability arising from any such proceedings currently existing or threatened will not have a material adverse effect on the Corporation's financial position, results of operations, and cash flows.

### **Note 19 — Fair Value Disclosures**

The Corporation determines the fair values of its financial instruments based on the fair value hierarchy established in ASC Topic 820, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is defined as the price that would be received in an orderly transaction that is not a forced liquidation or distressed sale at the measurement date and is based on exit prices. Fair value includes assumptions about risk, such as nonperformance risk in liability fair values, and is a market-based measurement, not an entity-specific measurement. The standard describes three levels of inputs that may be used to measure fair value.

**Level 1** — Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

**Level 2** — Level 2 inputs are inputs, other than quoted prices included with Level 1, that are observable for the asset or liability either directly or indirectly, 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 for substantially the full term of the assets or liabilities.

**Level 3** — Level 3 inputs are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Assets and liabilities measured at fair value on a recurring basis, segregated by fair value hierarchy level, are summarized below:

	December 31, 2024			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
	(In Thousands)			
<b>Assets:</b>				
<b>Securities available-for-sale:</b>				
U.S. treasuries	\$	—	\$ 4,718	\$ 4,718
U.S. government agency securities - government-sponsored enterprises		—	3,153	3,153
Municipal securities		—	34,861	34,861
Residential mortgage-backed securities - government issued		—	123,223	123,223
Residential mortgage-backed securities - government-sponsored enterprises		—	134,765	134,765
Commercial mortgage-backed securities - government issued		—	2,224	2,224
Commercial mortgage-backed securities - government-sponsored enterprises		—	38,448	38,448
Interest rate swaps		—	65,762	65,762
<b>Liabilities:</b>				
Interest rate swaps		—	57,068	57,068

	December 31, 2023			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
	(In Thousands)			
<b>Assets:</b>				
<b>Securities available-for-sale:</b>				
U.S. treasuries	\$	—	\$ 13,776	\$ 13,776
U.S. government agency securities - government-sponsored enterprises		—	27,566	27,566
Municipal securities		—	35,881	35,881
Residential mortgage-backed securities - government issued		—	68,056	68,056
Residential mortgage-backed securities - government-sponsored enterprises		—	120,833	120,833
Commercial mortgage-backed securities - government issued		—	2,525	2,525
Commercial mortgage-backed securities - government-sponsored enterprises		—	28,369	28,369
Interest rate swaps		—	55,597	55,597
<b>Liabilities:</b>				
Interest rate swaps		—	51,949	51,949

For assets and liabilities measured at fair value on a recurring basis, there were no transfers between the levels during the years ended December 31, 2024 and 2023 related to the above measurements.

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Assets and liabilities measured at fair value on a non-recurring basis, segregated by fair value hierarchy are summarized below:

	December 31, 2024			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
	(In Thousands)			
Collateral-dependent loans	\$ —	\$ —	\$ 7,506	\$ 7,506
Reposessed assets	—	—	51	51
Loan servicing rights	—	—	1,245	1,245

	December 31, 2023			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
	(In Thousands)			
Collateral-dependent loans	\$ —	\$ —	\$ 4,917	\$ 4,917
Reposessed assets	—	—	247	247
Loan servicing rights	—	—	1,356	1,356

Collateral-dependent loans were written down to the fair value of their underlying collateral less costs to sell of \$7.5 million and \$4.9 million at December 31, 2024 and December 31, 2023, respectively, through the establishment of specific reserves or by recording charge-offs when the carrying value exceeded the fair value of the underlying collateral of individually evaluated loans. Valuation techniques consistent with the market approach, income approach, or cost approach were used to measure fair value. These techniques included observable inputs for the collateral dependent loans being evaluated, such as current appraisals, recent sales of similar assets, or other observable market data, and unobservable inputs, typically when discounts are applied to appraisal values to adjust such values to current market conditions or to reflect net realizable values. The quantification of unobservable inputs for Level 3 individually evaluated loan values range from 13% - 100% as of the measurement date of December 31, 2024. The weighted average of those unobservable inputs was 36%. The majority of the individually evaluated loans are considered collateral dependent loans or are supported by an SBA guaranty.

Reposessed assets are measured and reported at fair value through a charge-off to the allowance for credit losses, if deemed necessary. The fair value of a reposessed asset, upon initial recognition, is estimated using a market approach or based on observable market data, such as a current appraisal, recent sale price of similar assets, or based upon assumptions specific to the individual property or equipment, such as management applied discounts used to further reduce values to a net realizable value when observable inputs become stale.

Loan servicing rights represent the asset retained upon sale of the guaranteed portion of certain SBA loans. When SBA loans are sold, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. The servicing rights are subsequently measured using the amortization method, which requires amortization into interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

The Corporation periodically reviews this portfolio for impairment and engages a third-party valuation firm to assess the fair value of the overall servicing rights portfolio. Loan servicing rights do not trade in an active, open market with readily observable prices. While sales of loan servicing rights do occur, the precise terms and conditions typically are not readily available to allow for a “quoted price for similar assets” comparison. Accordingly, the Corporation utilizes an independent valuation from a third party which uses a discounted cash flow model to estimate the fair value of its loan servicing rights. The valuation model incorporates prepayment assumptions to project loan servicing rights cash flows based on the current interest rate scenario, which is then discounted to estimate an expected fair value of the loan servicing rights. The valuation model considers portfolio characteristics of the underlying serviced portion of the SBA loans and uses the following significant unobservable inputs: (1) constant prepayment rate (“CPR”) assumptions based on the SBA sold pools historical CPR as quoted in Bloomberg and (2) a discount rate. Due to the nature of the valuation inputs, loan servicing rights are classified in Level 3 of the fair value hierarchy.

