

# Shareholder Newsletter

QUARTER 1 | 2022



# MESSAGE FROM THE PRESIDENT

## Operations continue to be strong during the first quarter of 2022.

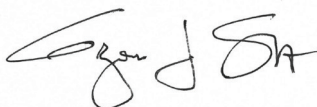
Despite the expected reduction in residential mortgage activity and Paycheck Protection Program (PPP) fee income, the Bank's first quarter was healthy. For the quarter, Fortifi Bank posted net income after tax of \$1,534,000 vs. \$3,018,000 for the first quarter of 2021. Annualized Return on Equity was 9.63%, down from 24.01% last year. First quarter 2021 saw record mortgage refinance activity, significant PPP income as well as a one-time gain on sale of a branch location. Economic conditions resulted in a significant contraction of our net interest margin which was 3.35% for the quarter vs. 4.23% for the same period in 2021. Despite the challenges, the Bank was able to maintain a strong Return on Assets of 1.04% for the first quarter vs. 2.29% in 2021.

The total book value per share of common stock was \$98/share at 3/31/22 vs. \$104/share at 12/31/21. The book value was negatively impacted by the requirement that banks recognize an unrealized loss on the value of their investment portfolio. (Commonly referred to as "mark to market"). Treasury market interest rates increased significantly during the first quarter of 2022. This change in rates has caused the market value of the Bank's investment portfolio to decline resulting in an unrealized loss value on the Bank's balance sheet. A portion of the unrealized loss is recorded as accumulated other comprehensive income (AOCI) which is factored in the book value per share of First Berlin stock. The resulting AOCI impact on book value per share is \$9.00. The unrealized loss is based entirely on the interest rate market so in no manner reflects the credit quality of the investment portfolio.

Our total loans were \$373,994,000 at the end of the quarter up from \$353,768,000 at 12/31/21. The growth has been due to an increase in commercial loan demand. The quality of our loan portfolio remains acceptable, however we continue to maintain a strong Reserve for Loan Losses to reflect the uncertainty of the economy. At 3/31 the reserve stood at \$4,808,000 or 1.29% of total loans. Despite the significant impact of the unrealized loss on the value of the investment portfolio, Total Equity Capital was \$61,426,000 at 3/31/22 up from \$51,483,000 at 3/31/21. The Bank's Total Assets grew 15% year over year to \$589,268,000 at 3/31/22 vs. \$512,586,000 at 3/31/21.

It is my honor and privilege to serve as your Bank President and CEO. I am extremely proud of the team at Fortifi and look forward to watching them grow. On behalf of our Board of Directors and employees, thank you.

Sincerely,



**Greg Lundberg**  
President + CEO



# FINANCIAL CONDITION

(dollars in thousands)

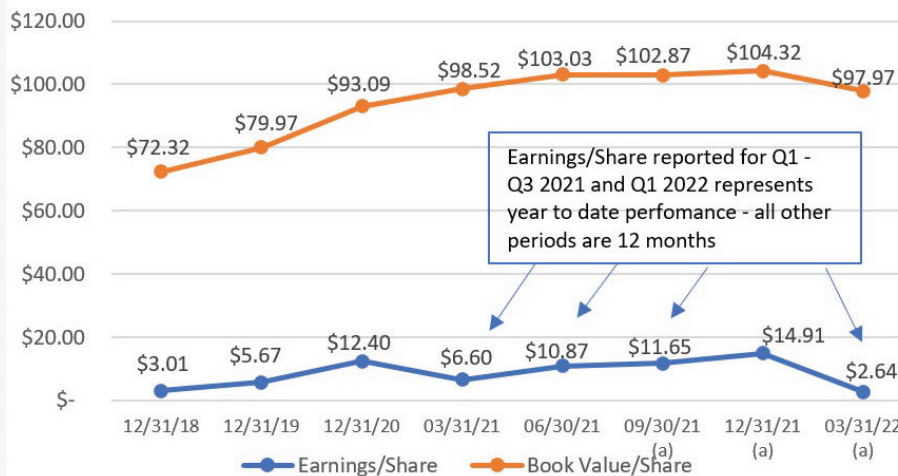
| Income Statement Items:            | Q1 2022 | Q1 2021 |
|------------------------------------|---------|---------|
| Interest Income                    | \$4,896 | \$5,591 |
| Interest Expense                   | \$228   | \$347   |
| Non-Interest Income                | \$1,199 | \$2,935 |
| Net Income After Taxes             | \$1,534 | \$3,018 |
| Net Interest Margin <sup>(1)</sup> | 3.35%   | 4.23%   |
| Return on Equity (annualized)      | 9.63%   | 24.01%  |
| Return on Assets (annualized)      | 1.04%   | 2.29%   |
| Efficiency Ratio                   | 64.19%  | 47.66%  |
| Capital Ratios:                    | Q1 2022 | Q1 2021 |
| Leverage Ratio                     | 11.09%  | 9.64%   |
| Risk Based Capital                 | 16.12%  | 13.13%  |
| RLL/Total Loans                    | 1.29%   | 1.31%   |

