

# SHAREHOLDERnews

December 2009

## MESSAGE FROM THE PRESIDENT



To Our Valued Shareholders:

During the last quarter, your management team continued to focus on three key issues that are important to maintaining a healthy, strong, community bank: capital, liquidity, and asset quality.

Capital remains a key to the Bank's strength and provides the foundation upon which the Bank can grow. The Bank continues to be a well-capitalized bank as evidenced by our shareholder equity of \$81.6 million for the period ending September 30, 2009, compared to \$77.2 million for the same period in 2008. From a liquidity standpoint, our core deposits are our life-blood and allow the Bank to continue to fund our loan growth. Our core deposits grew by \$32 million or 6% during the year. In addition, we have diversified our funding sources, which will provide other venues for funding future loan growth. Asset quality is a key indicator of how well the Bank's loan portfolio is performing. Our non-performing loans have improved from .83% on June 30, 2009, to .63% as of September 30, 2009.

The Bank continues to benefit from low mortgage rates, as we are now servicing 2,436 accounts totaling over \$222 million in our secondary market loan portfolio. Although we have experienced a relatively quiet real estate market, we have booked 49 purchases during the third quarter, which represents nearly \$6.5 million of real estate mortgages. One of the advantages that Bank First National has in the marketplace is that we continue to service our mortgages locally. This has resulted in nearly \$33 million of mortgages being refinanced from other institutions to the Bank. Our customers realize the benefits of banking locally and having their mortgages serviced by a community bank. The result has been nearly \$103 million of mortgage activity through the first nine months of 2009.

In August we announced that we would be restructuring our branch system and closing our Newton, New Holstein, and Plymouth West offices. That was successfully completed on November 22. While it is difficult to close offices, the deployment of our resources to other locations helps to strengthen the Bank.

We are pleased to announce that effective January 1, 2010, Steve Ferris and Nikki Sundsmo will be located at our 8th Street office in Manitowoc. This is the result of the transitioning of the George V. Reis Investment Group into our Wealth Management area, which includes trust, brokerage, and investments. By combining our operations, we will be able to more effectively assess the needs of our customers and better serve them. Please stop in and meet Steve, Nikki, and the rest of our Wealth Management team, which includes Paul Callan, Kaye Johnson, Susan Hoppe, and Wendi Lucarelli.

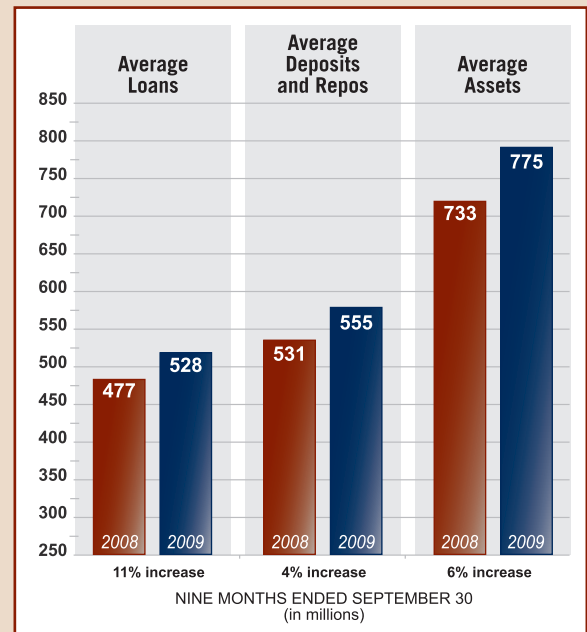
As always, we appreciate the continued support you have given Bank First National and look forward to visiting with you over the holiday season.

Sincerely,

David J. Diedrich,  
President



**First**  
Manitowoc Bancorp, Inc.



### BANK FIRST NATIONAL

402 N. Eighth St., Manitowoc (920) 684-6611  
4712 Expo Dr., Manitowoc (920) 652-3150  
2915 Custer St., Manitowoc (920) 683-5710  
1509 Washington St., Two Rivers (920) 793-2274

106 Packer Dr., Francis Creek (920) 683-5700  
109 S. Fourth Ave., St. Nazianz (920) 773-2101  
110 Baugniet St., Mishicot (920) 755-4200  
110 Fremont St., Kiel (920) 894-2215

2747 Manitowoc Rd., Bellevue (920) 469-0500  
2323 Eastern Ave., Plymouth (920) 893-1611  
2865 S. Ridge Rd., Ashwaubenon (920) 499-0500  
2600 Kohler Memorial Dr., Sheboygan (920) 694-1900

### VINCENT GROUP INSURANCE & FINANCIAL SOLUTIONS

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### GEORGE V. REIS INVESTMENT GROUP

1523 Washington St., Two Rivers (920) 793-4442

Ticker: **FMWC**

[www.BankFirstNational.com](http://www.BankFirstNational.com)



# First Maniwoc Bancorp, Inc. Financial Results for nine months ended September 30, 2009

Our balance sheet growth trends in 2009 reflect continued growth in banking relationships in the market we serve. Total assets for the Company increased by \$17 million or 2 percent to \$784 million at September 30, 2009 compared to \$768 million at September 30, 2008. Loans grew by 10 percent during the period with \$48 million year-over-year growth. Our asset growth has been funded primarily through core deposits. Our non-interest bearing deposits have increased by 6 percent or \$6 million from \$93 million at September 30, 2008 to \$99 million at September 30, 2009 reflecting growth in relationships and Bank First National's participation in the FDIC transaction account guarantee program, which provides unlimited FDIC insurance on your demand deposit accounts.