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Fair Value of Financial Instruments

The Corporation is required to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions, consistent with exit price concepts for fair value measurements, are set forth below:

	December 31, 2024				
	Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3
(In Thousands)					
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 157,702	\$ 157,702	\$ 157,702	\$ —	\$ —
Securities available-for-sale	341,392	341,392	—	341,392	—
Securities held-to-maturity	6,741	6,535	—	6,535	—
Loans held for sale	13,498	14,577	—	14,577	—
Loans and lease receivables, net	3,077,343	3,049,890	—	—	3,049,890
Federal Home Loan Bank stock	11,616	N/A	N/A	N/A	N/A
Accrued interest receivable	12,879	12,879	12,879	—	—
Interest rate swaps	65,762	65,762	—	65,762	—
<b>Financial liabilities:</b>					
Deposits	3,107,140	3,107,068	2,406,532	700,536	—
Federal Home Loan Bank advances and other borrowings	320,049	314,175	—	314,175	—
Accrued interest payable	10,175	10,175	10,175	—	—
Interest rate swaps	57,068	57,068	—	57,068	—
<b>Off-balance sheet items:</b>					
Standby letters of credit	209	209	—	—	209

N/A = The fair value is not applicable due to restrictions placed on transferability

	December 31, 2023				
	Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3
(In Thousands)					
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 139,510	\$ 139,510	\$ 139,510	\$ —	\$ —
Securities available-for-sale	297,006	297,006	—	297,006	—
Securities held-to-maturity	8,503	8,255	—	8,255	—
Loans held for sale	4,589	4,956	—	4,956	—
Loans and lease receivables, net	2,818,986	2,789,731	—	—	2,789,731
Federal Home Loan Bank stock	12,042	N/A	N/A	N/A	N/A
Accrued interest receivable	13,275	13,275	13,275	—	—
Interest rate swaps	55,597	55,597	—	55,597	—
<b>Financial liabilities:</b>					
Deposits	2,796,779	2,795,463	2,101,939	693,524	—
Federal Home Loan Bank advances and other borrowings	330,916	320,287	—	320,287	—
Accrued interest payable	10,860	10,860	10,860	—	—
Interest rate swaps	51,949	51,949	—	51,949	—
<b>Off-balance sheet items:</b>					
Standby letters of credit	190	190	—	—	190

N/A = The fair value is not applicable due to restrictions placed on transferability

Disclosure of fair value information about financial instruments, for which it is practicable to estimate that value, is required whether or not recognized in the Consolidated Balance Sheets. 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. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Certain financial instruments and all non-financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Corporation.

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**Securities:** The fair value measurements of investment securities are determined by a third-party pricing service which considers observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, trade execution data, market consensus prepayment speeds, credit information, and the securities' terms and conditions, among other things. The fair value measurements are subject to independent verification by another pricing source on a quarterly basis to review for reasonableness. Any significant differences in pricing are reviewed with appropriate members of management who have the relevant technical expertise to assess the results. The Corporation has determined that these valuations are classified in Level 2 of the fair value hierarchy. When the independent pricing service does not provide a fair value measurement for a particular security, the Corporation will estimate the fair value based on specific information about each security. Fair values derived in this manner are classified in Level 3 of the fair value hierarchy.

**Loans Held for Sale:** Loans held for sale, which consist of the guaranteed portions of SBA 7(a) loans, are carried at the lower of cost or estimated fair value. The estimated fair value is based on what secondary markets are currently offering for portfolios with similar characteristics.

**Derivatives:** The carrying amount and fair value of existing derivative financial instruments are based upon independent valuation models, which use widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative contract. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The Corporation incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Corporation considers the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

**Limitations:** Fair value estimates are made at a discrete 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 holding of a particular financial 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 of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing 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. 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 are not considered in the estimates.

**Note 20 — Condensed Parent Only Financial Information**

The following represents the condensed financial information of the Corporation only:

**Condensed Balance Sheets**

	December 31, 2024	December 31, 2023
	(In Thousands)	
<b>Assets</b>		
Cash and cash equivalents	\$ 5,384	\$ 2,027
Investments in subsidiaries, at equity	379,604	339,854
Premises and equipment, net	67	51
Other assets	2,908	697
Total assets	<u>\$ 387,963</u>	<u>\$ 342,629</u>
<b>Liabilities and Stockholders' Equity</b>		
Subordinated notes and other borrowings	\$ 54,689	\$ 49,396
Accrued interest payable and other liabilities	4,685	3,645
Total liabilities	59,374	53,041
Stockholders' equity	328,589	289,588
Total liabilities and stockholders' equity	<u>\$ 387,963</u>	<u>\$ 342,629</u>

**Condensed Statements of Income**

	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands)		
<b>Net interest expense</b>	\$ 3,283	\$ 1,989	\$ 2,295
<b>Non-interest income</b>			
Dividends from subsidiaries	11,500	12,100	2,000
Consulting and rental income from consolidated subsidiaries	5,812	5,644	5,794
Other non-interest income	10	43	69
Total non-interest income	17,322	17,787	7,863
<b>Non-interest expense</b>	8,375	8,234	7,633
Gain (loss) before income tax benefit and equity in undistributed net income of consolidated subsidiaries	5,664	7,564	(2,065)
Income tax benefit	1,940	337	1,387
Gain (loss) before equity in undistributed net income of consolidated subsidiaries	7,604	7,901	(678)
Equity in undistributed net income of consolidated subsidiaries	36,641	29,126	41,536
Net income	<u>\$ 44,245</u>	<u>\$ 37,027</u>	<u>\$ 40,858</u>

### Condensed Statements of Cash Flows

	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands)		
<b>Operating activities</b>			
Net income	\$ 44,245	\$ 37,027	\$ 40,858
Adjustments to reconcile net income to net cash used in operating activities:			
Equity in undistributed earnings of consolidated subsidiaries	(36,641)	(29,126)	(41,536)
Share-based compensation	2,785	2,977	2,584
Excess tax benefit from share-based compensation	(219)	(91)	(91)
Net (decrease) increase in other liabilities	(146)	(1,854)	2,592
Other, net	(1,639)	1,207	(530)
Net cash provided by operating activities	8,385	10,140	3,877
<b>Investing activities</b>			
Proceeds from redemption of Trust II stock	—	—	315
Capital contributions to subsidiaries	—	(15,000)	—
Net cash (used in) provided by investing activities	—	(15,000)	315
<b>Financing activities</b>			
Net increase (decreases) in long-term borrowed funds	293	54	(357)
Proceeds from issuance of subordinated notes payable	20,000	15,000	20,000
Repayment of subordinated notes payable	(15,000)	—	(9,090)
Repayment of junior subordinated debentures	—	—	(10,076)
Proceeds from issuance of preferred stock	—	—	11,992
Proceeds from purchased funds and other short-term debt	—	—	(500)
Purchase of treasury stock	(1,270)	(2,971)	(6,126)
Preferred stock dividends paid	(875)	(875)	(683)
Cash dividends paid	(8,320)	(7,578)	(6,688)
Net proceeds from purchases of ESPP shares	144	128	134
Net cash (used in) provided by financing activities	(5,028)	3,758	(1,394)
Net increase (decrease) in cash and due from banks	3,357	(1,102)	2,798
Cash and cash equivalents at the beginning of the period	2,027	3,129	331
Cash and cash equivalents at the end of the period	\$ 5,384	\$ 2,027	\$ 3,129

