



# First Manitowoc Bancorp, Inc.

## MESSAGE FROM THE PRESIDENT



Dear Shareholder,

Over the past few weeks, there have been a number of events that have occurred which could bear directly on you as a shareholder. The first event is the recent decision by the Federal Circuit Court of Appeals in Chicago affirming a lower Court's decision allowing us to recover, from our insurance company, a loss that occurred as a result of fraud in 2001. A complete summary of the award is noted in the brief below. Obviously, we are very happy with the result. The award will have a positive impact on second quarter earnings.

On the negative side, our customers continue to be attacked through the internet by various phishing scams. More detail concerning phishing is provided in this newsletter. I want to emphasize to you that it is extremely important to protect your personal data. A number of our shareholders and customers have fallen prey to these scams. It is important to emphasize that no one is immune from unscrupulous individuals attempting to obtain personal information. We have initiated a significant educational program in an attempt to educate customers and our communities concerning this type of scam.

I hope you enjoy our June newsletter, and I would be happy to hear any suggestions to improve this publication.

Sincerely yours,

Thomas J. Bare, President

### Second Quarter Cash Dividend

The board has declared a regular cash dividend of 8.5 cents per share, which represents a 13.3% increase over last year's second quarter dividend. It is payable June 8, 2007 to shareholders of record June 1, 2007. 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 concerning the program.

### First National Bank awarded \$2.4 million

First National Bank in Manitowoc was awarded \$2.4 million in its lawsuit against an insurance company which refused to pay on a policy insuring the bank against losses caused by forged or counterfeit documents. The bank incurred losses of \$1.75 million in October 2001 resulting from forged automobile leases submitted to the bank by West Town Auto, Inc. However, the bank's insurer, Cincinnati Insurance Co., refused to make any payments on an insurance policy it sold to the bank which provided coverage for forged or counterfeit documents, claiming the bank's losses were not directly caused by the forged auto leases. The bank sued Cincinnati Insurance Co., and the matter was first heard in U.S. Federal Court in Green Bay, which agreed with the bank's position and awarded damages to the bank. However, Cincinnati Insurance Co. appealed to the Federal Circuit Court of Appeals in Chicago. On May 11, 2007, that court completely upheld the bank's right to recovery on the policy stating, "Because the bank acted upon the kinds of documents that it would normally act upon in its business," coverage was required. The Court also awarded the bank interest on its claim resulting in a total award to the bank of over \$2.4 million.



First National Bank's main office ~  
402 North Eighth Street, Manitowoc



## First National Bank

www.bankfirstnational.com Member FDIC

402 N. Eighth Street, Manitowoc  
920-684-6611

2915 Custer Street, Manitowoc  
920-683-5710

4712 Expo Drive, Manitowoc  
920-652-3150

1509 Washington Street, Two Rivers  
920-793-2274

106 Packer Drive, Francis Creek  
920-683-5700

110 Baugniet Street, Mishicot  
920-755-4200

5724 Cty Tk U, Newton  
920-726-4266

109 S. Fourth Avenue, St. Nazianz  
920-773-2101

110 Fremont Street, Kiel  
920-894-2215

2210 Calumet Drive, New Holstein  
920-898-1616

2747 Manitowoc Road, Bellevue  
920-469-0500

2865 S. Ridge Road, Ashwaubenon  
920-499-0500

2323 Eastern Avenue, Plymouth  
920-893-1611

300 E. Mill Street, Plymouth  
920-892-3330



4712 Expo Drive, Manitowoc  
800-700-7350

425 S. Adams Street, Green Bay  
888-490-0400

1776 Main Street, Little Chute  
800-556-3536



1413 22nd Street,  
Two Rivers  
920-793-4442



## First Maniwoc Bancorp, Inc. Financial Results for three months ended March 31, 2007

# 1st quarter

3/31/07

First Maniwoc Bancorp, Inc. reported net income of \$1.9 million or \$0.28 diluted earnings per share for the quarter ended March 31, 2007, a 13 percent decrease as compared to \$2.1 million or \$0.32 diluted earnings per share for the prior year quarter ended March 31, 2006. In the first quarter 2006, the Company recognized approximately \$700,000 of contingency income from our insurance subsidiary, compared with \$130,000 in the first quarter of 2007.

