2016 ANNUAL REPORT

with Proxy & Financial Statements

BankFirst
NATIONAL CORPORATION

BANK FIRST NATIONAL CORPORATION
402 North 8th Street
Manitowoc, Wisconsin 54220
(920) 652-3100

March 22, 2017

Dear Shareholder:

You are invited to attend the Annual Meeting of Shareholders (the "Annual Meeting") of Bank First National Corporation (the "Corporation"), the holding company for Bank First National, which will be held on Monday, May 15, 2017, at 4:00 p.m., central time, at the Capitol Civic Centre, 913 South 8th Street, Manitowoc, Wisconsin 54220. Refreshments will be served following the meeting.

The attached Notice of Annual Meeting of Shareholders and Proxy Statement describes the formal business to be acted upon at the Annual Meeting. The Corporation's Financial Statements for the fiscal year ended December 31, 2016, are also included. We expect Directors and Officers of the Corporation, as well as representatives of the Corporation's auditors, to be present at the Annual Meeting to respond to any shareholder questions.

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

We hope that you will plan to attend our Annual Meeting on Monday, May 15, 2017. If you have any questions regarding any of the information provided herein, please do not hesitate to contact me directly at (920) 652-3202 or mmolepske@bankfirstnational.com.

Sincerely,

Michael B. Molepske

Michael B. Molepske
President and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 15, 2017

BANK FIRST NATIONAL CORPORATION
402 North 8th Street
Manitowoc, Wisconsin 54220
(920) 652-3100

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of Bank First National Corporation (the "Corporation") will be held on Monday, May 15, 2017, at 4:00 p.m., central time, at the Capitol Civic Centre, 913 South 8th Street, Manitowoc, Wisconsin 54220, for the following purposes, all of which are set forth more completely in the accompanying Proxy Statement:

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

(2) To ratify the appointment of Porter Keadle Moore, LLC as the Corporation's independent auditors; and

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

The Corporation's Board of Directors has fixed the close of business on March 6, 2017, as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting or at any adjournments or postponements thereof. Only shareholders of record as of the close of business on such date will be entitled to notice of, and to vote at, the Annual Meeting or at any adjournments or postponements thereof. If there are insufficient votes for a quorum or to approve or ratify any of the foregoing proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies by the Corporation.

By Order of the Board of Directors

Kelly M. Dvorak
Secretary

Manitowoc, Wisconsin
March 22, 2017

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

PROXY STATEMENT FOR
ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 15, 2017

BANK FIRST NATIONAL CORPORATION
402 North 8th Street
Manitowoc, Wisconsin 54220
(920) 652-3100

This Proxy Statement is provided by the Board of Directors of Bank First National Corporation (the "Corporation") in connection with our Annual Meeting of Shareholders (the "Annual Meeting"). It describes the proposals to be voted on at the Annual Meeting and the voting process and includes certain other information. The combined 2016 Annual Report and 2017 Proxy Statement, and the form of proxy ("proxy") are being mailed to our shareholders on or about March 22, 2017.

The Annual Meeting to which this Proxy Statement relates will be held at the Capitol Civic Centre, 913 South 8th Street, Manitowoc, Wisconsin 54220, on Monday, May 15, 2017, at 4:00 p.m., central time, and at any adjournments or postponements thereof for the purposes set forth in the Notice of Annual Meeting of Shareholders.

ABOUT THE ANNUAL MEETING

Purpose of Meeting

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

Record Date

Each share of the Corporation's common stock issued and outstanding as of the close of business on March 6, 2017 (the "Record Date") is entitled to receive notice of, and is further entitled to one vote on all matters to be voted upon at the Annual Meeting. If you were a shareholder of record on the Record Date, you are entitled to vote all of the shares that you held on that date at the Annual Meeting or any postponements or adjournments thereof.

Outstanding Shares and Quorum

On the Record Date, there were 6,204,517 shares of common stock of the Corporation outstanding. The presence, in person or by proxy, of the holders of at least a majority of the total number of shares of outstanding common stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. Thus, the holders of common stock representing at least 3,102,259 votes will be required to establish a quorum.

Voting

The proxy being provided by the Board of Directors enables a shareholder to vote for the election of the nominees for director and ratification of the Corporation's independent auditors or to withhold authority to vote. Under the Wisconsin Business Corporation Law ("WBCL"), directors are elected by a plurality of the votes cast by the holders of shares entitled to vote at a meeting at which a quorum is present. A "plurality" means that the nominees receiving the most votes will be elected as directors regardless of whether or not such nominee receives a majority of the votes cast.

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

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

Meeting Agenda and Voting Recommendation

Proposal	**Board's Recommendation**	**Page Reference**
Election of 3 Directors	FOR EACH	5-8
Ratification of Independent Auditor	FOR	21

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

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

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

A proxy may be revoked at any time before it is exercised by (i) filing a written notice of revocation with the Secretary of the Corporation (Secretary, Bank First National Corporation, 402 North 8th Street, Manitowoc, Wisconsin 54220); (ii) submitting a duly executed proxy bearing a later date; or (iii) appearing at the Annual Meeting and giving the Secretary notice of your intention to vote in person. If you are a shareholder whose shares are not registered in your own name, you will need additional documentation from your broker to vote personally at the Annual Meeting.

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

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

MATTERS TO BE VOTED ON AT THE ANNUAL MEETING

ELECTION OF DIRECTORS

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

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

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

NOMINEES FOR ELECTION AS DIRECTORS

The following is a summary of information with respect to the director nominees, including the name and age of each director nominee, his or her experience and qualifications, each of the positions and offices he or she holds with the Corporation, his or her term of office as director, and all periods during which he or she has served as director of the Corporation. If elected, the director nominees will hold office for a three-year term expiring in 2020.

DONALD R. BRISCH

Age 65

Summary:

Mr. Brisch, retired, formerly served as the President and Vice President of Operations for Rockwell Lime Co. in Manitowoc, a leading producer of dolomitic lime, chemical grade limestone, and crushed limestone aggregate products for the manufacturing, energy, and construction industries. Mr. Brisch, a third-generation manager of the plant, joined Rockwell Lime Co. in 1975. During his tenure with the company, Mr. Brisch served in the capacities of General Laborer, Plant Superintendent, Vice President of Operations, and President. Active in his community, Donald currently serves as Chairman of the Board of Holy Family Hospital in Manitowoc. He was formerly a member of the Board of Directors for United Way of Manitowoc County, The Manitowoc/Calumet Chapter - American Red Cross, Silver Lake College, Manitowoc Community Credit Union, and Silver Creek Nurseries. Mr. Brisch became a director of the Corporation and Bank in 2006. He currently serves as a member of the Corporation and Bank's Audit, Executive, Loan, and Policy and Governance Committees. He also serves as Chair of the Compensation and Retirement Committee.

Qualifications:
Mr. Brisch, as former President and Vice President of Operations for Rockwell Lime Co., adds strategic and operational depth to the Board of Directors. Mr. Brisch joined Rockwell Lime Co. in 1975 as a General Laborer and was soon promoted to Plant Superintendent in 1976. In this role, Mr. Brisch provided oversight of all production activities, including the preparation of operation schedules and budgets as well as the coordination of resources necessary to ensure production was in line with cost and quality specifications. Mr. Brisch was appointed Vice President of Operations and President of Rockwell Lime Co. in 1982 and 1994, respectively. In these roles, Donald led a strategic initiative to install new hydrating, packaging, and milling plants, expanding the organization's capabilities and competitive edge in the marketplace. Mr. Brisch led an effort to position the company for sale, and in 2006, Rockwell Lime Co. was successfully acquired by Carmeuse Lime & Stone, a family-owned business located in Belgium. From 2006 to 2009, Mr. Brisch served as Plant Manager to ensure a smooth transition of ownership.

Mr. Brisch graduated from Saint Mary's University in 1974 with a Bachelor's degree in Natural Science.

MICHAEL P. DEMPSEY
Age 64
Summary:
Mr. Dempsey joined Bank First in June 2010 as Executive Vice President and Chief Operating Officer. He is currently President of the Bank. From 1994 to 2009, Mr. Dempsey served Associated Bank as Executive Vice President, Senior Credit Officer, and Community Bank President. He was also a member of Associated Bank's Corporate Executive Loan Committee, Corporate Pricing Committee, and Corporate Key Leadership Committee. Prior to his tenure at Associated Bank, Mr. Dempsey dedicated seventeen years to Firstar Bank in a variety of capacities, including Senior Credit Officer and Senior Vice President and Manager of the Fox Valley Regional Trust Division.

Mr. Dempsey currently serves on the University of Wisconsin Oshkosh Chancellor's Advisory Committee, Greater Oshkosh Economic Development Finance Committee, Oshkosh Chamber Economic Development Advisory Board, President of Waterfest, Inc., and is an active EAA AirVenture Volunteer and member among many other Fox Valley community organizations. Mr. Dempsey became a director of the Corporation and Bank in 2014 and serves as a member of the Policy & Governance and Loan Committees. He also serves on the Bank's Senior Management Team.

Qualifications:
Mr. Dempsey is highly regarded by peers and members of the business community for his trusted leadership, integrity, creativity, and results. During his seventeen-year tenure at Firstar Bank, Mr. Dempsey was responsible for supervising commercial and retail banking activities as well as managing the region's trust and investment management services. He successfully instilled the Canon sales culture among his team, resulting in significant market growth.

From 1994 to 2002, Mr. Dempsey served Associated Bank as Executive Vice President, Senior Credit Officer, and Community Bank President. In this capacity, he managed the Fox Valley's commercial banking, private banking, credit administration, and cash management functions. Mr. Dempsey received high marks as an impact performer, consistently reporting exceptional results in the areas of market share growth, business development, return on assets, fee generation, credit administration, and employee development. In 2002, Associated Bank named Mr. Dempsey the Northeastern Regional President and CEO. Under his leadership, the Northeastern region consistently exceeded financial and sales performance expectations and was distinguished as the top performer in both loan and deposit growth.

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

Mr. Dempsey graduated from the University of Wisconsin Oshkosh with a Bachelor of Science Degree in Political Science and his Master's Degree in Business Administration. University of Wisconsin Oshkosh College of Business has also recognized Mr. Dempsey with the "Outstanding Alumni Award".

DAVID R. SACHSE
Age 63
Summary:
Mr. Sachse is President and Owner of Landmark Consultants, Inc., a consulting, research, and entrepreneurship business formed in 1993. Throughout his tenure with Landmark Consultants, Mr. Sachse has been involved in eight successful entrepreneurial ventures. From 1983 to 1993, Mr. Sachse served as Manager of Marketing to the Director of Worldwide Sales, Marketing, & Service for the Kohler Company. He joined the Kohler Company in 1983 as a Financial Analyst to the Division Controller of Engines and Generators. Mr. Sachse currently serves on the Board of Directors for the Sheboygan County Economic Development Corporation and is an active member of the Sheboygan County Economics Club. He became a director of the Corporation and Bank in June 2010. He is the Chair of the Audit Committee for the Bank and Corporation and serves on the Bank and Corporation's Executive and Loan Committees.

Qualifications:
With his extensive background in financial planning and analysis, internal audit and compliance, and acquisition structuring, Mr. Sachse offers a diverse range of business skills. From 1993-2000, Mr. Sachse served as President and Chief Executive Officer of Capaul Corporation and Conwed Corporation, companies that manufacture acoustical wall panels for the construction industry. During his tenure, Mr. Sachse was responsible for generating increased sales and improving operational efficiencies. He led an effort to position each company for sale, and in 1999 and 2000, respectively, Capaul Corporation and Conwed Corporation were acquired at a premium. Mr. Sachse served as President of Polar Ware/Stoelting from 2002-2012. Under his direction, the company became the leading manufacturer of stainless steel ice cream machines, cheese processing equipment, and industrial washers and dryers in North America, reporting over $90 million in annual sales. Mr. Sachse led an effort to position Polar Ware/Stoelting for sale, and in 2012, it was acquired by The Vollrath Company. Mr. Sachse currently serves as Chairman of the Board of Directors of HTT Corporation, a company that designs and manufactures dies and metal stampings. In 2014, he led an effort for HTT Corporation to acquire Eclipse Manufacturing, a local competitor. As a result of Mr. Sachse's thorough due diligence, financial analysis, and budgeting, the acquisition resulted in significant sales growth and the creation of numerous operational efficiencies. Mr. Sachse currently serves as minority owner and/or advisor to four successful ventures in Eastern Wisconsin, including Nutrients, Milwaukee Forge, Heresite, and Terra Compactor. Mr. Sachse provides financial and operational counsel to these companies.