#### Note 21 — Segment Information

The Corporation's reportable segment is determined by the Chief Executive Officer, who is the designated chief operating decision maker, based upon information provided by the Corporation's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business. These components are then aggregated if operating performance, products and services and customers are similar. The chief operating decision maker will evaluate the financial performance of the Corporation's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Corporation's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and return on assets. The chief operating decision maker uses consolidated net income to benchmark the Corporation against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results is used in assessment performance and in establishing compensation. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provision for credit losses and payroll provide the significant expenses in the banking operation. All operations are domestic.

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	For the Year Ended December 31,		
	2024	2023	2022
	(In Thousands)		
<b>Interest income</b>	\$ 233,130	\$ 194,928	\$ 121,371
<b>Reconciliation of revenue</b>			
Other revenues	29,251	31,308	29,428
Total consolidated revenues	262,381	226,236	150,799
Less: interest expense	108,924	82,340	22,949
<b>Segment net interest and non-interest income</b>	153,457	143,896	127,850
<b>Less:</b>			
Provision for credit losses	8,827	8,182	(3,868)
Compensation expense	63,105	61,059	57,742
Other segment items	30,375	27,516	21,732
Income tax expense	6,905	10,112	11,386
<b>Segment and consolidated net income</b>	\$ 44,245	\$ 37,027	\$ 40,858

**Other segment disclosures:**

Interest income	\$ 233,130	\$ 194,928	\$ 121,371
Interest expense	108,924	82,340	22,949
Depreciation, amortization, and accretion	3,738	3,636	4,066
Other significant noncash item:			
Provision for credit losses	8,827	8,182	(3,868)
Segment assets	3,853,215	3,507,846	2,976,611
Expenses for segment assets	93,480	88,575	79,474

**Reconciliation of assets:**

Total assets for reportable segments	\$ 3,853,215	\$ 3,507,846	\$ 2,976,611
Other assets	—	—	—
Total consolidated assets	\$ 3,853,215	\$ 3,507,846	\$ 2,976,611

**Note 22 — Condensed Quarterly Earnings (unaudited)**

	2024				2023			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(Dollars in Thousands, Except Per Share Data)							
Interest income	\$ 60,110	\$ 59,327	\$ 57,910	\$ 55,783	\$ 54,762	\$ 50,941	\$ 47,161	\$ 42,064
Interest expense	26,962	28,320	27,370	26,272	25,222	22,345	19,414	15,359
Net interest income	33,148	31,007	30,540	29,511	29,540	28,596	27,747	26,705
Provision for credit losses	2,701	2,087	1,713	2,326	2,573	1,817	2,231	1,561
Non-interest income	8,005	7,064	7,425	6,757	7,094	8,430	7,374	8,410
Non-interest expense	23,152	23,107	23,879	23,342	21,588	23,189	22,031	21,767
Income before income tax expense	15,300	12,877	12,373	10,600	12,473	12,020	10,859	11,787
Income tax expense	885	2,351	1,917	1,752	2,703	2,079	2,522	2,808
Net income	14,415	10,526	10,456	8,848	9,770	9,941	8,337	8,979
Preferred stock dividend	219	218	219	219	219	218	219	219
Income available to common shareholders	\$ 14,196	\$ 10,308	\$ 10,237	\$ 8,629	\$ 9,551	\$ 9,723	\$ 8,118	\$ 8,760
Per common share:								
Basic earnings	\$ 1.71	\$ 1.24	\$ 1.23	\$ 1.04	\$ 1.15	\$ 1.17	\$ 0.98	\$ 1.05
Diluted earnings	1.71	1.24	1.23	1.04	1.15	1.17	0.98	1.05
Dividends declared	0.25	0.25	0.25	0.25	0.2275	0.2275	0.2275	0.2275

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors  
First Business Financial Services, Inc.  
Madison, Wisconsin

**Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of First Business Financial Services, Inc. (the "Corporation") as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). We also have audited the Corporation's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

**Basis for Opinions**

The Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's financial statements and an opinion on the Corporation's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### **Allowance and Provision for Credit Losses – Qualitative Factors**

The allowance for credit losses (the “ACL”) is an accounting estimate of expected credit losses over the estimated life of financial assets carried at amortized cost and off-balance-sheet credit exposures in accordance with ASC 326. The estimates of expected credit losses on loans are based on relevant information about past events, current conditions, and reasonable and supportable forecasts regarding the collectability of the remaining cash flows over the contractual term of the loans. The Corporation utilized a discounted cash flow model to estimate the quantitative component of the allowance for credit losses for loans using key inputs and assumptions such as probability of default, loss given default, prepayment and curtailment rates, and forecast model.

The quantitative model was adjusted with qualitative factors, including but not limited to: management’s ongoing review and grading of the loan and lease portfolios, consideration of delinquency experience, changes in the size of the loan and lease portfolios, existing economic conditions, level of loans and leases subject to more frequent review by management, changes in underlying collateral, concentrations of loans to specific industries, and other qualitative factors that could affect credit losses. The determination of qualitative factors involves significant management judgment and the use of subjective assumptions.

We identified auditing the qualitative factors as a critical audit matter because of the high degree of auditor judgment and auditor effort required to evaluate management’s judgments in their determination of the qualitative factors.