Total assets for the Company increased by \$28 million or 4 percent as compared to the prior year quarter to \$673 million at March 31, 2007 compared to \$645 million at March 31, 2006. Our asset growth was primarily generated by \$13 million or 3 percent growth in loans and \$23 million increase in cash and cash equivalents. Total deposits and repurchase agreements increased \$37 million or 7 percent to \$567 million at March 31, 2007 compared to \$530 million at March 31, 2006. Total borrowed funds decreased by \$13 million as our strong core deposit growth continues to sustain our asset growth.

Total shareholders' equity increased

by \$5 million to \$71 million at March 31, 2007 as compared with \$66 million at March 31, 2006. The growth in shareholders' equity is primarily attributable to our net income for the full year reduced by our dividends declared. The first quarter 2007 dividend of \$0.085 per share reflects an increase of 13 percent as compared to the first quarter 2006 dividend of \$0.075. Return on average equity was 10.80% compared to 13.90% in 2006. Return on average assets was 1.12% compared to 1.29% in 2006.

Net interest income increased by \$102,000 during 2007 to \$5.1 million as compared to \$5.0 million in 2006, due to an increase in net interest margin that was offset by a decline in average earning assets. Net interest margin increased to 3.56 percent for the first quarter 2007 as compared to 3.52

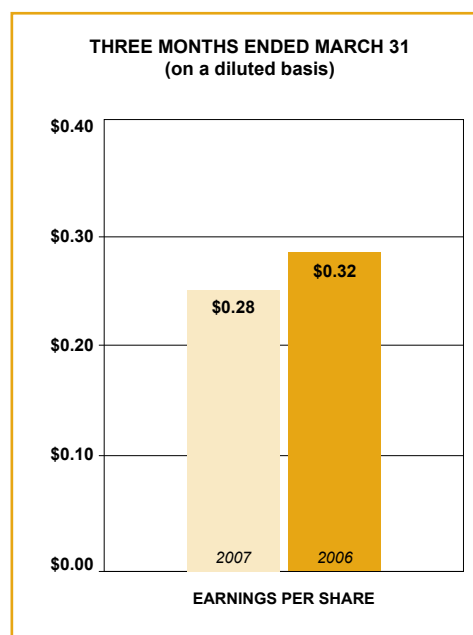
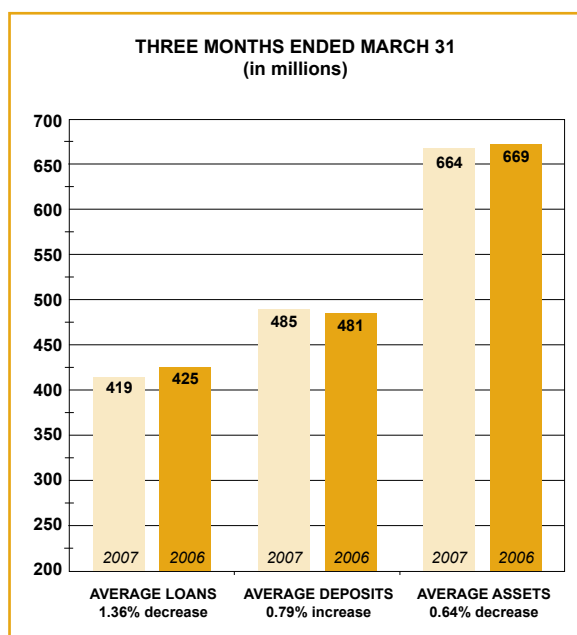
percent in the first quarter 2006 due primarily to the rising rate environment and the positive impact attributable to our noninterest bearing deposits. Our net interest margin continues to experience pressure, however, due to the challenging interest rate environment that has resulted from the inverted yield curve. Provision for loan losses totaled \$300,000 in 2007 compared to \$450,000 in 2006.

Total non-interest income decreased by \$490,000 to \$2.1 million in 2007 from \$2.6 million in 2006. The decrease in non-interest income as compared to the prior quarter period resulted from a decrease in contingency income received by our insurance subsidiary in 2006 as compared to 2007.