(dollars in thousands)

| Balance Sheet Items:          | Q1 2022   | Q1 2021   |
|-------------------------------|-----------|-----------|
| Total Deposits                | \$512,659 | \$443,661 |
| Total Loans                   | \$373,994 | \$387,537 |
| Reserve for Loan Losses (RLL) | \$4,808   | \$5,075   |
| Total Assets                  | \$589,268 | \$512,586 |
| Total Equity Capital          | \$61,426  | \$51,483  |
| Shares                        | Q1 2022   | Q1 2021   |
| Number of Shares Outstanding  | 554,512   | 448,250   |
| Earnings per Share            | \$3       | \$7       |
| Book Value                    | \$98      | \$97      |

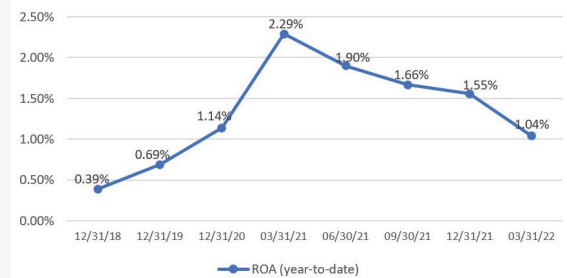
(1) "Net Interest Margin" reflects interest income including select loan origination fees net of interest expenses, adjusted for tax-exempt loans and securities, as a percentage of average earning assets.

## First Berlin - Book Value and Earnings Per Share

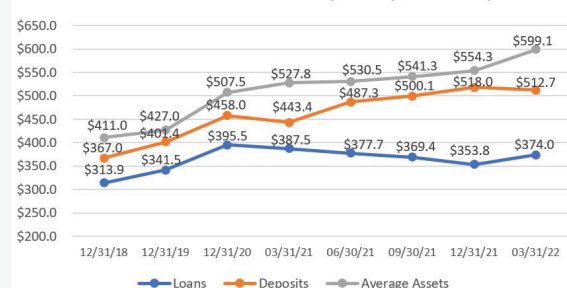


(a) Results reflect additional 111,262 shares issued in the common stock offering

## Fortifi Bank - Annualized Return on Assets



## Fortifi Bank - Loans and Deposits (in millions)





# HIGHLIGHTS

## CELEBRATING EMPLOYEE LONGEVITY AT FORTIFI BANK

Stories touting statistics about The Great Resignation have become an all-too-familiar sight in today's media, making it tempting to think longevity no longer exists in the workplace. However, Fortifi Bank took time to recognize employees that defy the odds. At Fortifi's Berlin campus, which includes the retail branch at 240 Broadway St. and its support centers at 153 Franklin St. and 140 W. Huron St., five individuals have exceeded 20 years of service. Learn more about these individuals at [FortifiBank.com/Longevity](https://FortifiBank.com/Longevity)