From 1983 to 1993, Mr. Sachse served as Manager of Marketing to the Director of Worldwide Sales, Marketing, & Service for the Kohler Company. As Manager of Marketing, Mr. Sachse was responsible for establishing pricing strategies, creating product development roadmaps, managing the segment's financial performance, and articulating performance compared to plan. Mr. Sachse joined the Kohler Company in 1983 as a Financial Analyst to the Division Controller of Engines and Generators, where he was responsible for financial reporting and analysis, forecasting, and driving process improvements in the Engines and Generators division. Mr. Sachse graduated from the University of Wisconsin, Milwaukee in 1977 with a Bachelor of Science in Marketing and Finance.

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

DIRECTORS CONTINUING IN OFFICE

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

Directors Whose Terms Expire in 2018

ROBERT D. GREGORSKI

Age 55

Summary:

Mr. Gregorski is the founder and principal of Gregorski Development, LLC, a commercial real estate development company based in Menasha, WI. Formed in 2002, the company's portfolio of properties has grown to include single tenant retail buildings, multi-tenant retail buildings, ground-leased properties, vacant commercial land, and multi-family residential property. Previously, Mr. Gregorski served as partner at Alpert & Gregorski, LLP, a personal injury law firm based in Manitowoc which served clients throughout northeastern Wisconsin. Mr. Gregorski became a director of the Corporation and Bank in October 2010. He serves on the Corporation and Bank's Audit, Compensation and Retirement, Loan, and Executive Committees.

Qualifications:

Mr. Gregorski brings to the Board of Directors extensive experience and expertise in real estate development. The knowledge garnered throughout his tenure with Gregorski Development positions him to be a valuable asset in a variety of contexts and committee roles, including analyzing the Bank's commercial real estate loan portfolio and assisting the Executive Management Team in site selection and development of new bank branches.

Since forming Gregorski Development in 2002, Mr. Gregorski has developed numerous commercial properties throughout eastern Wisconsin. Mr. Gregorski has also developed multi-family residential real estate in Delray Beach, Florida, a growing city with significant development opportunities. Mr. Gregorski's most notable project is the eighty-acre Harbor Town Center, the largest commercial development in Manitowoc County history which includes Lowes, Kohl's, MC Sports, Petco, and other national retail tenants. He has also developed properties which contain retail tenants such as Chipotle, US Cellular, Fed Ex, AutoZone, US Bank, AT&T, Sprint, Guitar Center, and Starbuck's. Mr. Gregorski's success in real estate development is the result of having a solid understanding of various disciplines that require attention to detail, including: site identification and acquisition, entitlement, due diligence, financing, construction, and property management. He has formed strategic alliances with many contacts in the industry and focuses on maintaining upmost integrity with every project, delivering on his promises to tenants, broker partners, and the communities in which he works.

Mr. Gregorski received his Bachelor of Arts Degree from the University of Wisconsin, Madison in 1984. He also received his Juris Doctor degree from the University of Wisconsin Law School in 1988.

KATHERINE M. REYNOLDS
Age 66
Summary:
Ms. Reynolds is a partner in the law firm of Michael Best & Friedrich, LLP. Her practice concentrates primarily on wealth planning and local government law, serving clients throughout northeast Wisconsin. Ms. Reynolds' community activities include serving as a member of the Board of Directors of the Manitowoc Symphony Orchestra, member and Chair of the Manitowoc County Ethics Committee, member and Secretary of Shady Lane, Inc., and member and Secretary of the St. Francis of Assisi Parish Finance Council. Ms. Reynolds has been a director of the Corporation and Bank since 1992. She serves as a member of the Corporation's and Bank's Compensation and Retirement, Executive, and Loan Committees. She is also Chair of the Policy and Governance Committee.

Qualifications:
Ms. Reynolds brings to the Board significant legal experience and expertise, having spent her entire professional career in private practice in Manitowoc County. Her legal background and experience and attention to detail add great value to the Board of Directors, most notably in her role as Chair of the Policy & Governance Committee.

Ms. Reynolds is a member of the Wealth Planning Special Practice Group of Michael Best. She is a trusted resource for individuals and families seeking strategic advice on wealth preservation for future generations. During her tenure at Michael Best, Ms. Reynolds has counseled clients and implemented their plans for estate planning and probate matters, and trust creation and administration. Her expertise includes all aspects of elder law as well as strategic planning for agriculture-based clients and family succession planning. She has served as Chair of the firm's Elder and Disability Law Focus Group.

She has also served throughout her legal career as counsel to many local governments. Ms. Reynolds represents several villages, towns and sanitary districts in northeast Wisconsin. Her representation includes a full complement of municipal services and advice, including ordinance drafting and enforcement, contract negotiation and drafting, zoning and land use issues, and analysis and advice on conflict of interest and ethics matters. Ms. Reynolds has served as organizer and moderator of the Michael Best Annual Municipal Officials Seminar. She has held a firm leadership position as the Manitowoc office representative of the firm's Community Outreach Committee.

Ms. Reynolds received her Bachelor of Science, magna cum laude, from Saint Mary's College, Notre Dame, Indiana. She received her Juris Doctor degree from the University of Wisconsin. Ms. Reynolds is a member of the American Bar Association and State Bar of Wisconsin.

Directors Whose Terms Expire in 2019

MICHAEL G. ANSAY

Age 62

Summary:

Mr. Ansay is Chairman and Chief Executive Officer of Ansay & Associates, LLC, a second generation independent insurance agency providing integrated insurance, risk management, and benefit solutions to businesses, families, and individuals. Mr. Ansay began working at Ansay & Associates in 1976 and was initially involved in insurance, real estate brokerage, and appraisal work. In 1982, Mr. Ansay, along with his brother, A. John, purchased the business from their father. Mr. Ansay is also a managing member of Ansay Real Estate, Ansay Development Corporation, and Ansay International. Mr. Ansay currently serves on the Board of Directors for the Independent Insurance Agency of Wisconsin, the Ozaukee Economic Development Corporation, Luxembourg American Cultural Society, B. Rousse Charitable Foundation, and Camp Vista. Mr. Ansay became a director of the Corporation and Bank in February 2010, was appointed Vice-Chairman in February 2012, and assumed the role of Chairman in January 2013. He serves as Chair of the Corporation, the Bank and the Executive and Nominating Committees.

Qualifications:

Mr. Ansay, as sitting Chairman and Chief Executive Officer of Ansay & Associates, is a visionary leader and adds strategic depth to the Board of Directors. He has extensive experience managing growth and successfully adapting to change. In 1982, Mr. Ansay, along with his brother, A. John, purchased Ansay & Associates from their father. At the time, it was a company comprised of four employees operating in one office. Through the strategic acquisition of insurance agencies across Wisconsin, Ansay & Associates has grown from one office to thirteen, and it manages the insurance and risk needs of over 5,000 businesses and 15,000 individuals. In his current role, Mr. Ansay is responsible for developing long-term strategic plans and implementing the mission, vision, and values of the agency to deliver high quality, customer focused solutions. Under Mr. Ansay's direction, Ansay & Associates has been recognized as one of the fastest growing companies in Wisconsin. Mr. Ansay is an innovator with a proven ability to bring people together and develop a strong team of leaders. From 2014 to 2016, Ansay & Associates was named a Top Workplace by the Milwaukee Journal Sentinel. It is currently recognized as one of Wisconsin's top ten insurance agencies and is among the top five percent of agencies nationwide.

Mr. Ansay has been knighted by Grand Duke Henri of Luxembourg and in 2013, was appointed Honorary Consul of Luxembourg for Wisconsin by Luxembourg's Ministry of Foreign Affairs. Mr. Ansay graduated from Marquette University in 1976 with a Bachelor of Science in Finance.

MICHAEL B. MOLEPSKE

Age 56

Summary:

Mr. Molepske was appointed President and Chief Executive Officer of the Corporation and Bank in May 2010 and December 2008, respectively. He is currently President and Chief Executive Officer of the Corporation and Chief Executive Officer of the Bank. Mr. Molepske has been with Bank First since 2005 in the capacities of Chief Executive Officer, President, Senior Loan Officer, Regional President, and Executive Officer. From 1988 to 2005, Mr. Molepske served Associated Bank as a Credit Analyst, Business Banker, Senior Loan Officer, and Market President. From 1985 to 1987, he served as a collector at Elan Financial Services. Prior to his tenure with Elan, Mr. Molepske served as a lender and Assistant Branch Manager at ITT Finance.

Mr. Molepske currently serves on the Board of Directors for RCS Foundation, Rahr-West Museum Foundation, and American Barefoot Club. He is a director and Treasurer of the Bank's data processing subsidiary, UFS, LLC. He is also a director and President of TVG Holdings, Inc., the Bank's entity that holds its investment in Ansay & Associates, LLC. Mr. Molepske also serves as President of Veritas Asset Holdings, LLC, the Corporation's troubled asset liquidation subsidiary. He serves as the Chair of the Bank's Loan Committee and is a member of the Bank and Corporation's Policy and Governance Committee. He is also a member of the Bank's Senior Management Team.

Qualifications:
Mr. Molepske is a proven leader with remarkable vision and the ability to successfully execute the Bank's strategic initiatives. His attention to detail and extensive knowledge of the financial sector enables him to anticipate change and quickly adapt in a highly dynamic industry. From 1988 to 2005, Mr. Molepske served Associated Bank as a Credit Analyst, Business Banker, Senior Loan Officer, and Market President. During his tenure, he was responsible for overseeing the Southern Region's commercial banking, private banking, credit administration, and treasury management functions. Under his leadership, the Sheboygan office experienced significant growth and was distinguished as one of the top performing offices in the corporation. In 2004 and 2005, Mr. Molepske was recognized as the lead loan fee generator. In 2005, Mr. Molepske joined Bank First National as Senior Loan Officer and Regional President. In this role, he was responsible for overseeing and maintaining the integrity of the bank's loan portfolio by ensuring proper compliance with all lending policies and procedures. In 2008 and 2010, respectively, Mr. Molepske was appointed Chief Executive Officer and President of the Bank. In this role, he is responsible for providing strategic leadership by working with the Board of Directors and Executive Management Team to establish long-range goals, growth strategies, and policies and procedures. Mr. Molepske's primary objective is to ensure the bank's affairs are carried out competently, ethically, in accordance with the law, and in the best interest of employees, customers, and shareholders. Under his leadership, Bank First has experienced exceptional growth.

Mr. Molepske graduated from the University of Wisconsin, Madison with Bachelor of Science degrees in Finance and Management & Information Systems. He later earned his Masters of Business Administration from the University of Wisconsin, Milwaukee.

<u>OFFICERS OF THE BOARD OF DIRECTORS</u>
Chairman: Michael G. Ansay
President and CEO: Michael B. Molepske
CFO: Kevin M. LeMahieu
Secretary: Kelly M. Dvorak

<u>EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS</u>
The following is a summary of information with respect to the Executive Officers who are not directors, including the name and age of each individual, his or her experience and qualifications, and the details of the position he or she holds with the Corporation.

KEVIN M. LEMAHIEU
Age 45
Summary:
Mr. LeMahieu joined Bank First in August 2014 as Chief Financial Officer. In this role, he over-

sees the Bank's finance and compliance functions. From 2004 to 2014, Mr. LeMahieu served in the capacities of Assurance Services Senior Manager and Director with CliftonLarsonAllen LLP, a firm with $550 million in revenue and among the nation's top ten accounting firms. Prior to his tenure with CliftonLarsonAllen, Kevin dedicated nine years to Beene Garter LLP in the audit function as Audit Staff, Audit Senior, and Audit Manager.

Mr. LeMahieu currently serves as Treasurer and Board Member of the Oostburg Christian School and is a member of the Sheboygan County Economics Club, Wisconsin Bankers Association, American Institute of Certified Public Accountants, and Wisconsin Institute of Certified Public Accountants. He serves on the Bank's Senior Management Team and is a member of the Technology and Asset & Liability Management Committees.

