First Menasha Bancshares, Inc.

2014

ANNUAL REPORT

FNB
FOX VALLEY



LETTER FROM THE PRESIDENT

-Peter J. Prickett - Chairman and President

Dear Shareholder:

We are pleased to report to you that 2014 brought with it significant successes in terms of performance measures, operational improvements and strategic objectives.

Consolidated net income of First Menasha Bancshares, Inc. was $2,820,225, earning $9.34 per average common outstanding share in 2014 compared to net income of $1,211,622 and $4.06 per common share in 2013. Return on Average Equity (ROAE) for 2014 was 12.26% compared to 5.72% in 2013. We were pleased to bring the return to shareholders back above 10% which had been our recent norm prior to 2013. Please note that ROAE calculations for 2014 do not reflect the results of our late 2014 capital raise, as those funds were received mid-January 2015.

At the bank level, FNB Fox Valley earnings were $3,089,393 for a Return on Average Assets (ROAA) of 0.84% and an increase from 2013 where net income was $1,365,102 and an ROAA of 0.40%. We are pleased to see net income exceed the $3 million dollar mark again.

The net interest margin held nicely at 3.97% in 2014 versus 3.99% in 2013. Asset growth provided an increase in net interest dollars of almost $1 million resulting in a year over year increase of 7.4%. Non-interest income was down slightly as our mortgage business was softer than in 2013. Expenses rose to 2.68% of assets from 2.52% in 2013, and our efficiency ratio increased to 65% from 58%. As expected, we experienced some expense pressure with the completion of our Neenah headquarters addition early in 2014 and with the opening of a new branch later in the year. Additional resources required to support our recent growth and to keep up with the regulatory environment also contributed to increased operating expenses.

Another milestone was achieved in 2014 as we surpassed $400 million in assets ending the year at $420 million, an increase of $61 million or 17%. Loans were up $45 million or 15.5% while deposits increased $52 million or 17.5%.

Asset quality remains excellent with non-performing assets under half of one percent. Charge-offs for the year were 0.27% of loans and were in line with our recent averages, apart from 2013 where we incurred a loan fraud loss.

In an environment of low interest rates, a modest growth economy and continued regulatory and other expense pressures, FNB Fox Valley was able to deliver a solid year with nice shareholder returns and strong balance sheet growth. 2014 was a year many of our peers would envy. We remain a loan driven organization and expect that to continue. To achieve truly outstanding numbers, we can improve non-interest revenue sources, keep a closer eye on expenses and continue to grow into our current infrastructure. In other words, we will continue to become more efficient. 2015 will be a year in which we expect to execute strategies and initiatives to progress in those areas.

LETTER FROM THE PRESIDENT

Switching gears a bit into strategic matters, we opened our fifth branch in early December on Northland Avenue in Appleton. We continued to invest in technology advancements across a number of areas within the organization including data analysis and enhancements to our mobile and digital tools allowing us to provide a heightened customer experience.

We have expressed our long term plan to you many times which revolves around FNB Fox Valley being the largest community bank in the Fox Cities market with assets in the $1 billion range. We are almost halfway there, and by a wide margin the largest of the community banks in our market. We see additional organic growth and also strategic merger opportunities in our future. Therefore, we pursued a capital raise late in 2014 to support our growth plans.

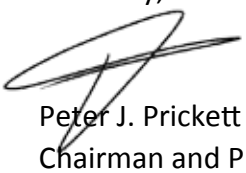
We raised $17,294,308 (net after expenses) and now have a number of new investor/owners. A broader and more diverse shareholder base, in addition to bringing new growth capital to the Company, offers more potential benefits for all stakeholders of First Menasha Bancshares, Inc.

Representatives of two of the new investors, Brian Hopkins and Anna Belyaev, were appointed as directors to fill two open board positions, adding to our already strong and comprehensive board. Management and the Board feel that this successful capital raise is a clear affirmation of our strategy as we position the Company to be successful in a banking environment vastly different than it was just a few years ago.