**Debbie Nigbor**  
Loan Processor to  
Compliance Specialist



**Cindy Steinbrink**  
Customer Service  
Representative to Controller



**Sara Simonis**  
Teller to Digital Operations  
Specialist



**Jennifer Grota**  
Loan Processor to  
Systems Analyst



**Wendy Swansby**  
Teller

## FINANCIAL LITERACY EVENTS

Throughout March, Fortifi Bank attended multiple events, promoting financial literacy and career opportunities. Fortifi attended the Find Your Inspiration event at the KI Convention Center to provide some educational activities for multiple middle schools in the Green Bay area. Students were able to practice counting cash, writing checks, and writing deposit and withdrawal tickets.

At Career Fair on the Fox at UW Oshkosh, team members attended the job fair to talk to students about potential opportunities, and of course to get Fortifi Bank's name out there!



Pictured left to right: **Courtney Lechnir**, Assistant Branch Manager; **Tiffany Hoxie**, Human Resources Manager; **Katie Thiem**

## LUNDBERG APPOINTED TO WBA BOARD OF DIRECTORS

On April 1, 2022, the Wisconsin Bankers Association appointed Greg Lundberg to the WBA board of directors for a three-year term. The WBA nominating committee, which is comprised of the current WBA officers and recent past chairmen from WBA, elected Lundberg based on his dedication to leadership and forward-thinking in the industry.

"WBA's long-standing reputation for educating and growing Wisconsin banks is highly respected and aligns with Fortifi's mission of Growin' Wisconsin." Lundberg said. "I am eager to build on that mission at the state level."



**Greg Lundberg**  
President + CEO

## BUSINESS BANKER JOINS NEW OSHKOSH OFFICE



**Keegan Langkau**  
Business Banker

Fortifi Bank has named Keegan Langkau as business banker of its new office located at 420 N. Koeller St. in Oshkosh.

In his role, Langkau partners with local Oshkosh businesses, helping them navigate the small business world and reach their goals. A life-long resident of Oshkosh, Langkau brings ten years of banking experience as a private banker, branch manager, and banking relationship representative.

## INVESTOR RELATIONS - DIGITAL ARCHIVE

Starting with this newsletter, all shareholder communications and news will be stored and able to view on our website. The investor relations page can be found at [FortifiBank.com/InvestorRelations](https://FortifiBank.com/InvestorRelations)

# CORPORATE INFORMATION

## CORE VALUES



Supporting Each Other



Can-Do Attitude



Seamless Service



Building Relationships

## OUR MISSION

Remain an independent community bank that supports the growth of our shareholders, clients, and employees while Growin' Wisconsin — one person, one business, one relationship at a time.

## OUR VISION

Fortifi Bank helps people, businesses, and communities better understand their opportunities in the financial world based on 145 years of experience. We do this with a commitment to our core values, extraordinary client service, trusted financial solutions, and local decision making.

## SENIOR MANAGEMENT TEAM



**Greg Lundberg**  
President + CEO



**Mike Boettcher**  
Chief Financial  
Officer



**Gina Evans**  
SVP - Wealth  
Management



**Chris Jenkinson**  
SVP - Information  
Technology



**Loni Meiborg**  
SVP - Organizational  
Development



**Mike Uttech**  
Chief Credit  
Officer

## BOARD OF DIRECTORS



**Bruce Bohn**  
President  
Bohn Farms, Inc.



**Jeff Braun**  
President + CEO | American  
Prosthetic Components



**Eric Cerbins**  
Past President + CEO  
Fortifi Bank



**Jason Kadow**  
CEO  
KMA, Inc.



**Russel L. Kuehn**  
President  
First Berlin Bancorp



**Greg Lundberg**  
President + CEO  
Fortifi Bank



**Mark Milbrandt**  
Plant Manager + Partner  
Apollo Tool Inc.



**Peter J. Prickett**  
Former CEO | First National  
Bank - Fox Valley



**Pat Seaman**  
Retired Auto Dealer  
Westside Garage

