

Always focused

Always caring

Always committed

### First National Bank~Fox Valley

2400 Kensington Drive  
Appleton, WI 54915  
920-882-1660

320 Racine Street  
Menasha, WI 54952  
920-729-6900

550 South Green Bay Road  
Neenah, WI 54956  
920-729-6901

400 N. Koeller Street  
Oshkosh, WI 54902  
920-426-6222

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

You  
*First*

Annual Report 2007

**FNB**

FIRST NATIONAL BANK ~ FOX VALLEY

A p p l e t o n ~ M e n a s h a ~ N e e n a h ~ O s h k o s h



Blaine,  
a First National  
Bank~Fox Valley  
customer since  
1989.

## You First

You First are more than words. It is our passion. It shows up in every detail-whether it is the personal, high-touch service every customer receives, or the unparalleled attention we pay to satisfying our customer's needs.

The mission of First National Bank~Fox Valley is to make our customer's experience the most rewarding it can be.

## LETTER FROM THE PRESIDENT

Dear Shareholders,

As expected, 2007 was a challenging year for First National Bank-Fox Valley. We are reporting net income for the year of \$254,943 resulting in a return on assets of 0.13%. First Menasha Bancshares Inc., reports a book value per outstanding share of \$179.71. Despite the difficult year experienced in 2007, your bank's capital position relative to our asset size remains strong with total equity exceeding \$19.5 million.

Management and the board spent considerable time in 2007 developing strategies for how we move your bank forward. We developed initiatives and tactics to improve our bank's balance sheet position, loan quality, earnings and growth potential. Specifically we intend to return to core banking services focusing on our commercial and retail business lines. We are undergoing a major initiative to improve the customer experience at our bank in order to improve retention rates and offer new clients an outstanding banking experience. Our new marketing program as highlighted in our annual report emphasizes our new "YOU FIRST" campaign. We will be more visible in the communities that we serve in 2008 and beyond.

We are pleased to report that the level of our problem assets has declined significantly over the course of the year although much work remains to be done in that area. Asset growth resumed in the last half of the year after being under considerable pressure during the first two quarters of 2007.

As we move into 2008 we expect to show further improvement in the asset quality position of the bank, demonstrate our ability to grow the balance sheet with quality assets and improve the overall returns to you the shareholders. Yes, 2008 again will be challenging with some of the over hang of 2007 and very competitive interest rate environment and marketplace.

As I close in on the first year as CEO of your bank I see momentum resuming that is being driven by our group of dedicated and passionate employees, loyal and supportive customers, and a market place that continues to be receptive to a strong, independent, and community based bank.

I look forward to communicating with you in 2008 and in a more optimistic fashion.

In the meantime you as shareholders can offer your support by exploring additional banking services that we may be able to provide you along with spreading the word of the positive experiences that you have as clients of First National Bank~Fox Valley.

Thank you again for your support.

Sincerely,

**Peter J Prickett**  
President/Chief Executive Officer





Lori,  
a First National  
Bank~Fox Valley  
customer since  
2007.

Our customers are the most valuable asset of First National Bank~Fox Valley. For over 120 years, we've listened to the needs of our customers—and community.

We believe that our success is based on our customer's success. This community-focused attitude lives in every decision we make. We are committed to providing the products and services that offer our customers the highest potential for financial success.

## LETTER FROM THE CHIEF FINANCIAL OFFICER

Dear Shareholders,

I am pleased to provide you with this financial review of 2007 and report that our financial results have stabilized in recent months. While our net operating results were below prior years—significant positive progress was made on our asset quality levels. Improvement in asset quality will be one of the key ingredients in providing enhanced financial performance to you in 2008 and beyond.

First Menasha Bancshares, Inc. is reporting a consolidated net loss for 2007 of \$27,891 which is \$.35 per outstanding share. Net income declined \$386,441 from 2006. The primary cause for the decline is a reduction in net income of First National Bank~Fox Valley. Book value per outstanding share was \$179.71 on December 31, 2007.