The primary procedures we performed to address this critical audit matter included:

Testing the effectiveness of controls over the evaluation of the qualitative factors, including controls addressing:

1. The reliability and relevance of data used as the basis for the adjustments relating to qualitative factors;
2. The reasonableness of management’s judgments and assumptions related to the assessed level of risk and the ending allocation of the qualitative factors;
3. The mathematical accuracy of the dollar amount applied to the qualitative factors;

Substantively testing management’s process, including evaluating their judgments and assumptions, for developing the qualitative factors, which included:

1. Evaluation of the reliability and relevance of data used as a basis for the adjustments relating to qualitative factors;
2. Evaluation of the reasonableness of management’s judgments and assumptions related to the assessed level of risk for the qualitative factors and the resulting allocation;
3. Evaluation of the mathematical accuracy of the adjustment factors for the qualitative component and the dollar amount of the reserve derived from the qualitative factor assessment;
4. Tracing the allowance allocation from the qualitative factor analysis to the overall allowance calculation.

/s/Crowe LLP

We have served as the Corporation's auditor since 2017, which is the year the engagement letter was signed for the audit of the 2018 financial statements.

Oakbrook Terrace, Illinois  
February 26, 2025

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**Disclosure Controls and Procedures**

The Corporation's management, with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, has evaluated the Corporation's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective as of December 31, 2024.

**Changes in Internal Control over Financial Reporting**

There was no change in the Corporation's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended) that occurred during the quarter ended December 31, 2024 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

**Management's Annual Report on Internal Control over Financial Reporting**

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Corporation's financial statements for external purposes in accordance with generally accepted accounting principles.

Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Corporation's internal control over financial reporting based on criteria for effective internal control over financial reporting established in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO). Based on this assessment, management has determined that the Corporation's internal control over financial reporting was effective as of December 31, 2024.

Crowe LLP, the independent registered public accounting firm that audited the Consolidated Financial Statements of the Corporation included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2024. The report, which expresses an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2024, is included under the heading "Report of Independent Registered Public Accounting Firm."

**Item 9B. Other Information**

(a) None.

(b) During the three months ended December 31, 2024, no director or "officer" of the Corporation adopted or terminated a "Rule 10b5-1 Trading Arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

**PART III.**

**Item 10. Directors, Executive Officers and Corporate Governance**

- (a) *Directors of the Registrant.* The information included in the definitive Proxy Statement for the Annual Meeting of the Shareholders to be held on April 25, 2025 under the caption “Item 1 - Election of Directors” is incorporated herein by reference.
- (b) *Executive Officers of the Registrant.* The information presented in Item 1 of this document is incorporated herein by reference.
- (c) *Code of Ethics.* The Corporation has adopted a code of ethics applicable to all employees, including the principal executive officer, principal financial officer and principal accounting officer of the Corporation. The FBFS Code of Business Conduct and Ethics is posted on the Corporation’s website at <https://ir.firstbusiness.bank/corporate-overview/corporate-governance/default.aspx>. The Corporation intends to satisfy the disclosure requirements under Item 5.05(c) of Form 8-K regarding any amendment to or waiver of the code with respect to its Chief Executive Officer, Chief Financial Officer, principal accounting officer, and persons performing similar functions, by posting such information to the Corporation’s website.
- (d) *Audit Committee.* The information included in the definitive Proxy Statement for the Annual Meeting of the Shareholders to be held on April 25, 2025 under the caption “Item 1 - Election of Directors” is incorporated herein by reference.
- (e) *Delinquent Section 16(a) Reports.* The information included in the definitive Proxy Statement for the Annual Meeting of the Shareholders to be held on April 25, 2025 under the caption “Delinquent Section 16(a) Reports” is incorporated herein by reference.
- (f) *Insider Trading Policy.* The information included in the definitive Proxy Statement for the Annual Meeting of the Shareholders to be held on April 25, 2025 under the caption “No-Hedging and No-Pledging Provisions” is incorporated herein by reference.

**Item 11. Executive Compensation**

Information with respect to compensation for our directors and officers included in the definitive Proxy Statement for the Annual Meeting of the Shareholders to be held on April 25, 2025 under the captions "Executive Compensation", "Director Compensation," "Compensation Discussion and Analysis," "Potential Payments upon Termination or Change in Control," "Equity Award Grant Policies," "Compensation Committee Report," and "Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters**

Information with respect to security ownership of certain beneficial owners and management included in the definitive Proxy Statement for the Annual Meeting of the Shareholders to be held on April 25, 2025 under the caption “Principal Shareholders” is incorporated herein by reference.

The following table provides information as of December 31, 2024 regarding shares outstanding and available for issuance under our existing compensation plans.

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Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup>	(b) Weighted-average exercise price of outstanding options, warrants and rights <sup>(2)</sup>	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(3)</sup>
Equity compensation plans approved by shareholders	162,151	39.17	481,535
Equity compensation plans not approved by shareholders	—	—	—
<b>Total</b>	<b>162,151</b>	<b>39.17</b>	<b>481,535</b>

- (1) Includes the following type of awards: options - 0 shares; RSUs - 80,161 shares; PRSUs prior to 2024 assuming maximum performance - 64,720; PRSUs in 2024 assuming target performance - 17,270 shares. All shares subject to RSUs issued under the 2019 Equity Incentive Plan.
- (2) The weighted average exercise price does not take into account awards of RSUs or PRSUs which do not have an exercise price.
- (3) Includes the number of shares remaining available for future issuance under the following plans: Employee Stock Purchase Plan - 226,806 shares; and Equity Incentive Plan - 254,729 shares (assuming maximum performance is achieved under PRSU awards).

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information with respect to certain relationships and related transactions included in the definitive Proxy Statement for the Annual Meeting of the Shareholders to be held on April 25, 2025 under the captions “Related Party Transactions” and “Item 1 - Election of Directors” is incorporated herein by reference.

### **Item 14. Principal Accountant Fees and Services**

Information with respect to principal accounting fees and services included in the definitive Proxy Statement for the Annual Meeting of the Shareholders to be held on April 25, 2025 under the caption “Miscellaneous” is incorporated herein by reference.

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### PART IV.

#### Item 15. Exhibits and Financial Statement Schedules

The Consolidated Financial Statements listed on the Index included under “Item 8. Financial Statements and Supplementary Data” are filed as a part of this Form 10-K. All financial statement schedules have been included in the Consolidated Financial Statements or are either not applicable or not significant.