Qualifications:
Mr. LeMahieu brings to the Executive Management Team significant financial expertise, having served his entire professional career in the public accounting and finance fields. During his nine-year tenure with Beene Garter LLP, Mr. LeMahieu was responsible for managing audit and review teams on engagements for clients in a variety of industries. He was also a member of the efficiency task force, a group responsible for analyzing the firm's audit and review approach and recommending solutions to maximize departmental efficiency. Mr. LeMahieu served CliftonLarsonAllen LLP during his ten-year tenure through managing audit and review teams on engagements for clients, working primarily with financial institutions. He also consulted with clients to provide cost and profit analysis, strategic merger guidance, accounting pronouncement interpretation, and internal control system guidance. In August 2014, Mr. LeMahieu joined Bank First as Chief Financial Officer, where he is responsible for overseeing the Bank's finance and compliance functions. Under his direction, these functions have been recognized by the Bank's external auditing firms for exceptional reporting practices and procedures.

Mr. LeMahieu graduated from Calvin College with a Bachelor of Science Degree in Accountancy. He earned his Certified Public Accountant designation in 1996 and is currently licensed in Wisconsin.

<u>COMMITTEES OF THE BOARD OF DIRECTORS</u>
The Corporation has standing Audit, Compensation and Retirement, Executive, Nominating, and Policy and Governance Committees of the Board of Directors. Each committee operates under a written charter adopted by the Board of Directors. You may review each of these charters on the investor relations section of our website at www.bankfirstnational.com.

<u>Meeting Attendance</u>
Our Board of Directors holds regularly scheduled quarterly meetings for the Bank First National Corporation board and monthly meetings for the Bank First National board meetings. Besides the regular meetings, there is the Organizational Meetings and Annual Shareholder Meetings for both boards.

The Board has also created certain standing committees which meet throughout the year. The Audit Committee, Compensation and Retirement Committee, and Policy and Governance Committee meet at least on a quarterly basis. The Executive Committee at least twice a year. The Nominating Committee meets at least once a year in connection with the Annual Meeting of Shareholders.

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

The Committees are comprised of the following directors:

Audit Committee
David R. Sachse*, Chair
Donald R. Brisch*
Robert D. Gregorski*
Nonvoting Secretary: Kelly M. Dvorak

Compensation and Retirement Committee
Donald R. Brisch*, Chair
Robert D. Gregorski*
Katherine M. Reynolds*
Nonvoting Secretary: Sherry L. Jonet

Executive Committee
Michael G. Ansay*, Chair
Donald R. Brisch*
Robert D. Gregorski*
Katherine M. Reynolds*
David R. Sachse*
Nonvoting Secretary: Kelly M. Dvorak

Nominating Committee
Michael G. Ansay*, Chair
Donald R. Brisch*
David R. Sachse*
Nonvoting Secretary: Kelly M. Dvorak

Policy and Governance Committee
Katherine M. Reynolds*, Chair
Donald R. Brisch*
Michael B. Molepske
Michael P. Dempsey
Nonvoting Secretary: Kelly M. Dvorak

* Independent

A Bank Officer serves as the nonvoting secretary for the Compensation and Retirement Committee. The Corporate Secretary serves as the nonvoting secretary for the Audit, Executive, Nominating, and Policy and Governance Committees of the Board.

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

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

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

The Board of Directors believes that each member has sufficient knowledge in financial and auditing matters to serve on the Audit Committee.

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

<u>Compensation and Retirement Committee</u>

The Compensation and Retirement Committee is primarily responsible for administering the Corporation's executive compensation program. As such, the Compensation and Retirement Committee approves all elements of the executive compensation program including cash compensation, equity compensation and other benefits. Other specific duties of the Compensation and Retirement Committee are to review the overall compensation and benefit policies of the Corporation and review the directors' annual compensation as well as other compensation for non-employee directors.

<u>Executive Committee</u>

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

<u>Nominating Committee</u>

The Nominating Committee's primary responsibility is to assist the Board of Directors in its corporate governance responsibilities including identifying and appointing individuals qualified to become Board members and recommending director nominees for election at each Annual Meeting. It also provides oversight and direction regarding the functioning and operation of the Board. In addition, the Nominating Committee annually evaluates the size and composition of the Board of Directors and its committees and makes recommendations to the full Board of Directors based on the results of its evaluation.

The Nominating Committee is composed of the Chairman of the Board and at least two directors who shall be appointed by the Board, none of whom are standing for re-election. The Nominating Committee meets at least once each year in connection with the Annual Meeting of shareholders and at such additional times as it deems necessary to perform its duties. The Nominating Committee met January 5, 2017 regarding its recommendations for the 2017 Annual Meeting.

The Nominating Committee will consider nominees recommended by (i) any current director, (ii) the Corporation's executive officers, and (iii) any shareholder, provided that such shareholder's recommendations are made in accordance with the Bylaws. Shareholder nominees that comply with the Bylaws will receive the same consideration that nominees from other sources receive.

Nominee Selection. In evaluating potential nominees, the Nominating Committee takes into account all factors it considers appropriate which include a nominee's:

- professional and personal ethics and values;
- experience as a board member or senior officer of a company similar to the holding company and bank, or service as an officer of a publicly-traded company or a prominent company in one of our primary geographic markets;
- current occupation and technical skills;
- ability and commitment to represent the interests of the shareholders of the Corporation and to enhance shareholder value; and
- independence and absence of conflicts of interest.

In addition, the Nominating Committee evaluates whether the nominee's skills are complementary to the existing Board of Directors' skills and needs for operational, management, financial, or other expertise. Our President and Chief Executive Officer and one or more members of the Nominating Committee then interview selected nominees. After completing this evaluation and interview, the Nominating Committee determines the nominees who should be considered for directorship. Based in part on the Nominating Committee's recommendation, the full Board of Directors selects nominees that best suit its needs.

Policy and Governance Committee

The Policy and Governance Committee was formed in 2013. The committee is charged with oversight of the governance and policies of the Corporation and Bank. The Policy and Governance Committee shall periodically review the Corporation and Bank Bylaws. The committee will also review all policies requiring board approval annually and make recommendations and consider proposals concerning changes to such.

DIRECTOR COMPENSATION

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

Compensation Structure for Non-Employee Directors

Base annual retainer	$32,000
Annual stock awards	$10,000
Annual chair of the board retainer	$10,000
Annual audit committee chair retainer	$5,000
Annual compensation committee chair retainer	$5,000
Annual policy & governance chair retainer	$5,000

Fiscal Year 2016 Non-Employee Director Compensation

Director	Fees Earned ($)	Stock Awarded ($) (a)	Dividends on Unvested Stock Awards ($)	Total Compensation ($)
Michael G. Ansay	47,000	10,000	102	57,102
Donald R. Brisch	32,000	10,000	102	42,102
Robert D. Gregorski	32,000	10,000	102	42,102
Katherine M. Reynolds	37,000	10,000	102	47,102
David R. Sachse	37,000	10,000	102	47,102

(a) In May 2016, the corporation granted restricted stock to its non-employee directors pursuant to the Corporation's 2011 Equity Plan ("Equity Plan"). Each director received 352 shares of restricted stock at a fair value price of $28.45 per share, with a one-year vesting restriction. Stock award values are computed in accordance with the FASB ASC Topic 718.

In addition, Mr. Gregorski received a consulting fee for his services related to the Plymouth, Oshkosh and Two Rivers offices in the amount of $100,000. Bank First utilized services from Michael Best & Friedrich, LLP, a law firm in which Ms. Reynolds is a partner, in the amount of $1,555.

Non-Qualified Deferred Compensation for Directors

This table provides information about the directors' contributions, earnings and balances under our non-qualified Deferred Compensation Plan, in fiscal year 2016. The Corporation does not contribute to the Deferred Compensation Plan, and in fiscal year 2016 there were no withdrawals by or distributions to directors.

Director	Contributions ($)	Earnings ($)	Deferred Comp Balance ($)
Michael G. Ansay	0	0	0
Donald R. Brisch	32,000	85,468	524,028
Robert D. Gregorski	32,000	47,405	291,266
Katherine M. Reynolds	37,000	177,513	1,087,119
David R. Sachse	37,000	59,517	365,543

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

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

Director Stock Ownership

To align interests of our directors and shareholders, our Board of Directors believes that directors should have a significant stake in Bank First National Corporation, Each director should own Bank First National Corporation shares equal in value to a minimum of five times the base annual retainer fees payable to a director. Each of our directors complied with our stock ownership policy in the fiscal year 2016.

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of shares of the Corporation's common stock as of March 6, 2017, by (i) each director and director nominee of the Corporation, (ii) each of the executive officers of the Bank, (iii) all directors and executive officers as a group, and (iv) all persons known to us who may be considered a beneficial owner of more than 5% of the outstanding shares of our common stock.

Common Stock

Beneficial Owner	Number of Shares	Percent of Class
Directors:		
Michael G. Ansay	83,187	1.34
Michael P. Dempsey (Executive Officer)	56,249	*
Donald R. Brisch	8,090	*
Robert D. Gregorski	19,590	*
Michael B. Molepske (Executive Officer)	87,618	1.41
Katherine M. Reynolds	8,928	*
David R. Sachse	74,008	1.19
Executive Officers who are not Directors:		
Kevin M. LeMahieu	6,159	*
All directors and executive officers of the Corporation	343,829	5.54
Other Material Shareholders		
Thomas J. Bare (a)	450,453	7.25
Richard S. Molepske (b)	415,519	6.69

*Represents less than 1% of the total number of shares of common stock outstanding on the Record Date.
(a) Beneficial ownership of shares of the Corporation's common stock as of January 30, 2017
(b) Beneficial ownership of shares of the Corporation's common stock as of January 18, 2017

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Loans to Related Persons

In accordance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, to the best of our knowledge, all loans to executive officers, directors, principal shareholders, and any affiliates thereof, are made on the same terms, including interest rates, loan fees, and collateral as those prevailing at the time for comparable transactions with the general public and do not involve more than the normal risk of repayment or present other unfavorable features. During 2016, no executive officer, director, principal shareholder (that we are aware of), and any affiliate of the Corporation or the Bank had loans outstanding at preferred interest rates from the Corporation or the Bank.

Transactions with Related Persons

All transactions between the Corporation or the Bank and executive officers, directors, principal shareholders (that we are aware of) and affiliates thereof, will, to the best of our efforts, contain terms no less favorable to the Corporation or the Bank than could have been obtained by them in arms' length negotiations with unaffiliated persons and are approved by the appropriate committee of the Board of Directors.

Relationship with Ansay & Associates

The Bank's wholly-owned subsidiary, TVG Holdings, Inc., owns 28.8% of Ansay & Associates, LLC. Michael G. Ansay, Chairman of the Board of Directors of the Corporation is Chairman and Chief Executive Officer of Ansay & Associates.

NAMED EXECUTIVE OFFICER COMPENSATION

Fiscal Year 2016 Compensation Tables

This table contains information about compensation awarded to our Named Executive Officers for the fiscal years ended December 31, 2016, 2015, and 2014.

Name & Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards (a) ($)	All Other Compensation (b) ($)	Total Compensation ($)
Michael B. Molepske	2016	403,142	174,634	136,325	67,128	781,229
Chief Executive Officer	2015	391,400	168,760	130,645	57,015	747,718
(Director)	2014	380,000	163,910	125,950	53,412	717,132
Michael P. Dempsey	2016	281,190	95,013	95,025	36,213	507,441
President	2015	273,000	91,053	91,160	35,791	490,897
(Director)	2014	265,000	74,503	74,540	34,029	425,244
Kevin LeMahieu	2016	190,000	54,361	54,425	18,746	317,532
Chief Financial Officer	2015	170,000	48,000	48,098	17,529	283,529
	2014*	55,385	36,004	36,068	4,135	131,528

*2014 was a partial year with a start date in August.

(a) On March 1, 2016, restricted stock awards were granted to Senior Management for the 2015 performance results pursuant to the Corporation's 2011 Equity Plan. These awards vest equally over five years from the date of grant. The Outstanding Equity Awards table further outlines the granted and vested shares for the chief officers. Stock award values are computed in accordance with the FASB ASC Topic 718.

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

All Other Compensation

Chief Officer	Broad-based benefits ($) (a)	Excess Benefit Plan ($) (b)	Dividends on Unvested Stock Awards ($)	Business Development ($)
Michael B. Molepske	23,406	27,000	9,722	7,000
Michael P. Dempsey	23,187	0	6,026	7,000
Kevin M. LeMahieu	17,219	0	1,527	0

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

(b)In 2012, the Compensation and Retirement Committee of the Board of Directors adopted an excess benefit plan for Michael B. Molepske. The plan was designed solely for the purpose of providing benefits to Michael B. Molepske in excess of the limitations on contributions and benefits imposed by section 415 of the Internal Revenue Code of 1986. In 2016, $27,000 was contributed as other compensation through this plan.