First Maniwoc Bancorp, Inc. reported net income of \$5.3 million for the nine months ended September 30, 2009, a \$621,000 or 10 percent decrease as compared to \$5.9 million for the prior nine month period ended September 30, 2008. Diluted earnings per share were \$0.68 for the first nine months of 2009 compared to \$0.89 for the first nine months of 2008. During 2009 we paid dividends to the U.S. Treasury of \$238,000 and in May 2009 we recognized the TARP warrant exercise cost of \$600,000 upon our repayment of the U.S. Treasury's investment in First Maniwoc Bancorp, Inc. The combined effect of the dividend and the warrant resulted in an \$838,000 reduction in diluted earnings per share of \$0.13 during the year as those payments reduced equity and net income available for common stockholders.

Net interest income increased by \$1.5 million or 9 percent during 2009 to \$18.7 million, as compared to \$17.2 million in 2008, due to a \$42 million increase in average earning assets and expansion in net interest margin to 3.68 percent from 3.63 percent last year.

We are pleased to report stable asset quality trends due to the identification a year ago of some problem real estate loans which we have quantified and instituted measures to prevent a similar loss from occurring in the future. Our nonperforming assets to total assets have decreased to 0.63 percent at September 30, 2009 from 1.11 percent at September 30, 2008 due to a nearly \$4 million decrease in nonaccrual loans. Net charge-offs for the first nine months of 2009 are \$1,128,000 down 40 percent compared to \$1,941,000 for the first nine months of 2008. As a result, provision for loan losses was reduced to \$2.2 million in 2009 compared to \$3.5 million in 2008. Our allowance for probable credit losses as a percentage of gross loans is 1.05 percent at September 30, 2009 compared to 1.07 percent at September 30, 2008.

Total non-interest income decreased by \$100,000 or 1 percent to \$10.0 million for the nine months ended September 30, 2009 from \$10.1 million in the first nine months of 2008. The decrease in non-interest income in 2009 resulted primarily from losses realized from the fair value of our mortgage servicing rights and a decrease in contingency fee income from our insurance subsidiary. These declines in revenue were offset by increased revenue from mortgage originations as well as gains realized on the sale of securities.

Non-interest expense increased by \$2.1 million, or 12 percent, to \$19.5 million for 2009 compared to \$17.4 million in 2008. \$900,000 of the increase reflects the dramatic 263 percent increase in FDIC assessments that Bank First National has incurred. The increase also reflects increases in salaries and employee benefits and expenses related to the closing of three branches. Our full-time equivalent staff decreased by 5 persons to 242 at September 30, 2009, from 247 at September 30, 2008. The Company's efficiency ratio increased to 67 percent at September 30, 2009, from 62 percent at September 30, 2008. The increase in the efficiency ratio in 2009 reflects the recognition of the branch closure expenses recorded in the third quarter of 2009.

We are pleased to report that our third quarter 2009 dividend of \$0.105 per share reflects an increase of 11 percent as compared to the third quarter 2008 dividend of \$0.095. Total shareholders' equity increased by 6 percent or \$4.4 million to \$81.6 million at September 30, 2009 as compared with \$77.2 million at September 30, 2008.

Return on average equity was 8.27 percent for 2009 compared to 10.41 percent in 2008. Return on average assets was 0.91 percent in 2009 compared to 1.08 percent in 2008. While the banking and economic climate remains turbulent, we are pleased to report profitable and sound financial trends as we prepare and respond to these challenging economic times. Our financial results are derived from our focus on building relationships and delivering high quality and innovative financial services.

## Fourth Quarter Cash Dividend

The board has declared a regular cash dividend of \$0.105 per share. It is payable December 11, 2009 to shareholders of record November 30, 2009. We strongly recommend that you use our dividend direct deposit program. It is safe, secure, and very convenient. Please contact Joan Walsh at our Eighth Street office, (920) 652-3276, for details.

Shareholders of our First Maniwoc Bancorp, Inc. ("FMWC") stock can now elect to hold qualifying shares in "book-entry" or electronic position in lieu of paper certificates. If you are interested in finding out more information about maintaining your FMWC shares in book-entry format, please contact Joan Walsh at 920-652-3276. Holding shares in book entry can prevent certificates from being lost or stolen.

In addition, the Bank First National Financial Services Department can assist you in opening a brokerage account for the purpose of holding your stock.

Bank First National employees Susan Hoppe (920-652-3282) and Wendi Lucarelli (920-892-3307) are registered representatives with Packerland Brokerage Services, Inc., and are available to answer any questions you have about opening a brokerage account for the purpose of holding your stock.