#### Exhibit Index

Exhibit No.	Exhibit Name
3.1	<a href="#">Amended and Restated Articles of Incorporation of First Business Financial Services, Inc. (incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K filed on March 10, 2017)</a>
3.2	<a href="#">Amended and Restated Bylaws of First Business Financial Services, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on October 31, 2018)</a>
3.3	<a href="#">Articles of Amendment dated March 2, 2022 to the Company’s Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on March 4, 2022)</a>
	<i>Pursuant to Item 601(b)(4)(iii) of Regulation S-K, the Registrant agrees to furnish to the Securities and Exchange Commission, upon request, any instrument defining the rights of holders of long-term debt not being registered that is not filed as an exhibit to this Annual Report on Form 10-K. No such instrument authorizes securities in excess of 10% of the total assets of the Registrant.</i>
4.1	<a href="#">Form of Common Stock Certificate (incorporated by reference to Exhibit 4.3 to Amendment No. 1 to the Registration Statement on Form S-1 filed on November 26, 2012)</a>
4.2	<a href="#">Description of Registrant’s Securities (incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K filed on February 28, 2024)</a>
10.2*	<a href="#">Form of Executive Change-in-Control and Severance Agreement (incorporated by reference to Exhibit 10.2 to the Annual Report on Form 10-K filed on February 24, 2021)</a>
10.3*	<a href="#">Amended and Restated Agreement effective December 22, 2014 between First Business Bank and Corey A. Chambas (incorporated by reference to Exhibit 10.8 of the Registrant’s Annual Report on Form 10-K filed on March 16, 2015)</a>
10.4*	<a href="#">First Amendment of Agreement by and between First Business Bank and Corey Chambas (Amended and Restated December 22, 2014) (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 29, 2016)</a>
10.5*	<a href="#">Annual Cash Bonus Plan, effective January 1, 2019 (incorporated by reference to Exhibit 10.6 of the Registrant’s Annual Report on Form 10-K filed on February 28, 2019)</a>
10.6*	<a href="#">First Business Financial Services, Inc. 2019 Equity Incentive Plan, as amended (incorporated by reference to Appendix A to the Definitive Proxy Statement filed on March 6, 2023)</a>
10.7*	<a href="#">Form of Performance-Based Restricted Stock Unit Agreement (incorporated by reference to the Quarterly Report on Form 10-Q filed on October 29, 2021)</a>
10.8*	<a href="#">Form of Restricted Stock Unit Agreement (incorporated by reference to the Quarterly Report on Form 10-Q filed on October 29, 2021)</a>
10.9*	<a href="#">Form of Restricted Stock Agreement (incorporated by reference to the Quarterly Report on Form 10-Q filed on October 29, 2021)</a>
10.10*	<a href="#">Form of Performance-Based Restricted Stock Unit Agreement - Retiree (incorporated by reference to the Quarterly Report on Form 10-Q filed on October 29, 2021)</a>
10.11*	<a href="#">Form of Restricted Stock Unit Agreement - Retiree (incorporated by reference to the Quarterly Report on Form 10-Q filed on October 29, 2021)</a>

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10.12*	<a href="#">Form of Performance-Based Restricted Stock Unit Exchange Agreement - Retiree (incorporated by reference to the Quarterly Report on Form 10-Q filed on October 29, 2021)</a>
10.13*	<a href="#">Form of Restricted Stock Unit Exchange Agreement - Retiree (incorporated by reference to the Quarterly Report on Form 10-Q filed on October 29, 2021)</a>
10.14*	<a href="#">Form of Restricted Stock Agreement - Director (incorporated by reference to the Quarterly Report on Form 10-Q filed on October 29, 2021)</a>
10.15*	<a href="#">Form of Performance-Based Restricted Stock Unit Award Agreement - Executive Officer (incorporated by reference to the Quarterly Report on Form 10-Q filed on October 28, 2022)</a>
10.16*	<a href="#">Form of Restricted Stock Unit Award Agreement - Executive Officer (incorporated by reference to the Quarterly Report on Form 10-Q filed on October 28, 2022)</a>
10.17*	<a href="#">Form of Restricted Stock Unit Award Agreement - Board of Directors (incorporated by reference to the Quarterly Report on Form 10-Q filed on October 28, 2022)</a>
10.18	<a href="#">Change in Control Agreement by and between First Business Financial Services, Inc. and Brian D. Spielmann, effective as of April 1, 2023 (incorporated by reference to the Current Report on Form 8-K filed on April 3, 2023)</a>
10.19	<a href="#">Consulting Agreement by and between First Business Financial Services, Inc. and Edward G. Sloane, Jr., effective as of April 1, 2023 (incorporated by reference to the Current Report on Form 8-K filed on April 3, 2023)</a>
19	<a href="#">Insider Trading Policy (filed herewith)</a>
21	<a href="#">Subsidiaries of the Registrant</a>
23	<a href="#">Consent of Crowe LLP</a>
31.1	<a href="#">Certification of the Chief Executive Officer</a>
31.2	<a href="#">Certification of the Chief Financial Officer</a>
32	<a href="#">Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350</a>
97	<a href="#">Executive Officer Compensation Recovery Policy (filed herewith)</a>
101	The following financial information from First Business Financial Services, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2024, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2024 and 2023, (ii) Consolidated Statements of Income for the years ended December 31, 2024, 2023, and 2022, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2024, 2023, and 2022, (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2024, 2023, and 2022, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023, and 2022, and (vi) the Notes to Consolidated Financial Statements
104	Cover page interactive data file (formatted as inline XBRL and contained in Exhibit 101)
*	Management contract or compensatory plan.

## **Item 16. Form 10-K Summary**

None.