Net income for First National Bank~Fox Valley in 2007 was \$254,943 which is a decline of \$370,218 from 2006. The Bank's return on average assets (ROA) and return on average equity (ROE) were .13% and 1.31%, respectively. Net interest margin, which is the single largest contributor to operating income, declined \$1.2 million from 2006. Net interest margin was impacted by a reduction in loan balances, an increase in non performing loans and a competitive interest rate environment. Significant time and effort was expended working through our problem loans. This situation negatively impacted our ability to generate new loan and deposit business thereby causing a reduction in overall fee income of the Bank. Additionally, costs associated with workout and collection of challenged credits were a significant factor in the \$500,000 increase of the Bank's non-interest operating expense.

Total assets of First National Bank~Fox Valley were \$198.4 million on December 31, 2007 which is a year over year decline of \$23.8 million. Net loan balances declined \$20.6 million between years. This decline occurred in the first half of 2007 as we prioritized time and effort in the asset quality area. Loan balances remained steady at over \$163 million during the last six months of the year. Our Allowance for Loan Losses exceeded \$2.6 million on December 31, 2007 and was 1.61% of total loans as of this date. Total deposits declined \$26.0 million—over \$20.6 million of this decline was in our brokered deposit balances which tend to be higher cost sources of funding.

We look forward to 2008 and are committed to improving the Bank's financial performance. Positive trends in asset quality have been realized. We expect to see increases in our earning asset balances and will leverage our existing operating structure to efficiently and effectively serve our customers'.

Thank you for your continued support.

Michael W. Boettcher  
Senior Vice President/Chief Financial Officer

You  
First

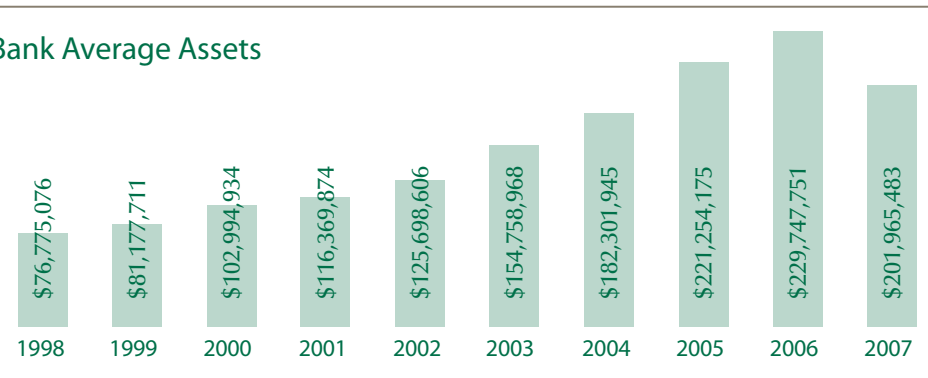
**STATEMENTS OF CONDITION FIRST NATIONAL BANK~FOX VALLEY**

	December 31,	
	2007	2006
<b>ASSETS</b>		
Cash and due from banks	\$ 9,046,675	\$ 10,725,507
Investment securities available for sale—stated at fair value	22,363,933	21,049,439
Other investments	1,213,238	4,213,238
Loans held for sale	-	-
Loans-net	161,600,728	182,256,812
Premises and equipment-net	1,506,543	1,738,285
Other assets	2,681,203	2,259,692
<b>TOTAL ASSETS</b>	<b>\$ 198,412,320</b>	<b>\$ 222,242,973</b>
<b>LIABILITIES AND STOCKHOLDER EQUITY</b>		
<b>Liabilities</b>		
Deposits		
Non-interest bearing deposits	\$ 26,659,682	\$ 22,896,473
Interest bearing deposits	135,253,292	165,013,566
Total deposits	161,912,974	187,910,039
Short-term borrowed funds	102,657	615,349
Borrowed funds	16,500,000	13,500,000
Other liabilities	322,000	988,579
<b>Total liabilities</b>	<b>\$ 178,837,631</b>	<b>\$ 203,013,967</b>
Stockholder equity		
Equity capital		
Common stock, \$5.00 par value per share Authorized and outstanding 100,000 shares	\$ 500,000	\$ 500,000
Surplus	6,500,000	6,500,000
Undivided profits	12,462,951	12,278,008
Accumulated Other Comprehensive Income (Loss)	111,738	(49,002)
<b>Total stockholder equity</b>	<b>\$ 19,574,689</b>	<b>\$ 19,229,006</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER EQUITY</b>	<b>\$ 198,412,320</b>	<b>\$ 222,242,973</b>