Non-interest expense increased by \$350,000 to \$4.6 million for 2007 compared to \$4.2 million in 2006 driven primarily by increases in salaries and employee benefits. The Company continues to focus on growth in existing and new markets in both its banking and insurance businesses.

## Investor Relations web page to offer more information

First National Bank understands how important your investments are to you. This is why we are improving our Investor Relations page on our web site. In the near future, you will have easy access to detailed information about our company. Stock information, history, dividends, return calculator and basis calculators are just a few of the added features you will find. You can also look forward to viewing financial documents, financial highlights, peer analysis, deposit marketshare, email notifications to yourself, as well as a FAQ section. We hope you find this information convenient and valuable to you.



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**FIRST MANITOWOC BANCORP, INC.**  
**Consolidated Statements of Financial Condition**

	<u>3/31/2007</u>	<u>3/31/2006</u>
	(In Thousands)	
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 38,890	\$ 15,619
Investment Securities at Fair Value	169,367	161,684
Other Investments at Cost	3,639	15,767
Loans, Net	417,143	404,045
Premises and Equipment	8,821	9,132
Other Assets	35,566	39,181
<b>Total Assets</b>	<b><u>\$673,426</u></b>	<b><u>\$645,428</u></b>
<b>LIABILITIES</b>		
Deposits	\$ 509,892	\$ 464,528
Securities Sold Under Repurchase Agreements	56,865	65,690
Borrowed Funds	27,822	41,108
Other Liabilities	7,775	8,240
<b>Total Liabilities</b>	<b><u>602,354</u></b>	<b><u>579,566</u></b>
<b>Total Shareholder Equity</b>	<b><u>71,072</u></b>	<b><u>65,862</u></b>
<b>Total Liabilities and Shareholder Equity</b>	<b><u>\$673,426</u></b>	<b><u>\$645,428</u></b>

**FIRST MANITOWOC BANCORP, INC.**  
**Consolidated Statements of Income**

	<b>Three Months Ended</b>	
	<u>2007</u>	<u>March 31, 2006</u>
	(In Thousands, Except Share Data)	
Total Interest Income	\$ 10,327	\$ 9,305
Total Interest Expense	5,274	4,354
Net Interest Income	5,052	4,951
Provision for Loan Losses	300	450
Net Interest Income After Provision for Loan Losses	4,753	4,501
Non-Interest Income	2,084	2,574
Non-Interest Expense	4,583	4,225
Income Before Provision for Income Taxes	2,254	2,850
Provision for Income Taxes	391	701
<b>Net Income</b>	<b><u>\$ 1,863</u></b>	<b><u>\$ 2,149</u></b>
<b>Earnings Per Share: Basic and Diluted</b>	<b>\$ 0.28</b>	<b>\$ 0.32</b>
<b>Return on Average Assets</b>	<b>1.12%</b>	<b>1.29%</b>
<b>Return on Average Equity</b>	<b>10.80%</b>	<b>13.90%</b>
<b>Efficiency Ratio</b>	<b>62.7%</b>	<b>54.2%</b>
<b>Net Interest Margin (bank only)</b>	<b>3.56%</b>	<b>3.52%</b>
<b>FTE - period end</b>	<b>218</b>	<b>214</b>
<b>Dividend Payout Ratio</b>	<b>31%</b>	<b>23%</b>
<b>Dividends Per Share</b>	<b>\$ 0.085</b>	<b>\$ 0.075</b>

## Don't get hooked by a 'phishing' scam

Like a number of other financial institutions, First National Bank has become the target of phishing scammers. Scam emails, supposedly from First National Bank, have been randomly mass emailed to thousands of Internet users. The scammers rely on the statistical probability that at least a few of the recipients will be First National Bank customers and that a small number that are customers will fall for the scam.

Emails supposedly from First National Bank use a variety of excuses to trick customers into visiting a bogus website. The message may ask you to "update," "validate," or "confirm" your account information. Some phishing emails threaten a dire consequence if you don't respond.