In summary, 2014 should be looked upon as a successful year financially and strategically. Thanks go out to the Board, shareholders and of course the employees all of whom drive our success.

I close with my personal invitation to attend our annual meeting on May 18th, 2015 at the Best Western Bridgewood Resort Hotel & Conference Center located at 1000 Cameron Way in Neenah, Wisconsin. The meeting will be a great opportunity for new and existing shareholders to get acquainted and discuss our bank's future.

Sincerely,



Peter J. Prickett
Chairman and President

BANK BOARD OF DIRECTORS & OFFICERS

BANK BOARD OF DIRECTORS

Chairman of the Board - Robert D. Coglianese
Vice Chairman of the Board - Tim M. Bergstrom

Omar Atassi, M.D.
Anna Belyaev (2015)
Hallie A. Detjen
Marianne K. Dickson
Robert J. Dusenberry
Brian R. Hopkins (2015)
Dustin J. McClone
Peter J. Prickett
William A. Raaths
Oliver Pierce Smith

BANK OFFICERS

Peter J. Prickett
President & Chief Executive Officer

Michael W. Boettcher
Senior Vice President & Chief Financial Officer

Tim Vogelsang
Senior Vice President - Commercial Lending

Michael Sullivan
Senior Vice President - Operations

Kathleen M. Blumreich
Senior Vice President - Retail

Karri A. Bedor
Vice President - Chief Marketing Officer

John Hintze
Vice President - Commercial Lending

Brian R. Julius
Vice President - Mortgage Sales Manager

Melissa M. Watzlawick
Vice President - Branch Manager

Chad M. Miller
Assistant Vice President - Mortgage

Steven R. Barry
Assistant Vice President - Commercial

David G. Kruck
Assistant Vice President - Commercial

Drew Bodway
Assistant Vice President - Mortgage

Lena A. Kraus
Assistant Vice President & Controller

Barry M. Wood
Mortgage Banking Officer

Nancy L. Heling
Internal Auditor & Compliance Review Officer

Sarah K. Ziemba
Human Resources Officer

Joyce Pindel
Commercial Relationship Officer

Holly Muggenthaler
Branch Manager

JoAnn Burgett
Branch Manager

COMMUNITY INVOLVEMENT

BEYOND THE DOLLAR $IGN

DONATIONS TO 94 DIFFERENT COMMUNITY ORGANIZATIONS

1,872 VOLUNTEER HOURS BY EMPLOYEES


HEALING HEARTS FOUNDATION


TOYS FOR TOTS


OSHKOSH MONEY CONFERENCE



EMPLOYEE VOLUNTEER SHIRTS


HABITAT FOR HUMANITY


BRAT FRY FOR MIRACLE LEAGUE


BUILDING A HABITAT HOUSE


NEENAH BLOOD DRIVE


TEACH A CHILD TO SAVE DAY


THANK YOU'S FROM JR. ACHIEVEMENT


THE SALVATION ARMY


MENASHA ROTARY


UNITED WAY "DOLLAR AN INCH"

COMMUNITY INVOLVEMENT IS ONE OF OUR CORE VALUES!

THE COMMUNITIES WE SERVE



APPLETON, WI



APPLETON, WI



MENASHA, WI



NEENAH, WI



OSHKOSH, WI



5 BRANCHES STRONG

INDEPENDENT AUDITOR'S REPORT

WIPFLi LLP

Independent Auditor's Report

Board of Directors and Shareholders
First Menasha Bancshares, Inc. and Subsidiaries
Neenah, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States, the consolidated balance sheets of First Menasha Bancshares, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements; and in our report dated March 26, 2015, we expressed an unmodified opinion on those financial statements.