<u>Non-Qualified Deferred Compensation for Named Executive Officers</u>

This table provides information about the Named Executives Officers' contributions, earnings and balances under our non-qualified Deferred Compensation Plan in fiscal year 2016. Bank First does not contribute to the Deferred Compensation Plan, and in fiscal year 2016 there were no withdrawals by or distributions to Named Executive Officers.

Named Executive	Contributions ($)	Earnings ($)	Deferred Comp Balance ($)
Michael B. Molepske	13,000	16,118	93,574
Michael P. Dempsey	25,000	49,668	307,392
Kevin M. LeMahieu	0	0	0

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

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

Outstanding Equity Awards

Chief Officer	Shares Granted in 2016	Shares Unvested as of December 31, 2016	Market Value of Shares Unvested (a)
Michael B. Molepske	4,930	17,292	$576,342
Michael P. Dempsey	3,440	10,827	$360,864
Kevin M. LeMahieu	1,815	3,075	$102,490

(a) The market value of restricted stock is the number of shares unvested multiplied by the December 31, 2016 stock price of $33.33. These restricted stock shares vest equally over five years from the date of grant.

FEES BILLED BY PORTER KEADLE MOORE, LLC

This table presents fees for professional audit services rendered by Porter Keadle Moore, LLC ("Porter Keadle Moore") for the audit of Bank First National Corporation's annual financial statements during the years ended December 31, 2016 and 2015, and fees billed for other services rendered by Porter Keadle Moore during those periods.

Year Ended December 31	2016	2015
Audit fees	$ 142,000	$ 154,500
Audit-related fees	1,000	2,000
Tax fees	17,000	30,000
All other fees	0	0
Total	$ 160,000	$ 186,500

Audit fees

These amounts represent fees of Porter Keadle Moore for the audit of our annual consolidated financial statements, the audit of internal control over financial reporting, and the services that an independent auditor would customarily provide in connection with subsidiary audits, statutory requirements, regulatory filings, and similar engagements for the year. Audit fees also include advice about accounting matters that arose in connection with or as a result of the audit or the review of periodic financial statements.

Audit-related fees

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

Tax fees

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

All other fees

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

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

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

The Audit Committee has a policy for pre-approval of all audit and permissible non-audit services provided by the independent auditor. Each year, the Audit Committee approves the terms on which the independent auditor is engaged for the ensuing fiscal year. The

Audit Committee, as permitted by its pre-approval policy, from time to time delegates the approval of certain permitted services or classes of services to a member of management.

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of the Board has appointed Porter Keadle Moore as the independent public accountant to audit the Corporation's financial statement for the fiscal year ending December 31, 2017. Although not required to do so, the Board is submitting the selection of Porter Keadle Moore as our independent auditors to our shareholders for ratification as a matter of good corporate governance. The Board recommends that our shareholders ratify such appointment. In the event that the appointment is not ratified by the required shareholder vote, the vote would be considered in connection with the engagement of independent auditors for 2017.

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

Audit Committee Appointment of Independent Auditor

The financial statements of the Corporation for the year ended December 31, 2016, have been audited by Porter Keadle Moore, LLC ("Porter Keadle Moore"), independent public accountants. A representative of Porter Keadle Moore is expected to attend the Annual Meeting and will be available to respond to appropriate questions.

As part of its activities, the Audit Committee has:

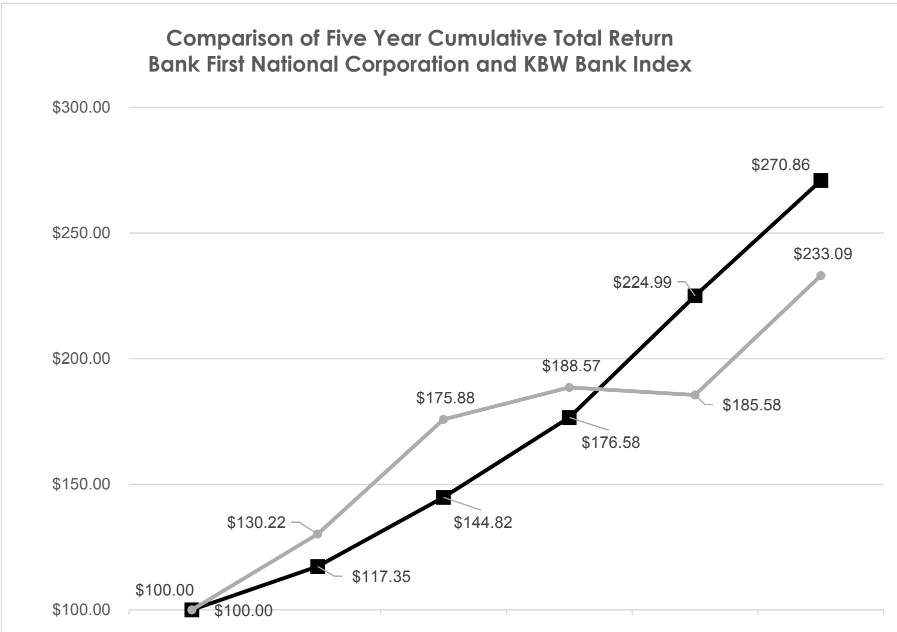
- Reviewed and discussed the audited financial statements with management and its independent auditors, Porter Keadle Moore.
- Discussed with the independent auditors, Porter Keadle Moore, matters required to be discussed by the Statement on Auditing Standards (SAS) No. 61, as amended by SAS No. 90 (Communication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

At a meeting of the Audit Committee held on February 21, 2017, Porter Keadle Moore was appointed as the independent public accountant to audit the Corporation's financial statements for the fiscal year ending December 31, 2017.

The Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in Bank First National Corporation's Annual Report for the year ended December 31, 2016.

STOCK PERFORMANCE GRAPH

The following graph compares the yearly cumulative total return on the Corporation's common stock measured at each of the last five year ends with the KBW Bank Index. The KBW Bank Sector (BKX) is a capitalization-weighted index composed of 24 geographically diverse stocks representing national money center banks and leading regional institutions. The cumulative returns set forth in the graph assume an initial investment of $100.00 was invested in the common stock of the Corporation and the KBW Bank Index on December 31, 2011, and that all dividends were reinvested into additional shares of the same class of equity securities at the frequency with which dividends were paid on such securities during the applicable comparison period.



	2011	2012	2013	2014	2015	2016
BFNC	$100.00	$117.35	$144.82	$176.58	$224.99	$270.86
KBW	$100.00	$130.22	$175.88	$188.57	$185.58	$233.09

OTHER MATTERS

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

By Order of the Board of Directors

Kelly M. Dvorak
Secretary

Manitowoc, Wisconsin
March 22, 2017

BANK FIRST NATIONAL CORPORATION
AND SUBSIDIARIES
Manitowoc, Wisconsin

Consolidated Financial Statements

Years Ended December 31, 2016, 2015 and 2014

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

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

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Bank First National Corporation and its subsidiaries which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years ended December 31, 2016, 2015 and 2014, and the related notes to the consolidated financial statements.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank First National Corporation and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years ended December 31, 2016, 2015 and 2014, in accordance with accounting principles generally accepted in the United States of America.

Other Matter
We also have examined in accordance with attestation standards established by the American Institute of Certified Public Accountants, Bank First National's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, and our report dated February 16, 2017 expressed an unqualified opinion.

Porter Keadle Moore, LLC

Atlanta, Georgia
February 16, 2017

Bank First National Corporation and Subsidiaries
Consolidated Balance Sheets

	December 31 2016	December 31 2015
	(In Thousands, except per share data)	
Assets		
Cash and due from banks	$ 29,258	$ 21,260
Interest-bearing deposits	11,048	6,810
Federal funds sold	39,851	57,574
Cash and cash equivalents	80,157	85,644
Securities held to maturity, at amortized cost	31,558	34,316
Securities available for sale, at fair value	111,325	97,358
Loans, net of allowance for loan losses of $10,728 and $10,011 at 2016 and 2015, respectively	1,015,529	946,626
Loans held for sale	-	368
Premises and equipment, net	13,323	12,960
Goodwill	7,984	7,984
Other investments, at cost	6,088	5,338
Cash value of life insurance	20,549	20,015
Identifiable intangible assets, net	2,409	2,325
Other real estate owned	1,583	1,855
Investment in minority-owned subsidiaries	19,341	17,373
Other assets	6,151	5,513
TOTAL ASSETS	$ 1,315,997	$ 1,237,675
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 1,127,020	$ 1,062,575
Securities sold under repurchase agreements	50,106	45,617
Other liabilities	11,348	10,555
Total liabilities	1,188,474	1,118,747
Stockholders' equity:		
Serial preferred stock - $0.01 par value Authorized - 5,000,000 shares	-	-
Common stock - $0.01 par value Authorized - 20,000,000 shares Issued - 6,714,560 shares Outstanding - 6,210,892 and 6,267,660 in 2016 and 2015, respectively	67	67
Additional paid-in capital	2,828	2,691
Retained earnings	134,773	123,526
Treasury stock, at cost - 503,668 and 446,900 shares in 2016 and 2015, respectively	(10,437)	(8,580)
Accumulated other comprehensive income	292	1,224
Total stockholders' equity	127,523	118,928
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 1,315,997	$ 1,237,675

See accompanying notes to consolidated financial statements.

Bank First National Corporation and Subsidiaries
Consolidated Statements of Income

	Years Ended December 31		
	2016	2015	2014
	(In Thousands, except per share data)		
Interest income:			
Loans, including fees	$ 40,853	$ 37,946	$ 36,964
Federal funds sold	499	150	4
Securities:			
Taxable	1,799	1,686	1,164
Tax-exempt	1,575	1,280	1,577
Total interest income	44,726	41,062	39,709
Interest expense:			
Deposits	5,506	4,932	4,619
Securities sold under repurchase agreements	70	72	97
Borrowed funds	356	59	67
Total interest expense	5,932	5,063	4,783
Net interest income	38,794	35,999	34,926
Provision for loan loss	320	1,008	2,030
Net interest income after provision for loan loss	38,474	34,991	32,896
Other income:			
Service charges	2,747	2,231	2,044
Income from Ansay	1,583	538	1,163
Income from UFS	2,133	2,165	1,300
Loan servicing income	1,006	991	842
Net gain on sales of mortgage loans	1,042	674	523
Net gain (loss) on sales of securities	(225)	-	513
Noninterest income from strategic alliances	90	113	119
Other	643	751	1,389
Total other income	9,019	7,463	7,893
Other expenses:			
Salaries, commissions, and employee benefits	13,314	12,193	11,302
Occupancy	2,573	2,575	2,889
Data processing	2,473	1,777	1,775
Postage, stationery, and supplies	362	353	358
Net loss (gain) on sales and valuations of other real estate owned	31	(3)	137
Advertising	201	177	185
Outside service fees	2,670	2,225	2,282
Amortization of intangibles	18	18	18
Other	3,232	2,990	2,964
Total other expenses	24,874	22,305	21,910
Income before provision for income taxes	22,619	20,149	18,879
Provision for income taxes	7,706	6,754	6,259
Net Income	$ 14,913	$ 13,395	$ 12,620
Earnings per share - basic	$ 2.40	$ 2.13	$ 1.99
Earnings per share - diluted	$ 2.40	$ 2.13	$ 1.99

See accompanying notes to consolidated financial statements.

Bank First National Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2016	2015	2014
		(In Thousands)	
Net Income	$ 14,913	$ 13,395	$ 12,620
Other comprehensive (loss) income:			
Unrealized (losses) gains on available for sale securities:			
Unrealized holding (losses) gains arising during period	(1,578)	(95)	1,093
Amortization of unrealized holding gains on securities transferred from available for sale to held to maturity	(180)	(252)	-
Reclassification adjustment for losses (gains) included in net income	225	-	(513)
Income tax expense (benefit)	601	136	(195)
Total other comprehensive (loss) income	(932)	(211)	385
Comprehensive income	$ 13,981	$ 13,184	$ 13,005

See accompanying notes to consolidated financial statements.