**ANALYSIS OF ALLOWANCE FOR LOAN LOSSES FIRST NATIONAL BANK~FOX VALLEY**

	December 31,	
	2007	2006
<b>Balance—beginning of year</b>	<b>\$ 3,986,102</b>	<b>\$ 2,593,084</b>
<b>Charge-offs</b>		
Commercial loans	\$ 1,676,462	\$ 129,989
Real estate loans	264,456	421,122
Installment loans	28,681	1,782
Credit cards and related plans	22,666	-
Consumer account	9,242	-
<b>Total charge-offs</b>	<b>\$ 2,001,507</b>	<b>\$ 552,893</b>
<b>Recoveries</b>		
Commercial loans	\$ 27,862	\$ 35,760
Real estate loans	19,405	-
Installment loans	-	-
Credit cards and related plans	15,550	-
Consumer account	1,144	-
<b>Total recoveries</b>	<b>\$ 63,961</b>	<b>\$ 35,760</b>
<b>Net charge-offs</b>	<b>\$ 1,937,546</b>	<b>\$ 517,133</b>
<b>Provision charged to operations</b>	<b>\$ 600,000</b>	<b>\$ 1,910,151</b>
<b>Balance - end of year</b>	<b>\$ 2,648,556</b>	<b>\$ 3,986,102</b>
<b>Ratio of net charge-offs during the year to average loans outstanding</b>	<b>1.15%</b>	<b>0.26%</b>
<b>Ratio of allowance for credit losses to total loans at year end</b>	<b>1.61%</b>	<b>2.14%</b>

**Bank Average Assets**



## STATEMENTS OF EARNINGS FIRST NATIONAL BANK~FOX VALLEY

	December 31,	
	2007	2006
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 12,184,216	\$ 14,076,270
Interest and dividends on investments		
Taxable	731,286	572,623
Tax-exempt	393,361	421,327
Other interest and dividend income	36,331	45,194
<b>Total interest income</b>	<b>\$ 13,345,194</b>	<b>\$ 15,115,414</b>
<b>INTEREST EXPENSE</b>		
Deposits	\$ 6,515,731	\$ 7,048,735
Short-term borrowings	48,986	118,766
Borrowed funds	657,896	597,381
<b>Total interest expense</b>	<b>\$ 7,222,613</b>	<b>\$ 7,764,882</b>
<b>NET INTEREST INCOME</b>	<b>\$ 6,122,581</b>	<b>\$ 7,350,532</b>
Provision for loan losses	600,000	1,910,151
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>\$ 5,522,581</b>	<b>\$ 5,440,381</b>
<b>OTHER INCOME</b>		
Gain on sale of loans	\$ 80,962	\$ 104,729
Loan fees	228,099	279,890
Service charges on deposit accounts	238,461	331,891
Wealth Management	19,147	131,854
Other service charges, exchange and fees	67,313	38,948
All other income	49,131	14,597
<b>Total other income</b>	<b>\$ 683,113</b>	<b>\$ 901,909</b>
<b>OTHER OPERATING EXPENSES</b>		
Salaries, wages and benefits	\$ 3,035,560	\$ 2,809,229
Occupancy expense - net	567,229	609,955
Computer expense	261,799	246,647
Furniture and equipment - net	320,628	336,561
Professional fees	484,908	289,606
Advertising and promotion	140,917	176,536
All other operating expense	1,190,769	1,014,551
<b>Total operating expenses</b>	<b>\$ 6,001,810</b>	<b>\$ 5,483,085</b>
Income before provision for income taxes	\$ 203,884	\$ 859,205
Provision (Credit) for income taxes	\$ (51,059)	\$ 234,044
<b>NET INCOME</b>	<b>\$ 254,943</b>	<b>\$ 625,161</b>