**Signatures**

**FIRST BUSINESS FINANCIAL SERVICES, INC.**

February 26, 2025

/s/ Corey A. Chambas

Corey A. Chambas  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Corey A. Chambas</u> Corey A. Chambas	Chief Executive Officer and Director (principal executive officer)	February 26, 2025
<u>/s/ Brian D. Spielmann</u> Brian D. Spielmann	Chief Financial Officer (principal financial officer)	February 26, 2025
<u>/s/ Kevin D. Crampton</u> Kevin D. Crampton	Chief Accounting Officer (principal accounting officer)	February 26, 2025
<u>/s/ Gerald L. Kilcoyne</u> Gerald L. Kilcoyne	Chair of the Board of Directors	February 26, 2025
<u>/s/ Laurie S. Benson</u> Laurie S. Benson	Director	February 26, 2025
<u>/s/ Carla C. Chavarria</u> Carla C. Chavarria	Director	February 26, 2025
<u>/s/ Ralph R. Kauten</u> Ralph R. Kauten	Director	February 26, 2025
<u>/s/ W. Kent Lorenz</u> W. Kent Lorenz	Director	February 26, 2025
<u>/s/ Daniel P. Olszewski</u> Daniel P. Olszewski	Director	February 26, 2025

First Business Financial Services

Insider Trading Policy

January 2024

#### Background and Purpose

Since the stock of First Business Financial Services, Inc. is traded on the Nasdaq Stock Market, there are certain important restrictions and limitations imposed under federal securities laws on all directors, officers, employees, consultants and contractors of First Business Financial Services, Inc. ("FBFS") and its subsidiaries and affiliates (the "Company") and members of the immediate family or household of those individuals with respect to transactions in the Company's securities. Any violation of these restrictions may subject you and the Company to serious criminal and civil liabilities and sanctions. Such a violation would also severely damage the Company's reputation and business relationships. Therefore, the following policy applies to all directors, officers, employees, consultants and contractors of the Company and members of their immediate family or household ("You" or "Covered Individual") with respect to transactions in the Company's securities.

#### Prohibition against Trading on Material Non-public Information

It is the policy of the Company that no Covered Individual shall engage in any transaction involving a purchase or sale of any of the Company's securities, including any offer to purchase or offer to sell, during any period commencing with the date that they possess material non-public information ("Material Non-public Information") concerning the Company.

Any non-public information, positive or negative, which might affect the Company's stock price or which otherwise might be of significance to a reasonable investor in determining whether to purchase, sell or hold Company securities is considered Material Non-public Information. Material Non-public Information can include, without limitation, the Company's results of operations, a potential acquisition of another business or property, changes or potential changes in the Company's management, an impairment of a significant loan or lease receivable, internal financial information, an important financing transaction, a significant disruption in the Company's operations or loss, potential loss, breach or unauthorized access of its property or assets, including its facilities and information technology infrastructure. This list is merely illustrative and not intended to describe every circumstance. If You are ever in doubt as to whether certain information is material, You should contact the Company's Chief Financial Officer ("CFO"), Chief Executive Officer ("FBFS CEO") or President and Chief Operating Officer ("FBFS President & COO"). These prohibitions on purchasing or selling Company securities are always in effect whenever You have Material Non-public Information. These prohibitions remain in effect until the third business day following the day the Company makes such information available to the general public.

It is also the policy of the Company that any Covered Individual who becomes aware of any Material Non-public Information in the course of their employment or service with the Company relating to any other company, including the Company's clients, may not trade in that other company's securities until the information becomes public. No Covered Individual who knows of any such Material Non-Public Information may communicate that information to, or tip, any other person, or otherwise disclose such information without the Company's authorization.

#### Confidentiality

It is the policy of the Company that You must keep strictly confidential all Material Non-public Information that You learn regarding the Company (and all Material Non-public Information that You learn in the course of your employment or service with the Company relating to any other company).

#### Window Periods

The Company has determined that each individual designated by the Company as an "officer" of the Company for purposes of Section 16 under the Securities Exchange Act of 1934 (each, a "Section 16 Officer"), each of the directors of the Company or its subsidiaries (together with the Section 16 Officers, the "Section 16 Reporting Persons"), Finance and Governance Department employees and other individuals as designated from time to time (collectively "Designated Insiders") may only trade in Company stock during four "window periods" occurring throughout the year (unless such Designated Insider is then in possession of Material Non-public Information concerning the Company, in which case they may not trade in Company securities regardless of the status of the trading window). These window periods begin on the third business day after the earlier of the day the Company makes a press release

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announcing its quarterly or annual financial results or the day the Company files its Form 10-K or 10-Q. Each window period will end one calendar week before the last day of the quarter months of March, June, September and December. Notwithstanding the foregoing, stock options may be exercised by a Designated Insider, at any point in the year, even outside of the window periods, by either (i) paying the exercise price for the stock options in cash or (ii) using a method of cashless exercise approved by the Board of Directors in which underlying shares are not sold on the open market in connection with the exercise. Such methods of cashless exercise may include tendering shares of previously owned Company securities or the Company delivering a net number of shares of securities, in each case where the shares tendered or withheld have a value sufficient to cover the exercise price and any required tax withholding associated with the exercise. Similarly, outside of the window periods, a Designated Insider may tender shares of stock to the Company to satisfy the tax withholding associated with the vesting of any previously granted restricted stock awards.

This policy's trading restrictions do not apply to (1) purchases of Company securities under the Company's dividend reinvestment plan ("DR Plan") resulting from a reinvestment of dividends paid on Company securities or (2) purchases or sales of Company securities in accordance with a preexisting written plan or arrangement under Rule 10b5-1 of the Securities Exchange Act of 1934 (the "Exchange Act") that (i) has been reviewed and approved by any two of the FBFS CEO, CFO or FBFS President & COO at least five (5) business days prior to being entered into, revised or amended, and (ii) meets and is entered into in accordance with the requirements set forth in Rule 10b5-1(c) under the Exchange Act (an "Approved 10b5-1 Plan"). The trading restrictions do apply, however, to voluntary purchases of Company securities resulting from additional contributions under the DR Plan, sale of Company securities purchased pursuant to the DR Plan, elections to participate in the DR Plan or change an individual's level of participation in the DR Plan, or trades by an individual outside of such individual's Approved 10b5-1 Plan.

During the trading window periods described above, any two of the following individuals acting together have the authority, when they deem it necessary or advisable because of developments known to the Company and not yet disclosed to the public (i.e., based on the existence of Material Non-public Information or for other reasons, to close the trading window and prohibit all or some Designated.