In our opinion, the information set forth in the accompanying consolidated condensed financial statements as of and for the years ended December 31, 2014 and 2013, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

March 26, 2015
Appleton, Wisconsin

First Menasha Bancshares, Inc. and Subsidiaries

Consolidated Balance Sheets
For the Years Ended December 31, 2014 and 2013

Assets	2014	2013
Cash and due from banks	$ 28,143,005	$ 20,059,740
Interest - bearing deposits	16,601,402	8,136,683
Cash and cash equivalents	44,744,407	28,196,423
Investment securities available for sale	28,877,613	30,397,162
Loans, net	329,193,445	284,370,266
Premises and equipment, net	4,685,328	4,265,782
Other investments	1,550,994	1,548,894
Cash value of life insurance	7,882,619	7,632,450
Other real estate owned	312,274	284,374
Other assets	3,022,133	3,093,493
TOTAL ASSETS	$ 420,268,813	$359,788,844

First Menasha Bancshares, Inc. and Subsidiaries

Consolidated Balance Sheets (Continued)
For the Years Ended December 31, 2014 and 2013

Liabilities and Stockholders' Equity	2014	2013
Liabilities:		
Non-interest-bearing deposits	$ 56,074,218	$ 52,873,391
Interest-bearing deposits	291,559,949	242,717,009
Total deposits	347,634,167	295,590,400
Borrowed funds	29,420,850	24,912,161
Loans payable	1,189,915	1,427,713
Debentures	5,155,000	5,155,000
Other liabilities	2,317,610	1,282,993
Total liabilities	385,717,542	328,368,267
Stockholders' equity:		
Senior noncumulative perpetual preferred stock - Series C		
Authorized – 10,000 shares		
Issued – 10,000 shares	10,000,000	10,000,000
Common stock – $0.025 par value		
Authorized – 600,000 shares		
Issued – 325,917 shares December 31, 2014	8,148	8,132
325,273 shares December 31, 2013		
Outstanding – 306,085 shares December 31, 2014		
301,478 shares December 31, 2013		
Capital surplus	3,031,614	2,913,635
Retained earnings	22,345,630	19,747,961
Accumulated other comprehensive income	355,799	178,549
Unearned ESOP shares – 19,832 shares December 31, 2014	(1,189,920)	(1,427,700)
23,795 shares December 31, 2013		
Total stockholders' equity	34,551,271	31,420,577
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 420,268,813	$ 359,788,844

First Menasha Bancshares, Inc. and Subsidiaries

Consolidated Statements of Income
For the Years Ended December 31, 2014 and 2013

	2014	2013
Interest and dividend income:		
Loans, including fees	$ 14,304,098	$ 13,669,193
Securities:		
Taxable	173,319	203,202
Tax – exempt	686,668	706,938
Dividend income	41,339	40,240
Total interest and dividend income	15,205,424	14,619,573
Interest expense:		
Deposits	1,758,356	2,121,225
Borrowings	356,895	339,407
Total interest expense	2,115,251	2,460,632
Net interest income	13,090,173	12,158,941
Provision for loan losses	300,000	4,037,877
Net interest income after provision for loan losses	12,790,173	8,121,064
Other income:		
Service charges on deposit accounts	352,676	340,027
Loan – origination and administrative fees	133,224	137,639
Mortgage banking activities	301,654	858,262
Fee income	362,773	360,543
Net increase in cash value of life insurance	250,169	249,014
Net gain on sales of other real estate owned	-	46,621
Other	73,296	11,434
Total other income	$ 1,473,792	$ 2,003,540

First Menasha Bancshares, Inc. and Subsidiaries

Consolidated Statements of Income (Continued)
For the Years Ended December 31, 2014 and 2013

	2014	2013
Other expenses:		
Salaries and related employee benefits	$ 5,482,199	$ 4,776,993
Net occupancy expense	824,706	639,658
Equipment rentals, depreciation, and maintenance	474,155	357,227
Professional fees	579,085	357,475
Examinations and assessments	354,505	342,001
Data processing and telecommunication fees	675,737	591,084
Marketing, sponsorships, and business development	626,932	447,316
Loan collection	90,712	79,360
Other real estate owned	51,534	127,341
Other	964,996	935,494
Total other expenses	10,124,561	8,653,949
Income before provision for income taxes	4,139,404	1,470,655
Provision for income taxes	1,319,179	259,033
Net income	$ 2,820,225	$ 1,211,622
Earnings per common share	$ 9.34	$ 4.06