Investment products are not bank deposits, are not FDIC insured, are not insured by any Federal Government Agency, have no bank guarantee and may lose value. Registered Representative, Securities and Advisory Services offered through Packerland Brokerage Services, Inc., an unaffiliated entity- Member FINRA & SIPC.

# Financial Performance

	<u>9/30/2009</u>	<u>9/30/2008</u>
<b>ASSETS</b>		
	(In Thousands)	
Cash, Cash Equivalents and Fed Funds Sold	\$ 13,465	\$ 28,092
Investment Securities at Fair Value	166,021	184,713
Other Investments at Cost	3,539	3,639
Loans, Net	542,640	494,941
Premises and Equipment	10,138	10,047
Other Assets	48,452	46,084
<b>Total Assets</b>	<b><u>\$ 784,255</u></b>	<b><u>\$ 767,516</u></b>
<b>LIABILITIES</b>		
Deposits	\$ 593,247	\$ 576,356
Securities Sold Under Repurchase Agreements	71,975	76,475
Borrowed Funds	22,497	29,071
Notes Payable	4,600	-
Other Liabilities	10,349	8,421
<b>Total Liabilities</b>	<b><u>\$ 702,668</u></b>	<b><u>\$ 690,323</u></b>
<b>Total Shareholder Equity</b>	<b><u>81,587</u></b>	<b><u>77,193</u></b>
<b>Total Liabilities and Shareholder Equity</b>	<b><u>\$ 784,255</u></b>	<b><u>\$ 767,516</u></b>



**Consolidated  
Statements of  
Financial  
Condition**

	<u>9/30/2009</u>	<u>9/30/2008</u>
	(In Thousands, Except Share Data)	
	Nine months ended	
Total Interest Income	\$ 28,771	\$ 30,559
Total Interest Expense	10,062	13,362
Net Interest Income	18,709	17,197
Provision for Loan Losses	2,180	3,500
Net Interest Income After Provision for Loan Losses	16,529	13,697
Total Other Income	10,044	10,120
Total Operating Expenses	19,523	17,433
Income Before Provision for Income Taxes	7,050	6,384
Provision for Income Taxes	1,744	457
<b>Net Income</b>	<b><u>\$ 5,306</u></b>	<b><u>\$ 5,927</u></b>
<b>Earnings Per Share: Basic and Diluted</b>	<b>\$ 0.68</b>	<b>\$ 0.89</b>



**Consolidated  
Statements of  
Income**

	<u>9/30/2009</u>	<u>9/30/2008</u>
Return on Average Assets	0.91%	1.08%
Return on Average Equity	8.27%	10.41%
Efficiency Ratio	66.67%	61.74%
Net Interest Margin (bank only)	3.68%	3.63%
FTE - period end	242	247
Dividend Payout Ratio	46%	32%
Dividends Per Share	\$ 0.32	\$ 0.29



**Key Financial  
Metrics**

# what's new

## First Manitowoc Bancorp, Inc. wins coveted national marketing award

First Manitowoc Bancorp, Inc. received first place at the American Bankers Association (ABA) Financial Marketing Conference for their 2008 Annual Report (the Ship's Log). The award was presented as part of the Marketing Awards ceremony held in San Antonio, Texas, this past September.

The best bank advertising and marketing campaigns from across the U.S. were recognized at the American Bankers Association's 2009 Financial Marketing Awards ceremony. Established in 1972, the ABA Financial Marketing Awards recognize bank marketing professionals and their agencies for creative excellence based on bank asset size.

A panel of financial services marketers and advertising professionals around the country judged entries based on execution of the communications strategy, message and positioning, as well as the campaign's overall results.

Entries were judged in four asset levels and divided into six categories including annual report, brand, customer acquisition and retention, financial education, humor, and impact. Financial institutions including banks, savings and loans, insurance companies, brokerage firms, investment firms, credit card companies and their advertising agencies submitted entries.



Representing First Manitowoc Bancorp, Inc. at the ABA Marketing Award Ceremony were (from left to right) Debbie Weyker, Rachel Wiegert and Elizabeth Phillips-smith.

## Rabe promoted to Vice President at Bank First National

Michelle Rabe, Branch Manager at Bank First National's Kiel office, was promoted to Vice President. She previously held the position of Assistant Vice President.

Rabe is a member of Junior Achievements and the Kiel Historical Society. A native of Kiel, Rabe resides in Kiel with her husband Randy. She enjoys snowmobiling, going up north to their cabin, traveling, fishing and hunting.

### Feedback

Your feedback is valuable to us. If you have any feedback or comments about this newsletter or about the way we communicate with you, please send us an email at: [investorrelations@bankfirstnational.com](mailto:investorrelations@bankfirstnational.com)

## Bank on a great season with our Money Market Elite checking account



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- ✓ Free check safekeeping
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\*Fees could reduce earnings on the account. The interest rate and annual percentage yield for all tiers may change at our discretion at any time.



**First**  
Manitowoc Bancorp, Inc.

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