Insiders from executing purchases and/or sales of Company securities: FBFS CEO, CFO, or FBFS President & COO ("Authorized Individuals"). When necessary, the Authorized Individuals will consult with outside counsel for specialized expertise in determining to close the trading window. The Authorized Individuals additionally have the authority to reopen the window for purchases and/or sales when appropriate and to name other individuals ("Designated Individuals") as appropriate from time to time. In the absence of two of the Authorized Individuals, the trading window may be opened or closed by the Designated Individuals or on the authority of the FBFS Board of Directors or Audit Committee.

Designated Insiders will be notified by email of such a prohibition, and the trading window shall remain closed for as long as the Authorized Individuals specify. In the event the trading window is closed, affected persons may not engage in any prohibited transaction and may not disclose to others the fact that the trading window is closed. If the trading window is closed for specific Designated Insiders, they and their Related Persons may NOT execute prohibited transactions, even if the trading window is then otherwise open for others. For purposes of this policy, the term "Related Person" means, with respect to any Designated Insider, their spouse; parents; stepparents; children; stepchildren; mothers and fathers-in-law; sons and daughters-in-law; siblings; brothers and sisters-in-law; and any other person (other than a tenant or employee) sharing the same household as such Designated Insider.

#### Pre-Clearance

As outlined in the FBFS Section 16 Compliance Program, it is the policy of the Company that each Section 16 Reporting Person is required to pre-clear, before the proposed transaction's trade date, all of their contemplated transactions (including non-sale transactions, such as gifts, but excluding stock option exercises not involving a related sale of Company stock) in Company securities with both the CFO and FBFS President & COO or, in the absence of either, the FBFS CEO as their designee. The Authorized Individuals additionally have the authority to name other Designated Individuals to pre-clear transactions in their absence as appropriate from time to time. The pre-clearance will expire on the earlier of (i) five (5) business days from the date given, or (ii) when notified by an Authorized Individual that the pre-clearance has been cancelled.

#### Hedging

Section 16 Reporting Persons are prohibited from entering into hedging transactions involving Company securities.

#### Pledging

No Section 16 Reporting Persons shall pledge Company shares as collateral for a loan, including through the use of a traditional

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margin account.

#### Short Sales and Options Trading

Section 16 Reporting Persons may not sell the Company's securities short or buy or sell puts or calls on other derivative securities on the Company's securities.

#### Post-Employment or Post-Affiliation Responsibilities

Every Covered Individual has an ongoing responsibility, independent of their status as a Covered Individual, to comply with federal securities laws and regulations including prohibitions on engaging, directly or indirectly, in any transaction in the securities of any public company when in possession of material information concerning the public company that has not been publicly disclosed.

#### Policy Compliance

If You have any doubts as to your responsibilities under this policy seek clarification and guidance from the CFO, FBFS CEO or FBFS President & COO before You act. Do not try to resolve uncertainties on your own.

Penalties for trading on or communicating Material Non-public Information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions for such individuals and significant civil penalties for the Company and its management personnel. First Business Financial Services, Inc. expects the strictest compliance with these procedures by all Covered Individuals at every level. Although this policy is not intended to result in the imposition of additional legal liabilities that would not otherwise exist, failure to observe these procedures will be considered a matter of extreme seriousness, including grounds for dismissal with cause.

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Subsidiaries of the Registrant

<b>Subsidiary</b>	<b>State of Incorporation or Organization</b>
<b>First Business Bank</b>	<b>Wisconsin</b>
<b>First Business Specialty Finance</b>	<b>Wisconsin</b>
<b>Mitchell Street Apartments Investment, LLC</b>	<b>Wisconsin</b>
<b>ABKC Real Estate, LLC</b>	<b>Kansas</b>
<b>FBB Real Estate 2, LLC</b>	<b>Kansas</b>
<b>FBB Tax Credit Investment, LLC</b>	<b>Wisconsin</b>
<b>First Madison Investment Corp.</b>	<b>Nevada</b>

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**Consent of Independent Registered Public Accounting Firm**

The Board of Directors

First Business Financial Services, Inc.:

We consent to the incorporation by reference in Registration Statement Nos. 333-183274, 333-231418, 333-248131, 333-256132, and 333-272174 on Form S-8 and 333-263296 on Form S-3 of First Business Financial Services, Inc. of our report dated February 26, 2025 relating to the financial statements and effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

Oakbrook Terrace, Illinois

February 26, 2025

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### Certifications

I, Corey A. Chambas, certify that:

1. I have reviewed this Annual Report on Form 10-K of First Business Financial Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. Any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Corey A. Chambas

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Corey A. Chambas  
Chief Executive Officer  
February 26, 2025

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### Certifications

I, Brian D. Spielmann, certify that:

1. I have reviewed this Annual Report on Form 10-K of First Business Financial Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. Any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Brian D. Spielmann

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Brian D. Spielmann  
Chief Financial Officer  
February 26, 2025

**Certification of the Chief Executive Officer and the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350**

Solely for the purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer, of First Business Financial Services, Inc., a Wisconsin Corporation (the "Corporation"), hereby certify, based on our knowledge that the Annual Report on Form 10-K of the Corporation for the year ended December 31, 2025 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Corey A. Chambas

Corey A. Chambas

Chief Executive Officer

February 26, 2025

/s/ Brian D. Spielmann

Brian D. Spielmann

Chief Financial Officer

February 26, 2025

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## Executive Compensation Recovery Policy

### I. PURPOSE.

The purpose of this Policy is to describe the circumstances in which Executive Officers will be required to repay or return Erroneously Awarded Compensation to members of the Company Group in the event of an Accounting Restatement. Each Executive Officer shall be required to sign and return to the Company the Acknowledgement Form attached hereto as Exhibit A. This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Exchange Act, Rule 10D-1 promulgated under the Exchange Act and Rule 5608 of the Nasdaq listing rules.

### II. ADMINISTRATION.

This Policy shall be administered by the Committee. Any determinations made by the Committee shall be final and binding on all affected individuals.

### III. DEFINITIONS.

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

“Accounting Restatement” shall mean an accounting restatement (i) due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or (ii) that corrects an error that is not material to previously issued financial statements, but would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).