First Menasha Bancshares, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2014 and 2013

	2014	2013
Net income	$ 2,820,225	$ 1,211,622
Other comprehensive income (loss) –		
Unrealized gain/(loss) on securities available for sale	295,445	(975,103)
Tax effect	(118,195)	383,299
Other comprehensive income (loss)	177,250	(591,804)
Comprehensive income	$ 2,997,475	$ 619,818

First Menasha Bancshares, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2014 and 2013

	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Unearned ESOP Shares	Total Stockholders' Equity
Balance at January 1, 2013	$ 10,000,000	$ 8,114	$2,783,930	$ 18,948,615	$ 770,353	$ (1,599,000)	$ 30,912,012
Issuance of 703 shares of common stock for employee incentive plan		18	60,634				60,652
Net income				1,211,622			1,211,622
Dividends paid				(412,276)			(412,276)
Other comprehensive loss					(591,804)		(591,804)
Release of 3,758 shares of common stock to ESOP			69,071			171,300	240,371
Balance at December 31, 2013	10,000,000	8,132	2,913,635	19,747,961	178,549	(1,427,700)	31,420,577
Issuance of 644 shares of common stock for employee incentive plan		16	44,476				44,492
Net income				2,820,225			2,820,225
Dividends paid				(230,489)			(230,489)
Other comprehensive income					177,250		177,250
Release of 3,963 shares of common stock to ESOP			73,503	7,933		237,780	319,216
Balance at December 31, 2014	$ 10,000,000	$ 8,148	$3,031,614	$ 22,345,630	$ 355,799	$ (1,189,920)	$ 34,551,271

First Menasha Bancshares, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

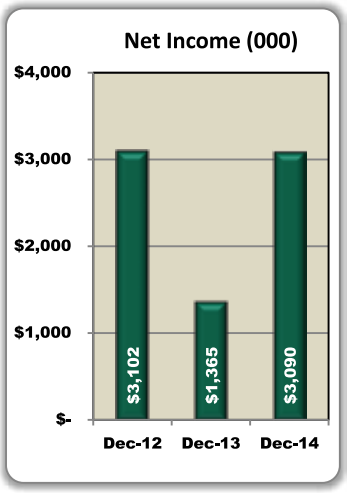
	2014	2013
Cash flows from operating activities:		
Net income	$ 2,820,225	$ 1,211,622
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and net amortization	430,263	307,148
Provision for loan losses	300,000	4,037,877
ESOP compensation expense	319,216	240,371
Net amortization of security premiums	127,382	178,669
Loss on disposal of fixed assets	16,645	1,248
Net gain on sale of other real estate owned	-	(46,621)
Credit for deferred taxes	516,682	(185,860)
Increase in cash value of life insurance	(250,169)	(249,014)
Changes in operating assets and liabilities:		
Other assets	687,513	1,504,988
Other liabilities	(195,207)	(922,897)
Total adjustments	1,952,325	4,865,909
Net cash provided by operating activites	4,772,550	6,077,531
Cash flows from investing activities:		
Proceeds from maturities of securities available for sale	3,889,032	10,578,702
Purchase of securities available for sale	(2,201,448)	(5,430,111)
Purchase of other investments	(2,100)	(1,150)
Net increase in loans	(45,151,079)	(27,927,492)
Premises and equipment expenditures	(845,690)	(1,653,343)
Proceeds on sale of fixed assets	2,550	-
Proceeds from sales of other real estate owned	-	246,319
Net cash used in investing activities	$ (44,308,735)	$ (24,187,075)

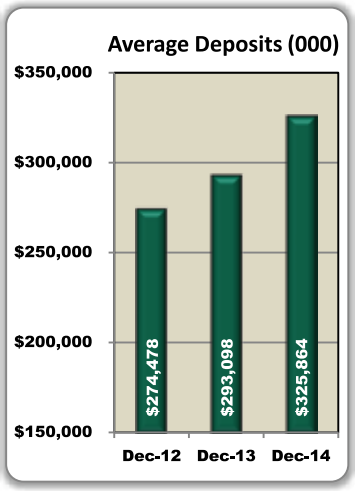
First Menasha Bancshares, Inc. and Subsidiaries