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

	Serial Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	(In Thousands, except per share amounts)						
Balance at January 1, 2014	$ -	$ 67	$ 2,608	$ 103,631	$ (5,788)	$ 1,050	$ 101,568
Net income	-	-	-	12,620	-	-	12,620
Other comprehensive income	-	-	-	-	-	385	385
Purchase of treasury stock	-	-	-	-	(3,227)	-	(3,227)
Sale of treasury stock	-	-	-	-	396	-	396
Cash dividends ($0.46 per share)	-	-	-	(2,912)	-	-	(2,912)
Amortization of stock-based compensation	-	-	232	-	-	-	232
Vesting of restricted stock awards	-	-	(234)	-	234	-	-
Balance at December 31, 2014	-	67	2,606	113,339	(8,385)	1,435	109,062
Net income	-	-	-	13,395	-	-	13,395
Other comprehensive loss	-	-	-	-	-	(211)	(211)
Purchase of treasury stock	-	-	-	-	(1,442)	-	(1,442)
Sale of treasury stock	-	-	-	-	991	-	991
Cash dividends ($0.51 per share)	-	-	-	(3,208)	-	-	(3,208)
Amortization of stock-based compensation	-	-	341	-	-	-	341
Vesting of restricted stock awards	-	-	(256)	-	256	-	-
Balance at December 31, 2015	-	67	2,691	123,526	(8,580)	1,224	118,928
Net income	-	-	-	14,913	-	-	14,913
Other comprehensive loss	-	-	-	-	-	(932)	(932)
Purchase of treasury stock	-	-	-	-	(2,587)	-	(2,587)
Sale of treasury stock	-	-	-	-	448	-	448
Cash dividends ($0.59 per share)	-	-	-	(3,666)	-	-	(3,666)
Amortization of stock-based compensation	-	-	419	-	-	-	419
Vesting of restricted stock awards	-	-	(282)	-	282	-	-
Balance at December 31, 2016	$ -	$ 67	$ 2,828	$ 134,773	$ (10,437)	$ 292	$ 127,523

See accompanying notes to consolidated financial statements.

Bank First National Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2016	2015	2014
		(In Thousands)	
Cash flows from operating activities:			
Net income	$ 14,913	$ 13,395	$ 12,620
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	320	1,008	2,030
Depreciation and amortization of premises and equipment	900	894	948
Amortization of intangibles	18	18	18
Net amortization of securities	975	935	688
Amortization of stock-based compensation	419	341	232
Net change in deferred loan fees and costs	(167)	(199)	203
(Benefit) expense for deferred income taxes	(66)	218	(806)
Change in fair value of mortgage servicing rights (MSR) and other	558	512	376
Loss from sale and disposal of premises and equipment	9	64	114
(Gain) loss on sale of other real estate owned and valuation allowance	31	(3)	137
Proceeds from sales of mortgage loans	84,526	49,312	28,563
Originations of mortgage loans held for sale	(83,776)	(49,434)	(28,026)
Gain on sales of mortgage loans	(1,042)	(674)	(523)
Realized (gain) loss on sale of securities available for sale	225	-	(513)
Undistributed income of UFS joint venture	(2,133)	(2,165)	(1,300)
Undistributed income of Ansay joint venture	(1,583)	(538)	(1,163)
Net earnings on life insurance	(534)	(529)	(519)
Decrease (increase) in other assets	29	(404)	(161)
(Decrease) increase in other liabilities	793	(136)	3,518
Net cash provided by operating activities	14,415	12,615	16,436
Cash flows from investing activities:			
Activity in securities available for sale and held to maturity:			
Sales	9,237	-	19,909
Maturities, prepayments, and calls	21,493	19,862	18,856
Purchases	(44,671)	(41,656)	(39,820)
Net increase in loans	(69,489)	(84,400)	(52,678)
Dividends received from UFS	814	731	416
Dividends received from Ansay	933	651	741
Proceeds from life insurance	-	-	875
Proceeds from sale of other real estate owned	724	1,856	930
Capital expenditures on real estate held	(50)	-	-
Purchases of other investments	(750)	(2,380)	-
Proceeds from sale of premises and equipment	-	309	-
Purchases of premises and equipment	(1,272)	(3,075)	(2,942)
Net cash used in investing activities	(83,031)	(108,102)	(53,713)

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

	Years Ended December 31		
	2016	2015	2014
		(In Thousands)	
Cash flows from financing activities:			
Net increase in deposits	$ 64,445	107,833	$ 35,256
Net increase (decrease) in securities sold under repurchase agreements	4,489	15,104	(332)
Proceeds from advances of borrowed funds	325,400	221,500	233,100
Repayment of borrowed funds	(325,400)	(221,500)	(233,100)
Proceeds from revolving line of credit	1,300	400	4,900
Repayment of revolving line of credit	(1,300)	(400)	(6,715)
Dividends paid	(3,666)	(3,208)	(2,912)
Proceeds from sales of common stock	448	991	396
Repurchase of common stock	(2,587)	(1,442)	(3,227)
Net cash provided by financing activities	63,129	119,278	27,366
Net increase (decrease) in cash and cash equivalents	(5,487)	23,791	(9,911)
Cash and cash equivalents at beginning	85,644	61,853	71,764
Cash and cash equivalents at end	$ 80,157	$ 85,644	$ 61,853

Supplemental disclosures of cash flow information

	2016	2015	2014
Cash paid during the year for:			
Interest	$ 5,793	$ 5,077	$ 4,618
Income taxes	8,202	8,146	5,990
Supplemental schedule of noncash activities:			
Securities reclassified from available for sale to held to maturity	-	-	33,551
Loans transferred to other real estate owned	433	765	1,034
Mortgage servicing rights resulting from sale of loans	660	428	259
Unrealized gain on investments at date of transfer from available for sale to held to maturity	-	-	790
Amoritization of unrealized holding gains on securities transferred from available for sale to held to maturity recognized in other comprehensitve income, net of tax	(109)	(154)	-
Change in unrealized gain on investment securities available for sale, net of tax	(823)	(57)	(405)

See accompanying notes to consolidated financial statements.

Note 1 Summary of Significant Accounting Policies
The accounting and reporting policies of Bank First National Corporation and Subsidiaries (Corporation) conform to generally accepted accounting principles (GAAP) in the United States and general practices within the financial institution industry. Significant accounting and reporting policies are summarized below.

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

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

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

Cash and Cash Equivalents
For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash on hand, interest-bearing and noninterest-bearing accounts in other financial institutions, and federal funds sold, all of which have original maturities of three months or less. Generally, federal funds are purchased and sold for one day periods. In the normal course of business, the Corporation maintains cash and due from bank balances with correspondent banks. Accounts at each institution that are insured by the Federal Deposit Insurance Corporation have up to $250,000 of insurance. Total uninsured balances held at December 31, 2016 and 2015 were approximately $5,420,000 and $2,998,000, respectively. The Bank is required to maintain noninterest-bearing deposits on hand or with the Federal Reserve Bank to meet specific reserve requirements. For December 31, 2016 and 2015 those required reserves were approximately $11,756,000 and $9,940,000, respectively.

Securities
Securities are classified as held to maturity or available for sale at the time of purchase. Investment securities classified as held to maturity, which management has the intent and

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

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

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

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

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

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

Loans and Related Interest Income

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

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

Allowance for Loan Losses

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

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

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

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

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

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

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

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

Intangible Assets and Goodwill
Intangible assets consist of the value of core deposits and mortgage servicing assets and the excess of purchase price over fair value of net assets (goodwill). Core deposits are stated at cost less accumulated amortization and are amortized on a straight-line basis over a period of one to ten years. Mortgage servicing rights are stated at fair value. Goodwill is not amortized but is subject to impairment evaluation annually.

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

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

The Corporation evaluated goodwill and core deposit intangibles for impairment during 2016, 2015 and 2014, determining that there was no goodwill and core deposit intangible impairment.

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

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

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

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

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

Advertising
Advertising costs are generally expensed as incurred.

Per Share Computations
Weighted average shares outstanding were 6,220,694, 6,291,319, and 6,338,077 for the years ended December 31, 2016, 2015 and 2014, respectively. All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities for basic and diluted earnings per share calculations. There were no potentially dilutive instruments outstanding during the periods presented.

Loss Contingencies
Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe that there are any such matters that will have a material effect on the consolidated financial statements at December 31, 2016 and 2015.

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

Comprehensive Income
GAAP normally requires that recognized revenues, expenses, gains and losses be included

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

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

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

Subsequent Events
Management has evaluated subsequent events through February 16, 2017, the issuance date of these consolidated financial statements.

Reclassifications
Certain reclassifications have been made to the 2015 and 2014 consolidated financial statements to conform to the 2016 classifications.

New Accounting Pronouncements
In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The amendments in this ASU provide guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective prospectively, for annual and interim periods, beginning after December 15, 2017 and 2018, respectively, and is not anticipated to have a material impact on the Corporation's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities. The ASU is designed to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods beginning after December 15, 2019. The adoption of this ASU is not expected to have a material impact on the Corporation's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Consolidated Balance Sheet and disclosing key information about leasing arrangements. The ASU is effective for the annual periods beginning after December

15, 2019, and interim periods within the fiscal year beginning after December 15, 2020. Early adoption is permitted. Due to the immaterial nature of leases entered into by the Corporation, the adoption of this ASU is not anticipated to have a material impact on the Corporation's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718). This ASU is designed to simplify the accounting for share-based payment transactions, including income tax consequences, classification of awards as either assets or liabilities and classification on the statement of cash flows. This ASU is effective for annual periods beginning after December 15, 2017 and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Corporation's consolidated financial statements.

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

Note 2 Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2016				
Obligations of states and political subdivisions	$ 73,238	$ 502	$ (286)	$ 73,454
Mortgage-backed securities	26,029	271	(168)	26,132
Corporate notes	11,937	-	(198)	11,739
Total available for sale securities	$ 111,204	$ 773	$ (652)	$ 111,325
December 31, 2015				
Obligations of U.S Government sponsored agencies	$ 2,584	$ 9	$ -	$ 2,593
Obligations of states and political subdivisions	50,770	1,344	(9)	52,105
Mortgage-backed securities	30,526	463	(144)	30,845
Corporate notes	12,004	-	(189)	11,815
Total available for sale securities	$ 95,884	$ 1,816	$ (342)	$ 97,358

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2016				
U.S. Treasury securities	$ 24,982	$ 29	$ (192)	$ 24,819
Obligations of states and political subdivisions	6,576	12	(51)	6,537
Total held to maturity securities	$ 31,558	$ 41	$ (243)	$ 31,356
December 31, 2015				
U.S. Treasury securities	$ 25,065	$ 143	$ (3)	$ 25,205
Obligations of states and political subdivisions	9,251	56	(23)	9,284
Total held to maturity securities	$ 34,316	$ 199	$ (26)	$ 34,489

At December 31, 2016, unrealized losses in the investment securities portfolio related to debt securities. The unrealized losses on these debt securities arose primarily due to changing interest rates and are considered to be temporary. From the December 31, 2016 tables above, 31 out of 110 obligations of states and political subdivisions, 13 out of 44 mortgage-backed securities, 7 out of 13 U.S. Treasury securities, and 4 out of 4 corporate notes contained unrealized losses. At December 31, 2016 and 2015, management has both the intent and ability to hold securities containing unrealized losses.