“Clawback Eligible Incentive Compensation” shall mean, in connection with an Accounting Restatement and with respect to each individual who served as an Executive Officer at any time during the applicable performance period for any Incentive-Based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company Group), all Incentive-Based Compensation Received by such Executive Officer (i) on or after the Effective Date, (ii) after beginning service as an Executive Officer, (iii) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (iv) during the applicable Clawback Period.

“Clawback Period” shall mean, with respect to any Accounting Restatement, the three (3) completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three (3) completed fiscal years. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months shall be deemed a completed fiscal year.

“Committee” shall mean the Compensation Committee of the Board of Directors of the Company.

“Company” shall mean First Business Financial Services, Inc., a Wisconsin corporation. “Company Group” shall mean the Company, together with each of its direct and indirect subsidiaries.

“Effective Date” shall mean October 2, 2023.

“Erroneously Awarded Compensation” shall mean, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that is Received by such Executive Officer that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received by such Executive Officer had it been determined based on the restated amounts, computed without regard to any taxes paid. With respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.

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“Executive Officer” shall mean each individual who is or was designated as an “officer” of the Company in accordance with 17 C.F.R. 240.16a-1(f). Identification of an executive officer for purposes of this Policy shall include at a minimum executive officers identified pursuant to 17 C.F.R. 229.401(b).

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Financial Reporting Measures” shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

“Incentive-Based Compensation” shall mean any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure for any fiscal period ending on or after the Effective Date.

“Nasdaq” shall mean The Nasdaq Stock Market.

“Policy” shall mean this Executive Officer Compensation Recovery Policy, as the same may be amended or restated from time to time.

“Received” shall, with respect to any Incentive-Based Compensation, mean actual or deemed receipt by the Executive Officer. Incentive-Based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award or applicable granting policy is attained, even if payment or grant of the Incentive-Based Compensation occurs after the end of that period.

“Restatement Date” shall mean the earlier to occur of (i) the date the Board of Directors, a committee of the Board of Directors, or the officers of the Company authorized to take such action if Board of Directors’ action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

“SEC” shall mean the U.S. Securities and Exchange Commission.

#### IV. REPAYMENT OF ERRONEOUSLY AWARDED COMPENSATION.

A. In the event of an Accounting Restatement, the Committee shall promptly (and in all events within ninety (90) days after the Restatement Date) determine the amount of any Erroneously Awarded Compensation for each Executive Officer in connection with such Accounting Restatement and shall promptly thereafter provide each Executive Officer with a written notice containing the amount of Erroneously Awarded Compensation and a demand for repayment or return, as applicable. For Incentive-Based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the Nasdaq).

(b) The Committee shall have broad discretion to determine the appropriate means of recovery of Erroneously Awarded Compensation based on all applicable facts and circumstances and taking into account the time value of money and the cost to shareholders of delaying recovery. To the extent that the Committee determines that any method of recovery other than repayment by the Executive Officer in a lump sum in cash or property is appropriate, the Company shall offer to enter into a repayment agreement (in a form reasonably acceptable to the Committee) with the Executive Officer. If the Executive Officer accepts such offer and signs the repayment agreement within thirty (30) days after such offer is extended, the Company shall countersign such repayment agreement. If the Executive Officer fails to sign the repayment agreement within thirty (30) days after such offer is extended, the Executive Officer will be required to repay the Erroneously Awarded Compensation in a lump sum in cash (or such property as the Committee agrees to accept with a value equal to such Erroneously Awarded Compensation) on or prior to the date that is one hundred twenty (120) days following the Restatement Date. For the avoidance of doubt, except as set forth in paragraph IV(d) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer’s obligations hereunder.

(c) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company

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Group when due (as determined in accordance with paragraph IV(b) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by the Company Group in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

- B. Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by paragraph IV(b) above if any of the following conditions are met and the Committee determines that recovery would be impracticable:
1. The direct expenses paid to a third party to assist in enforcing the Policy against an Executive Officer would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such attempts and provided such documentation to the Nasdaq;
  2. Recovery would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the Nasdaq, that recovery would result in such a violation and a copy of the opinion is provided to the Nasdaq; or
  3. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

#### V. REPORTING AND DISCLOSURE.

The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including the disclosure required by the applicable SEC filings.

#### VI. ACKNOWLEDGEMENT.

Each Executive Officer shall sign and return to the Company the Acknowledgement Form attached hereto as Exhibit A, within 30 calendar days following the later of (i) the date of adoption of this Policy or (ii) the date the individual becomes an Executive Officer, pursuant to which the Executive Officer agrees to be bound by, and to comply with, the terms and conditions of this Policy.

#### VII. INDEMNIFICATION PROHIBITION.

The Company Group shall not be permitted to indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned, or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company Group's enforcement of its rights under this Policy. Further, the Company Group shall not enter into any agreement that exempts any Incentive-Based Compensation from the application of this Policy or that waives the Company Group's right to recovery of any Erroneously Awarded Compensation and this Policy shall supersede any such agreement (whether entered into before, on, or after the date this Policy was adopted).

#### VIII. INTERPRETATION.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy.

#### IX. AMENDMENT;TERMINATION.

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed. The Committee may terminate this Policy at any time. Notwithstanding anything in this paragraph to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or the rules of any national

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securities exchange or national securities association on which the Company's securities are listed.

X. OTHER RECOUPMENT RIGHTS; NO ADDITIONAL PAYMENTS.

The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement, or any other agreement entered into on or after the date of adoption of this Policy shall, as a condition to the grant of any benefit thereunder, require an Executive Officer to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group under applicable law, regulation, or rule or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

XI. SUCCESSORS.

This Policy shall be binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators, or other legal representatives.

\* \* \* \* \*

Adopted by the First Business Financial Services, Inc. Board of Directors: October 27, 2023

**Exhibit A**

EXECUTIVE OFFICER COMPENSATION RECOVERY POLICY ACKNOWLEDGEMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of First Business Financial Services, Inc.'s Executive Officer Compensation Recovery Policy (the "Policy"). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this "Acknowledgement Form") shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with First Business Financial Services, Inc. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation (as defined in the Policy) to First Business Financial Services, Inc. to the extent required by, and in a manner permitted by, the Policy, and hereby further waives any rights to indemnification that would be prohibited by paragraph VII.

Signature:

Printed Name:

Title:

Date:

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