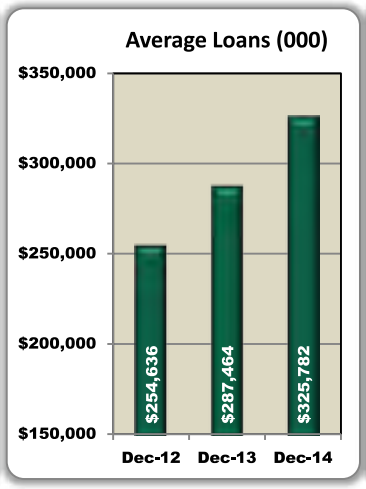
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2014 and 2013

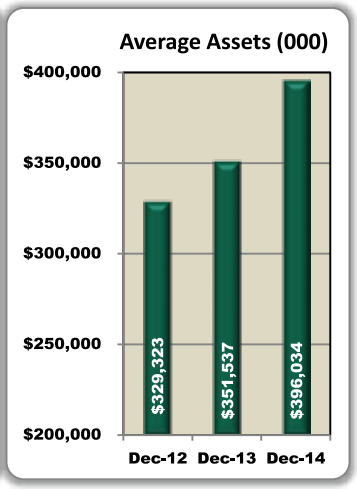
	2014	2013
Cash flows from financing activities:		
Net increase in deposits	$ 52,043,767	$ 15,607,781
Proceeds from borrowed funds	12,000,000	13,500,000
Principal payments on borrowed funds and loans payable	(7,729,109)	(6,756,594)
Dividends paid	(230,489)	(412,276)
Net cash provided by financing activities	56,084,169	21,938,911
Net increase in cash and cash equivalents	16,547,984	3,829,367
Cash and cash equivalents at beginning	28,196,423	24,367,056
Cash and cash equivalents at end	$ 44,744,407	$ 28,196,423
Supplemental cash flow information:		
Cash paid during the year for:		
Income taxes	$ 285,000	$ 1,090,000
Interest	2,156,236	2,584,869
Noncash investing and financing activities:		
Loans transferred to other real estate owned	$ 27,900	$ 125,798
Premises and equipment expenditures included in other liabilities	20,814	818,549

FIRST NATIONAL BANK - FOX VALLEY
FINANCIAL HIGHLIGHTS









FNB Fox Valley Financial Highlights (Bank Only)

Annual Averages	2014 (000)	2013 (000)	2012 (000)
Assets	$396,034	$351,537	$329,323
Loans	$325,782	$287,464	$254,636
Deposits	$325,864	$293,098	$274,478

Period End			
Net interest income	$ 13,263	$ 12,347	$ 11,205
Non-interest income	$ 1,519	$ 2,092	$ 2,768
Non-interest expense	$ 9,898	$ 8,677	$ 8,705
Net Income	$ 3,090	$ 1,365	$ 3,102

Performance Ratios			
Net interest margin	3.97%	3.99%	3.95%
Return on average assets	0.84%	0.40%	0.98%
Nonperforming assets/total assets	0.26%	0.78%	0.78%
Allowance for loan losses/loans	1.08%	1.13%	1.06%
Tier 1 Capital to Risk Weighted Assets	13.77%	14.98%	14.77%

FNB
FOX VALLEY

VISION

Lead the Fox Valley in Community Banking by delivering innovative products, services and superior customer experiences from passionate employees dedicated to the communities we serve.

MISSION

Empowering employees to deliver a superior experience.

CORE VALUES

Employees | Customers | Community

FNB

FOX VALLEY

FNBFOXVALLEY.COM

BRANCH LOCATIONS

835 W. Northland Ave.
Appleton, WI 54914

3111A E. Calumet St.
Appleton, WI 54915

320 Racine St.
Menasha, WI 54952

550 S. Green Bay Rd.
Neenah, WI 54956

400 N. Koeller St.
Oshkosh, WI 54902

920.729.6900

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