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

	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2016 - Available for Sale						
Obligations of states and political subdivisions	$ 12,601	$ (286)	$ -	$ -	$ 12,601	$ (286)
Mortgage-backed securities	15,999	(168)	-	-	15,999	(168)
Corporate notes	11,639	(198)	-	-	11,639	(198)
Totals	$ 40,239	$ (652)	$ -	$ -	$ 40,239	$ (652)
December 31, 2016 - Held to Maturity						
U.S. Treasury securities	$ 14,750	$ (192)	$ -	$ -	$ 14,750	$ (192)
Obligations of states and political subdivisions	3,517	(51)	-	-	3,517	(51)
Totals	$ 18,267	$ (243)	$ -	$ -	$ 18,267	$ (243)
December 31, 2015 - Available for Sale						
Obligations of states and political subdivisions	$ 5,578	$ (9)	$ -	$ -	$ 5,578	$ (9)
Mortgage-backed securities	15,069	(129)	897	(15)	15,966	(144)
Corporate notes	11,715	(189)	-	-	11,715	(189)
Totals	$ 32,362	$ (327)	$ 897	$ (15)	$ 33,259	$ (342)
December 31, 2015 - Held to Maturity						
U.S. Treasury securities	$ -	$ -	$ 2,503	$ (3)	$ 2,503	$ (3)
Obligations of states and political subdivisions	306	(1)	2,465	(22)	2,771	(23)
Totals	$ 306	$ (1)	$ 4,968	$ (25)	$ 5,274	$ (26)

Contractual maturities will differ from expected maturities for mortgage-backed securities because borrowers may have the right to call or prepay obligations without penalties. The following is a summary of amortized cost and estimated fair value of securities, by contractual maturity, as of December 31, 2016 (dollar amounts in thousands):

	Available For Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 520	$ 524	$ 2,540	$ 2,545
Due after one year through 5 years	15,413	15,500	11,799	11,810
Due after 5 years through ten years	43,764	43,695	17,219	17,001
Due after 10 years	25,478	25,474	-	-
Subtotal	85,175	85,193	31,558	31,356
Mortgage-backed securities	26,029	26,132	-	-
Total	$ 111,204	$ 111,325	$ 31,588	$ 31,356

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

	2016	2015	2014
Proceeds from sales of securities	$ 9,237	$ -	$ 19,909
Gross gains on sales	15	-	571
Gross losses on sales	(240)	-	(58)

As of December 31, 2016 and 2015, the carrying values of securities pledged to secure public deposits, securities sold under repurchase agreements, and for other purposes required or permitted by law were approximately $104,925,000 and $98,641,000, respectively.

Note 3 Loans

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

	2016	2015
Commercial/industrial	$ 202,275	$ 219,416
Commercial real estate - owner occupied	280,081	263,763
Commercial real estate - non-owner occupied	171,357	135,173
Construction and development	51,904	46,133
Residential 1-4 family	283,193	259,211
Consumer	28,418	24,604
Other	8,866	8,341
Subtotals	1,026,094	956,641
Less allowance for loan losses	10,728	10,011
Loans, net of allowance	1,015,366	946,630
Deferred loan fees and costs	163	(4)
Loans held for sale	-	368
Loans, net and loans held for sale	$ 1,015,529	$ 946,994

A summary of the activity in the allowance for loan losses by loan type as of December 31, 2016 and December 31, 2015 is as follows (dollar amounts in thousands):

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
Allowance for loan losses - January 1, 2016	$ 2,064	$ 2,354	$ 1,399	$ 314	$ 2,913	$ 175	$ 67	$ 725	$ 10,011
Charge-offs	(6)	-	-	(28)	(168)	(12)	(24)	-	(238)
Recoveries	500	-	-	36	68	20	11	-	635
Provision	(653)	222	501	405	(128)	6	30	(63)	320
Allowance for loan losses - December 31, 2016	1,905	2,576	1,900	727	2,685	189	84	662	10,728
ALL ending balance individually evaluated for impairment	25	-	-	-	200	-	-	-	225
ALL ending balance collectively evaluated for impairment	$ 1,880	$ 2,576	$ 1,900	$ 727	$ 2,485	$ 189	$ 84	$ 662	$ 10,503
Loans outstanding - December 31, 2016	$ 202,275	$ 280,081	$ 171,357	$ 51,904	$ 283,193	$ 28,418	$ 8,866	$ -	$1,026,094
Allowance for loan losses	1,905	2,576	1,900	727	2,685	189	84	662	10,728
Loans, net of ALL	200,370	277,505	169,457	51,177	280,508	28,229	8,782	(662)	1,015,366
Loans ending balance individually evaluated for impairment	1,891	-	-	25	1,122	-	-	-	3,038
Loans ending balance collectively evaluated for impairment	$ 198,479	$ 277,505	$ 169,457	$ 51,152	$ 279,386	$ 28,229	$ 8,782	$ (662)	$1,012,328

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
Allowance for loan losses - January 1, 2015	$ 2,047	$ 2,120	$ 1,231	$ 203	$ 2,525	$ 159	$ 132	$ 841	$ 9,258
Charge-offs	(2)	(113)	-	(19)	(162)	(7)	(36)	-	(339)
Recoveries	17	5	17	20	15	7	3	-	84
Provision	2	342	151	110	535	16	(32)	(116)	1,008
Allowance for loan losses - December 31, 2015	2,064	2,354	1,399	314	2,913	175	67	725	10,011
ALL ending balance individually evaluated for impairment	-	-	-	-	360	-	-	-	360
ALL ending balance collectively evaluated for impairment	$ 2,064	$ 2,354	$ 1,399	$ 314	$ 2,553	$ 175	$ 67	$ 725	$ 9,651
Loans outstanding - December 31, 2015	$ 219,416	$ 263,763	$ 135,173	$ 46,133	$ 259,211	$ 24,604	$ 8,341	$ -	$ 956,641
Allowance for loan losses	2,064	2,354	1,399	314	2,913	175	67	725	10,011
Loans, net of ALL	217,352	261,409	133,774	45,819	256,298	24,429	8,274	(725)	946,630
Loans ending balance individually evaluated for impairment	-	279	-	-	1,050	-	-	-	1,329
Loans ending balance collectively evaluated for impairment	$ 217,352	$ 261,130	$ 133,774	$ 45,819	$ 255,248	$ 24,429	$ 8,274	$ (725)	$ 945,301

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

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

A summary below of past due loans as of December 31, 2015 are as follows (dollar amounts in thousands):

	30-89 Days Past Due Accruing	90 Days or more Past Due	Non-Accrual	2016 Total
Commercial/industrial	$ 166	$ -	$ 90	$ 256
Commercial real estate				
- owner occupied	-	273	292	565
Commercial real estate				
- non-owner occupied	-	-	-	-
Construction and development	-	-	-	-
Residential 1-4 family	368	-	961	1,329
Consumer	43	4	5	52
Other	-	-	-	-
	$ 577	$ 277	$ 1,348	$ 2,202

Credit Quality:

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

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

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

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

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

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

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

The breakdown of loans by risk rating as of December 31, 2015 is as follows (dollar amounts in thousands):

	Pass (1-5)	6	7	8	Total
Commercial/industrial	$ 208,668	$ 3,093	$ 7,655	$ -	$ 219,416
Commercial real estate - owner occupied	254,674	165	8,924	-	263,763
Commercial real estate - non-owner occupied	134,632	-	541	-	135,173
Construction and development	44,754	1,365	14	-	46,133
Residential 1-4 family	257,128	-	2,083	-	259,211
Consumer	24,593	-	11	-	24,604
Other	8,341	-	-	-	8,341
	$ 932,790	$ 4,623	$ 19,228	$ -	$ 956,641

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

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

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

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

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
With an allowance recorded:									
Recorded investment	$ 1,875	$ -	$ -	$ -	$ 540	$ -	$ -	$ -	$ 2,415
Unpaid principal balance	1,875	-	-	-	540	-	-	-	2,415
Related allowance	25	-	-	-	200	-	-	-	225
With no related allowance recorded:									
Recorded investment	$ 16	$ -	$ -	$ 25	$ 582	$ -	$ -	$ -	$ 623
Unpaid principal balance	16	-	-	25	582	-	-	-	623
Related allowance	-	-	-	-	-	-	-	-	-
Total:									
Recorded investment	$ 1,891	$ -	$ -	$ 25	$ 1,122	$ -	$ -	$ -	$ 3,038
Unpaid principal balance	1,891	-	-	25	1,122	-	-	-	3,038
Related allowance	25	-	-	-	200	-	-	-	225
Average recorded investment during 2016 through December	$ 946	$ 140	$ -	$ 13	$ 1,086	$ -	$ -	$ -	$ 2,184

A summary of impaired loans individually evaluated as of December 31, 2015 is as follows (dollar amounts in thousands):

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
With an allowance recorded:									
Recorded investment	$ -	$ -	$ -	$ -	$ 580	$ -	$ -	$ -	$ 580
Unpaid principal balance	-	-	-	-	580	-	-	-	580
Related allowance	-	-	-	-	360	-	-	-	360
With no related allowance recorded:									
Recorded investment	$ -	$ 279	$ -	$ -	$ 470	$ -	$ -	$ -	$ 749
Unpaid principal balance	-	279	-	-	470	-	-	-	749
Related allowance	-	-	-	-	-	-	-	-	-
Total:									
Recorded investment	$ -	$ 279	$ -	$ -	$ 1,050	$ -	$ -	$ -	$ 1,329
Unpaid principal balance	-	279	-	-	1,050	-	-	-	1,329
Related allowance	-	-	-	-	360	-	-	-	360
Average recorded investment during 2015 through December	$ -	$ 541	$ 75	$ -	$ 1,173	$ -	$ -	$ -	$ 1,789

Interest recognized while these loans were impaired is considered immaterial to the consolidated financial statements for the years ended December 31, 2016 and 2015.

Management regularly monitors impaired loan relationships. In the event facts and circumstances change, additional provision for loan losses may be necessary.

A troubled debt restructuring ("TDR") includes a loan modification where a borrower is experiencing financial difficulty and we grant a concession to that borrower that we would not otherwise consider except for the borrower's financial difficulties. A TDR may be either on accrual or nonaccrual status based upon the performance of the borrower and management's assessment of collectability. If a TDR is placed on nonaccrual status, it remains there until a sufficient period of performance under the restructured terms has occurred at which time it is returned to accrual status, generally six months. As of December 31, 2016 and 2015 the Corporation had specific reserves of $25,000 and $0 for TDR's respectively, and none of them have subsequently defaulted.

Modifications by Class of Loans

Trouble Debt restructurings during the year ended December 31, 2016 (dollar amounts in thousands)	Number Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial/Industrial	1	$ 1,875	$ 1,875
Construction and development	1	$ 53	$ 25
Residential 1-4 family	1	$ 178	$ 178

Trouble Debt restructurings during the year ended December 31, 2015 (dollar amounts in thousands)	Number Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial/Industrial	1	$ 17	$ 17

Note 4 Related Party Matters

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

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

	2016	2015
Balances at beginning	$ 34,434	$ 27,046
New loans and advances	27,453	17,852
Repayments	(11,642)	(10,464)
Balance at end	$ 50,245	$ 34,434

Deposits from directors, executive officers, principal shareholders, and their affiliates totaled approximately $9,579,000 and $13,150,000 as of December 31, 2016 and 2015, respectively.

Note 5 Mortgage Servicing Rights

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

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

	2016	2015
Fair value beginning of year	$ 2,304	$ 2,388
Servicing asset additions	660	428
Loan payments and payoffs	(544)	(485)
Changes in valuation inputs and assumptions used in the valuation model	(14)	(27)
Amount recognized through earnings	102	(84)
Fair value at end of year	$ 2,406	$ 2,304
Unpaid principal balance of loans serviced for others (in thousands)	$ 305,605	$ 280,241
Mortgage servicing rights as a percent of loans serviced for others	0.79	0.82

During the years ended December 31, 2016 and 2015, the Corporation utilized economic assumptions in measuring the initial value of MSRs for loans sold whereby servicing is retained by the Corporation. The economic assumptions used at December 31, 2016 and 2015 included constant prepayment speed of 11.3 and 10.6 months, respectively, and a discount rate of 10.00% and 10.01% respectively. The constant prepayment speeds are obtained from publicly available sources for each of the Federal National Mortgage Association (FNMA) loan programs that the Corporation originates under. The assumptions used by the Corporation are hypothetical and supported by a third party valuation. The Corporation's methodology for estimating the fair value of MSRs is highly sensitive to changes in assumptions.

The carrying value of the mortgage servicing rights is included with intangible assets and approximates fair market value at December 31, 2016 and 2015. Changes in fair value are recognized through the income statement as loan servicing income.

Note 6 Premises and Equipment

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

	2016	2015
Land and land improvements	$ 1,948	$ 1,511
Buildings and building improvements	14,052	13,545
Furniture and equipment	5,473	5,613
Totals	21,473	20,669
Less accumulated depreciation	8,150	7,709
Premises and equipment, net	$ 13,323	$ 12,960

Included in buildings and improvements at December 31, 2016 and 2015, is $64,000 and $2,248,000, respectively, in construction in progress. These amounts relate to branch locations which were under construction. These balances begin accumulating depreciation upon being placed in service.

Depreciation and amortization of premises and equipment charged to operating expense totaled approximately $900,000, $894,000, and $948,000 for the years ended December 31, 2016, 2015, and 2014, respectively.