## STATEMENTS OF CONDITION FIRST MENASHA BANCSHARES, INC.

	December 31,	
	2007	2006
<b>ASSETS</b>		
Cash	\$ 19,473	\$ 4,236
Income tax, interest and rent receivable	111,290	415,534
Investment in trusts	155,000	155,000
Prepaid expense	64,947	67,447
Premises and equipment - net	353,088	365,088
Investment in subsidiary of First National Bank - Fox Valley	19,574,689	19,229,006
<b>TOTAL ASSETS</b>	<b>\$ 20,278,487</b>	<b>\$ 20,236,311</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Borrowed funds	\$ 632,500	\$ 737,500
Subordinated debentures	5,155,000	5,155,000
Other liabilities	23,841	28,514
<b>Total liabilities</b>	<b>\$ 5,811,341</b>	<b>\$ 5,921,014</b>
<b>Stockholders' equity</b>		
Common stock \$ .10 par value per share		
Authorized 150,000 shares		
Issued 80,445 shares	\$ 8,045	\$ 8,045
Additional paid-in capital	2,614,747	2,614,747
Retained earnings	11,816,296	11,844,187
Accumulated other comprehensive income (loss)	111,738	(49,002)
Treasury stock at cost (2007 - 464; 2006 - 564 shares)	(83,680)	(102,680)
<b>Total stockholders' equity</b>	<b>\$ 14,467,146</b>	<b>\$ 14,315,297</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 20,278,487</b>	<b>\$ 20,236,311</b>



## STATEMENTS OF EARNINGS FIRST MENASHA BANCSHARES, INC.

	December 31,	
	2007	2006
<b>INCOME</b>		
Dividend income	\$ 70,000	\$ 459,436
Dividend income—trust	11,376	10,877
Rent Income	13,800	30,000
Other Income	202	-
<b>Total income</b>	<b>\$ 95,378</b>	<b>\$ 500,313</b>
<b>EXPENSE</b>		
Interest	\$ 424,547	\$ 424,810
Other	27,942	27,113
<b>Total expense</b>	<b>\$ 452,489</b>	<b>\$ 451,923</b>
Income (Loss) before income taxes and equity in subsidiary earnings	\$ (357,111)	\$ 48,390
Income tax benefit	144,277	144,435
Income (Loss) before equity in earnings of subsidiary	\$ (212,834)	\$ 192,825
Equity in earnings of subsidiary	184,943	165,725
Net Income (Loss)	\$ (27,891)	\$ 358,550
Retained earnings at beginning of year	\$ 11,844,187	\$ 11,525,259
Less dividend declared	-	(39,622)
Retained earnings at end of year	\$ 11,816,296	\$ 11,844,187

## DIRECTORS AND OFFICERS FIRST NATIONAL BANK~FOX VALLEY

### Directors

William A. Raaths  
*Chairman*

Omar Atassi, M.D.

Tim M. Bergstrom

Robert D. Bero

Robert D. Coglianesi

Marianne K. Dickson

Gerald A. Henseler

Peter J. Prickett

Thomas J. Prosser

### Officers

Peter J. Prickett  
*President and Chief Executive Officer*

Michael W. Boettcher  
*Senior Vice President and Chief Financial Officer*

Wenda M. Roycraft  
*Senior Vice President and Senior Lender*

Kathleen M. Blumreich  
*Vice President*

Brian R. Julius  
*Assistant Vice President*

Alan D. Braemer  
*Assistant Vice President*

Nancy L. Heling  
*Compliance Officer and Internal Auditor*

Lena A. Kraus  
*Controller*

David G. Kruck  
*Commercial Lending Officer*

Karri A. Bedor  
*Mortgage Lending Officer*

Carl J. Stamm  
*Mortgage Lending Officer*

Chad M. Miller  
*Mortgage Lending Officer*

Michael S. Weindling  
*Private Banking Officer*



You  
First