First National Bank would like to remind you that we will NEVER initiate email or internet requests requiring you to respond with personal information. Any requests for personal information received through email, web sites, or pop-up windows should be considered fraudulent and reported to us immediately.

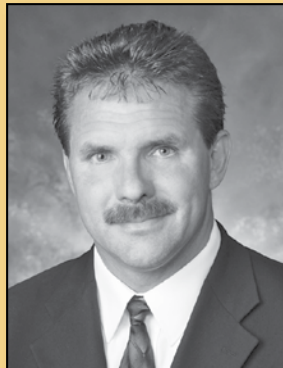
If you receive an email asking for your account information (ID, password, card number, etc.), DO NOT respond! If you have already given out your bank account information, report the theft of this information to the bank as quickly as possible by calling (920) 684-6611.



# Bank subsidiary, Vincent Group, announces new president and vice president

Vincent Group Insurance and Financial Solutions, a wholly owned subsidiary of First National Bank in Manitowoc, has announced the promotions of Kevin L. Kohlbeck to Agency President and Chief Executive Officer, and Mark A. Verhagen, CIC, to Executive Vice President and Chief Operating Officer of the agency.

Kohlbeck joined the firm as Agency Manager in 2004 and was later promoted to Vice President. During the past year Kohlbeck has led the Agency's sales staff and has been responsible for significant growth in the commercial lines insurance area. Kohlbeck has over 18 years of insurance experience. He began his career in 1989 with Allstate Insurance, becoming Rookie of the Year in the state of Wisconsin as well as a National Champion agent. He later worked for Aon Risk Services and was promoted to Vice President working with both large and small commercial risks. Prior to joining Vincent Group he was with Frank Haack & Associates where he managed and expanded the Property and Casualty division throughout Northeast Wisconsin. Kohlbeck earned his Bachelor of Science degree from the University of Wisconsin



**KEVIN KOHLBECK**



**MARK VERHAGEN**

Prior to joining Vincent Group, Verhagen was with Fox Valley Insurance Group of Little Chute. In addition, he has marketing and underwriting experience from positions with Pekin Insurance, Leader National Insurance and Secura Insurance. Verhagen earned his Bachelor of Science from the University of Wisconsin – Oshkosh. He is licensed in property, casualty, life, accident, and health insurance and has his Certified Insurance Counselor, CIC, accreditation. Verhagen is active in numerous community activities in the Little Chute area.

The Vincent Group, Insurance and Financial Solutions services premiums in excess of 35 million dollars and employees 42 people. The agency has offices in Green Bay, Little Chute, and Manitowoc.

sin – Stevens Point. He is licensed in property, casualty, life, accident and health insurance. Kohlbeck is active in numerous community activities in the Green Bay and Manitowoc area.

Mark Verhagen joined the firm in 2005 as Vice President and Agency Manager. Verhagen has been a major force in uniting the operational areas for the agency's three offices. Verhagen has over 20 years of insurance experience.

## Relationship Manager added to Plymouth office

John D. Mueller has joined First National Bank as a Relationship Manager. Mueller is working out of the Bank's office on 2323 Eastern Avenue in Plymouth. In his new position, Mueller is helping customers with loans, deposits, and investments.

Mueller is a graduate of the University of Wisconsin – Oshkosh. Previously he was with Wells Fargo Bank in Sheboygan. Mueller has his Series 6, 7, 63 and 66 licenses as well as life and health insurance licenses.

Mueller is active in the Plymouth Chamber of Commerce and the Big Brothers Big Sisters program. He lives in Plymouth.



**JOHN MUELLER**

## New and improved BillPay now available

First National Bank is now offering a new and improved BillPay product. We invite you to see the improvements for yourself by visiting the demo link on our website. The following enhanced features are available...

- Single or Recurring Payments
- Electronic or Check Payments
- Reminders/Email Options
- Payee Categorization
- Memo/Comment Fields
- Payment Notice
- Email Payments
- Interbank Transfers
- Pop-up Payment Calendar
- Enhanced Security Elections
- GiftPay-e
- Live Customer Service Chat



To sign up for BillPay, click the "BillPay Enroll" button after logging into Internet Banking.