Note 7 Other Real Estate Owned

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

	2016	2015
Beginning of year	$ 1,855	$ 2,943
Transfers in	433	765
Capitalized improvements	50	-
Valuation allowances	(37)	(28)
Gain (loss) on other real estate owned	6	31
Sales	(724)	(1,856)
End of year	$ 1,583	$ 1,855

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

	2016	2015	2014
Beginning of year	$ 2,142	$ 2,114	$ 2,416
Additions charged to expense	37	28	-
Valuation relieved due to sale of OREO	(85)	-	(302)
End of year	$ 2,094	$ 2,142	$ 2,114

Note 8 Investment in Minority-owned Subsidiaries

The Corporation has a 49.8% membership interest in UFS. The business operations of UFS consist of providing data processing services to the Corporation and other financial institutions. As of December 31, 2016 and 2015, UFS had total assets of $17,749,000 and $15,311,000 and liabilities of $2,708,000 and $2,819,000, respectively. The Corporation's investment in UFS was $7,472,000 and $6,153,000 at December 31, 2016 and 2015, respectively. The investment is accounted for on the equity method. The Corporation's undistributed earnings from its investment in UFS were approximately $2,133,000, $2,165,000, and $1,300,000 for the years ended December 31, 2016, 2015 and 2014, respectively. Data processing service fees paid by the Corporation to UFS were approximately $1,563,000, $1,176,000, and $1,077,000 for the years ended December 31, 2016, 2015 and 2014, respectively.

The Corporation has a contract with UFS that was renewed for 12 months on January 1, 2017.

The Corporation's proportionate share of earnings of UFS flow through to its tax return. Deferred income taxes of approximately $886,000 and $476,000 were provided to account for the difference in the tax and book basis of assets and liabilities held at UFS at December 31, 2016 and 2015, respectively. During 2016, 2015 and 2014, the Corporation received $814,000, $731,000 and $416,000 in dividends from UFS, respectively.

TVG, the insurance subsidiary of the Bank, has a 28.8% investment in Ansay. Ansay is a family-owned independent insurance agency that has operated in southeastern Wisconsin since 1946, managing the insurance and risk needs of commercial and personal insurance clients in Wisconsin and the Midwest. As of December 31, 2016 and 2015, Ansay had total assets of $41,711,000 and $35,342,000 and liabilities of $25,524,000 and $21,467,000, respectively. The Corporation's investment in Ansay, which is accounted for using the equity method, was $11,869,000 and $11,220,000 at December 31, 2016 and 2015, respectively. The Corporation recognized undistributed earnings of approximately $1,583,000, $538,000 and $1,163,000 and received dividends of $933,000, $651,000 and $741,000 from its investment in Ansay during the years ended December 31, 2016, 2015 and 2014, respectively.

The CEO of Ansay, Michael G. Ansay, serves as Chairman of the Board of the Corporation as well as the Compensation Committee Chairman. As a related party, during 2016, 2015 and 2014 the Corporation purchased director and officer fidelity bond and commercial insurance coverage through Ansay spending approximately $129,000, $198,000 and $164,000, respectively.

As of December 31, 2016 and 2015, Ansay had term loans with the Bank totaling approximately $16,694,000 and $15,815,000, respectively. Ansay has an available revolving line of credit of $1.0 million with the Corporation with no amounts outstanding as of December 31, 2016 and 2015.

Ansay maintained deposits at the Bank totaling $5,047,000 and $3,494,000 as of December 31, 2016 and 2015, respectively.

The Corporation's proportionate share of earnings of Ansay flow through to its tax return. Deferred income taxes of approximately $1,069,000 and $1,233,000 were provided to account for the difference in the tax and book basis of assets and liabilities held at Ansay as of December 31, 2016 and 2015, respectively.

Note 9 Identifiable Intangible Assets

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

	2016		2015	
	Gross Carrying Amount	Intangible Accumulated Amortization	Gross Carrying Amount	Intangible Accumulated Amortization
Core deposit intangible	$ 232	$ 229	$ 232	$ 211
Mortgage servicing rights	2,406	-	2,304	-
Totals	$ 2,638	$ 229	$ 2,536	$ 211

Amortization expense was $18,000 for each of the years ended December 31, 2016, 2015 and 2014.

Mortgage servicing rights are carried at fair value; therefore, there is no amortization expense. Estimated future amortization expense for amortizing intangible assets consists of $3,000 during the year ended December 31, 2017.

Note 10 Goodwill

Goodwill for the years ended December 31, 2016 and 2015, approximated $7,984,000, with no changes in the carrying amount.

Note 11 Deposits
The composition of deposits at December 31 is as follows (dollar amounts in thousands):

	2016	2015
Noninterest-bearing demand deposits	$ 326,153	$ 298,239
Interest-bearing demand deposits	87,544	79,234
Savings deposits	536,828	490,300
Time deposits	176,495	194,802
Total deposits	$ 1,127,020	$ 1,062,575

Time deposits of $250,000 or more were approximately $32,414,000 and $36,072,000 at December 31, 2016 and 2015, respectively.

The scheduled maturities of time deposits at December 31, 2016, are summarized as follows (dollar amounts in thousands):

2017	$ 63,091
2018	42,403
2019	37,186
2020	21,363
2021	12,401
Thereafter	51
Total	$ 176,495

Note 12 Securities Sold Under Repurchase Agreements
Securities sold under repurchase agreements have contractual maturities up to one year from the transaction date with variable and fixed rate terms. The agreements to repurchase securities require that the Corporation (seller) repurchase identical securities as those that are sold. The securities underlying the agreements were under the Corporation's control.

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

	2016	2015	2014
Outstanding balance at the end of the year	$ 50,106	$ 45,617	$ 30,513
Weighted average interest rate at the end of the year	0.69%	0.20%	0.29%
Average balance during the year	$ 24,464	$ 31,695	$ 29,956
Average interest rate during the year	0.28%	0.22%	0.31%
Maximum month end balance during the year	$ 50,106	$ 59,560	$ 49,391

Note 13 Borrowed Funds
The Bank had no advances outstanding from FHLB at December 31, 2016 or 2015. From time to time the Bank utilized short-term FHLB advances to fund liquidity during 2016 and 2015.

At December 31, 2016 and 2015, respectively, total loans available to be pledged as collateral on FHLB borrowings were approximately $525.8 and $452.2 million and, of that total, $351.9 and $285.7 million qualified as eligible collateral. The Bank owned $5.0 million of FHLB stock at December 31, 2016 and 2015. As of December 31, 2016 and 2015, the Bank had

$21.5 and $22.3 million of credit outstanding from the FHLB, respectively, which consisted entirely of letters of credit. At December 31, 2016 and 2015, the Bank had available liquidity of $330.4 and $263.4 million for future draws, respectively. FHLB stock is included in other investments at December 31, 2016 and 2015. This stock is recorded at cost, which approximates fair value.

Note 14 Notes Payable

The Corporation maintains a $10,000,000 line of credit with a commercial bank. There were no outstanding balances on this line of credit as of December 31, 2016 or 2015. The interest rate is a variable rate with a floor of 3.25% due May 19, 2017.

During 2016, the Corporation obtained a $5,000,000 line of credit with an additional commercial bank. There were no outstanding balances on this line of credit as of December 31, 2016. The interest rate is a variable rate with a floor of 3.5% due May 25, 2017.

The Corporation's real estate subsidiary, Veritas, maintained a $2,000,000 line of credit with a commercial bank. There were no outstanding balances on this line of credit as of December 31, 2015. The interest rate was a variable rate with a floor of 3.25%. This line was not renewed when it matured on March 15, 2016.

Note 15 Income Taxes

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

	2016	2015	2014
Current tax expense:			
Federal	$ 6,034	$ 4,992	$ 5,274
State	1,738	1,544	1,791
Total current	7,772	6,536	7,065
Deferred tax expenses (benefit):			
Federal	(53)	174	(641)
State	(13)	44	(165)
Total deferred	(66)	218	(806)
Total provision for income taxes	$ 7,706	$ 6,754	$ 6,259

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

	2016	2015	2014
Tax expense at statutory rate	$ 7,917	$ 7,052	$ 6,419
Increase (decrease) in taxes resulting from:			
Tax-exempt interest	(1,068)	(941)	(991)
State taxes (net of Federal benefit)	1,128	999	1,008
Cash surrender value of life insurance	(186)	(182)	(193)
ESOP dividend	(104)	(94)	(85)
Tax credits	(122)	(122)	(122)
Other	141	42	223
Total provision for income taxes	$ 7,706	$ 6,754	$ 6,259

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

	2016	2015
Deferred tax assets:		
Deferred compensation	$ 1,385	$ 1,051
Allowance for loan losses	4,306	3,926
Accrued vacation and severance	45	89
Other real estate owned	595	839
Other	114	157
Total deferred tax assets	6,445	6,062
Deferred tax liabilities:		
Investment in acquisition and discount accretion	(132)	(98)
Mortgage servicing rights	(966)	(904)
Depreciation	(719)	(739)
Unrealized gain on securities available for sale	(188)	(789)
Other investments	(308)	(301)
Prepaid expenses	(35)	(47)
Investment in minority owned subsidiaries	(1,955)	(1,709)
Total deferred tax liabilities	(4,303)	(4,587)
Net deferred tax asset	$ 2,142	$ 1,475

Tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Corporation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. When applicable, interest and penalties on uncertain tax positions are calculated based on the guidance from the relevant tax authority and included in income tax expense. At December 31, 2016 and 2015, there was no liability for uncertain tax positions. Federal income tax returns for 4 years ended December 31, 2013 through 2016 remain open and subject to review by applicable tax authorities. State income tax returns for 5 years ended December 31, 2012 through 2016 remain open and subject to review by applicable tax authorities.

Note 16 Employee Benefit Plans

Employee Stock Ownership Plan

The Corporation has a defined contribution profit sharing 401(k) plan which includes the provisions for an employee stock ownership plan (ESOP). The plan is available to all employees over 18 years of age after completion of three months of service. Employees participating in the plan may elect to defer a minimum of 2% of compensation up to the limits specified by law. All participants of the 401(k) plan are eligible for the ESOP and may allocate their contributions to purchase shares of the Corporation's stock. As of December 31, 2016 and 2015, the plan held 541,016 and 529,014 shares, respectively. These shares are included in the calculation of the Corporation's earnings per share. The Corporation may make discretionary contributions up to the limits established by IRS regulations. The discretionary match was 35% of participant contributions up to 10% of the employee's salary in 2016, 2015, and 2014. The Corporation made additional discretionary contributions to the plan of $500,000, $378,000, $381,000 in 2016, 2015 and 2014, respectively. Total expense associated with the plans was approximately $767,000, $624,000 and $599,000 in 2016, 2015 and 2014, respectively.

Share-based Compensation

The Corporation has made restricted share grants during 2016, 2015 and 2014 pursuant to the Bank First National Corporation 2011 Equity Plan. The purpose of the Plan is to provide financial incentives for selected employees and for the non-employee Directors of the Corporation, thereby promoting the long-term growth and financial success of the Corporation. The Corporation stock to be offered under the Plan pursuant to Stock Appreciation Rights (SAR), performance unit awards, and restricted stock and unrestricted Corporation stock awards must be Corporation stock previously issued and outstanding and reacquired by the Corporation. The number of shares of Corporation stock that may be issued pursuant to awards under the Plan shall not exceed, in the aggregate, 659,250. As of December 31, 2016, 126,490 shares of Corporation stock has been awarded under the Plan. Compensation expense for restricted stock is based on the fair value of the awards of Bank First National Corporation common stock at the time of grant. The value of restricted stock grants that are expected to vest is amortized into expense over the vesting periods. For the year ended December 31, 2016, 2015 and 2014, compensation expense of $419,000, $341,000 and $232,000, respectively, was recognized related to restricted stock awards.

As of December 31, 2016, there was $931,000 of unrecognized compensation cost related to non-vested restricted stock awards granted under the plan. That cost is expected to be recognized over a weighted average period of 3.08 years. The aggregate grant date fair value of restricted stock awards that vested during 2016 was approximately $282,000.

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Restricted Stock				
Outstanding at beginning of year	53,677	$ 18.90	49,433	$ 16.60
Granted	21,635	26.63	21,995	22.98
Vested	(15,769)	17.86	(14,774)	17.33
Forfeited or cancelled	-	-	(2,977)	18.63
Outstanding at end of year	59,543	$ 21.98	53,677	$ 18.90

Deferred Compensation Plan

The Corporation has a deferred compensation agreement with one of its former executive officers. The benefits were payable beginning June 30, 2009, the date of termination of employment with the Corporation via retirement. The estimated annual cash benefit payment upon retirement at the age of 70 under the salary continuation plan is $108,011. The payoff is for the participant's lifetime and is guaranteed to the participant or their surviving beneficiary for a minimum of 15 years. Related expense for this agreement was approximately $35,000, $39,000, and $3,000 for the years ended December 31, 2016, 2015 and 2014, respectively. The vested present value of future payments of approximately $678,000 and $751,000 at December 31, 2016 and 2015, respectively, is included in other liabilities. During 2016 and 2015 the discount rate used to present value the future payments of this obligation was 4.95%.

The Corporation has a nonqualified deferred compensation plan which permits eligible participants to defer a portion of their compensation. The benefits are generally payable beginning with the earlier of attaining age 70 or resignation from the Corporation. The estimated present value of future payments of approximately $2,773,000 and $1,930,000 at December 31, 2016 and 2015, respectively, is included in other liabilities. Expense associated with this plan was approximately $585,000, $264,000 and $178,000 in 2016, 2015 and 2014, respectively.

Note 17 Stockholders' Equity and Regulatory Matters

The Bank, as a national bank, is subject to the dividend restrictions set forth by the Office of the Comptroller of the Currency. Under such restrictions, the Bank may not, without the prior approval of the Office of the Comptroller of the Currency, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years. The dividends that the Bank could declare without the prior approval of the Office of the Comptroller of the Currency as of December 31, 2016 totaled approximately $31,430,000. The payment of dividends may be further limited because of the need for the Bank to maintain capital ratios satisfactory to applicable regulatory agencies.

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

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1 (CET1), Tier 1 and total capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital to average assets (as defined). It is management's opinion, as of December 31, 2016, that the Corporation and the Bank meet all applicable capital adequacy requirements.

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

As of December 31, 2016, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification which management believes have changed the Bank's category.

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2016						
Total capital (to risk-weighted assets):						
Corporation	$ 129,974	11.69%	$ 88,966	8.00%	NA	NA
Bank	$ 126,685	11.41%	$ 88,789	8.00%	$ 110,986	10.00%
Tier 1 capital (to risk-weighted assets):						
Corporation	$ 119,246	10.72%	$ 66,724	6.00%	NA	NA
Bank	$ 115,957	10.45%	$ 66,592	6.00%	$ 88,789	8.00%
Common Equity Tier 1 capital (to risk-weighted assets):						
Corporation	$ 119,246	10.72%	$ 50,043	4.50%	NA	NA
Bank	$ 115,957	10.45%	$ 49,944	4.50%	$ 72,141	6.50%
Tier 1 capital (to average assets):						
Corporation	$ 119,246	8.94%	$ 53,340	4.00%	NA	NA
Bank	$ 115,957	8.72%	$ 53,214	4.00%	$ 66,518	5.00%
2015						
Total capital (to risk-weighted assets):						
Corporation	$ 119,663	10.86%	$ 88,121	8.00%	N/A	N/A
Bank	$ 117,037	11.16%	$ 83,880	8.00%	$ 104,850	10.00%
Tier 1 capital (to risk-weighted assets):						
Corporation	$ 109,652	9.95%	$ 66,091	6.00%	N/A	N/A
Bank	$ 107,026	10.21%	$ 62,910	6.00%	$ 83,880	8.00%
Common Equity Tier 1 capital (to risk-weighted assets):						
Corporation	$ 109,652	9.95%	$ 49,568	4.50%	N/A	N/A
Bank	$ 107,026	10.21%	$ 47,183	4.50%	$ 68,153	6.50%
Tier 1 capital (to average assets):						
Corporation	$ 109,652	8.85%	$ 49,577	4.00%	N/A	N/A
Bank	$ 107,026	8.72%	$ 49,117	4.00%	$ 61,396	5.00%

Note 18 Segment Information

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

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

Note 19 Commitments and Contingencies

The Corporation enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements and for fixed rate commitments also considers the difference between current levels of interest rates and committed rates. The notional amount of rate lock commitments at December 31, 2016 and 2015, respectively, was $5,551,000 and $3,584,000.

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

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

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

	Notional Amount	
	2016	2015
Commitments to extend credit:		
Fixed	$ 33,398	$ 36,080
Variable	228,760	202,274
Credit card arrangements	4,492	8,361
Letters of credit	25,909	29,976

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

Letters of credit include $14,726,000 of direct pay letters of credit and $11,183,000 of standby letters of credit. Direct pay letters of credit generally are issued to support the marketing of industrial development revenue and housing bonds and provide that all debt service payments will be paid by drawing on the letter of credit. The letter of credit draws are then repaid by draws from the customer's bank account. Standby letters of credit are conditional lending commitments issued by the Corporation to guaranty the performance of a customer to a third party. Generally, all standby letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation generally holds collateral supporting these commitments. The majority of the Corporation's loans, commitments, and letters of credit have been granted to customers in the Corporation's market area. The concentrations of credit by type are set forth in Note 3. Standby letters of credit were granted primarily to commercial borrowers. Management believes the diversity of the local economy will prevent significant losses in the event of an economic downturn.

Note 20 Fair Value of Financial Instruments

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

- Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

	Instruments Measured At Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Assets				
Securities available for sale				
Obligations of states and political subdivisions	$ 73,454	$ -	$ 72,444	$ 1,010
Mortgage-backed securities	26,132	-	26,132	-
Corporate notes	11,739	-	11,739	-
Mortgage servicing rights	2,406	-	2,406	-
Liabilities				
Salary continuation plan	678	-	678	-

December 31, 2015

Assets				
Securities available for sale				
Obligations of U.S. Government sponsored agencies	$ 2,593	$ -	$ 2,593	$ -
Obligations of states and political subdivisions	52,105	-	51,095	1,010
Mortgage-backed securities	30,845	-	30,845	-
Corporate notes	11,815	-	11,815	-
Mortgage servicing rights	2,304	-	2,304	-
Liabilities				
Salary continuation plan	751	-	751	-

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

	2016	2015
Total securities at beginning of year	$ 1,010	$ 1,026
Included in earnings	-	-
Included in other comprehensive income	-	-
Purchases, issuance, and settlements	-	(16)
Transfer in and/or out of level 3	-	-
Total securities at end of year	$ 1,010	$ 1,010

The following methods and assumptions were used by the Corporation to estimate fair value of financial instruments on a non-recurring basis.

Loans -– The Corporation does not record loans at fair value on a recurring basis. However, from time to time a loan is considered impaired and an allowance for loan losses is established. Loans are considered impaired if it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. Once a loan is identified as impaired, the fair value of the impaired loan is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, and liquidation value or discounted cash flows. Impaired loans do not require an allowance if the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2016 and 2015, substantially all of the total impaired loans were evaluated based on the fair value of the collateral rather than on discounted cash flows. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation records the impaired loan as a nonrecurring Level 2 valuation. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Corporation records the impaired loan as nonrecurring Level 3.

Loans with a carrying amount of $3,038,000 and $1,329,000 at December 31, 2016 and 2015, respectively, were considered impaired. As a result, the Corporation recognized an impairment reserve of approximately $225,000 and $360,000 as of December 31, 2016 and 2015, respectively. Impaired loans with balances less than $250,000 are not specifically evaluated for impairment. At December 31, 2016 and 2015, $12,000 and $449,000 of impaired loans are not specifically evaluated and are carried at historical cost on the balance sheet.

Other real estate owned – Real estate acquired through, or in lieu of, loan foreclosure is not measured at net realizable value on a recurring basis. However, other real estate is initially measured at net realizable value (less estimated costs to sell) when it is acquired and is also measured at net realizable value (less estimated costs to sell) if it becomes subsequently impaired. The net realizable value measurement for each property may be obtained from an independent appraiser or prepared internally. Net realizable value measurements obtained from independent appraisers are generally based on sales of comparable assets and other observable market data and are considered Level 3 measurements. Measurements prepared internally are based on observable market data but include significant unobservable data and are therefore considered Level 3 measurements

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

	Assets Measured At Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Other real estate owned	$ 1,583	$ -	$ -	$ 1,583
Impaired Loans, net of impairment reserve	2,190	-	-	2,190
	$ 3,773	$ -	$ -	$ 3,773
December 31, 2015				
Other real estate owned	$ 1,855	$ -	$ -	$ 1,855
Impaired Loans, net of impairment reserve	222	-	-	222
	$ 2,077	$ -	$ -	$ 2,077

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

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

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

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

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

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

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

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

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

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

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

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

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

	2016		2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 80,157	$ 80,157	$ 85,644	$ 85,644
Securities held to maturity	31,558	31,356	34,316	34,489
Securities available for sale	111,325	111,325	97,358	97,358
Loans, net	1,015,529	1,012,343	946,626	953,526
Loans held for sale	-	-	368	368
Other investments, at cost	6,088	6,088	5,338	5,338
Mortgage servicing rights	2,406	2,406	2,304	2,304
Cash surrender value of life insurance	20,549	20,549	20,015	20,015
Financial liabilities:				
Deposits	$1,127,020	$1,097,042	$1,062,575	$1,036,953
Securities sold under repurchase agreements	50,106	50,106	45,617	45,617

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

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

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

Note 21 Parent Company Only Financial Statements

Balance Sheets

	December 31 2016	December 31 2015
	(In Thousands)	
Assets		
Cash and cash equivalents	$ 105	$ 542
Investment in Bank	124,234	116,247
Investment in Veritas	2,830	2,834
Other assets	885	27
TOTAL ASSETS	$ 128,054	$ 119,650
Liabilities and Stockholders' Equity		
Other liabilities	$ 531	$ 722
Stockholders' equity:		
Common stock	67	67
Additional paid-in capital	2,828	2,691
Retained earnings	134,773	123,526
Treasury stock, at cost	(10,437)	(8,580)
Accumulated other comprehensive income	292	1,224
Total stockholders' equity	127,523	118,928
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 128,054	$ 119,650

Statements of Income

	Years Ended December 31 2016	2015	2014
		(In Thousands)	
Income:			
Dividends received from Bank	$ 6,350	$ 3,500	$ 6,700
Rental income received from Bank	-	49	292
Equity in undistributed earnings of subsidiaries	8,866	10,132	5,968
Other income	-	29	-
Total income	15,216	13,710	12,960
Other expenses	499	469	370
Benefit for income taxes	(196)	(154)	(30)
Net income	$ 14,913	$ 13,395	$ 12,620

Statements of Cash Flows

	Years Ended December 31		
	2016	2015	2014
	(In Thousands)		
Cash flow from operating activities:			
Net income	$ 14,913	$ 13,395	$ 12,620
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of premises and equipment	-	21	77
Gain from sale and disposal of premises and equipment	-	(29)	-
Stock compensation	419	341	232
Equity in (includes dividends) earnings of subsidiaries	(15,216)	(13,632)	(12,668)
Changes in other assets and liabilities:			
Other assets	(107)	1	13
Other liabilities	(191)	(83)	280
Net cash provided by (used in) operating activities	(182)	14	554
Cash flows from investing activities:			
Sales of premises and equipment	-	240	-
Purchases of premises and equipment	(750)	-	-
Dividends received from Bank	6,350	3,500	6,700
Dividends received from Veritas	-	317	-
Contribution to subsidiaries	(50)	-	(645)
Net cash provided by investing activities	5,550	4,057	6,055
Cash flows from financing activities:			
Net repayments proceeds of borrowings	-	-	(1,265)
Cash dividends paid	(3,666)	(3,208)	(2,912)
Issuance of common stock	448	991	396
Repurchase of common stock	(2,587)	(1,442)	(3,227)
Net cash used in financing activities	(5,805)	(3,659)	(7,008)
Net increase (decrease) in cash and cash equivalents	437	412	(399)
Cash and cash equivalents at beginning	542	130	529
Cash and cash equivalents at end	**$ 105**	**$ 542**	**$ 130**
Supplemental schedule of noncash activities:			
Unrealized gain on investments at date of transfer from available for sale to held to maturity	$ -	$ -	$ 790
Amortization of unrealized holding gains on securities transferred from available for sale to held to maturity recognized in other comprehensive income, net of tax	(109)	(154)	-
Change in unrealized gain on investment securities available for sale, net of tax	(823)	(57)	(405)
Property contributed at net book value to Bank	-	598	-