2013

Proxy & Financial Statements

First Manitowoc Bancorp, Inc.

OTCQB: **BFNC**

FIRST MANITOWOC BANCORP, INC.
402 North Eighth Street
Manitowoc, Wisconsin 54220
(920) 652-3100

March 14, 2014

Dear Shareholder:

You are invited to attend the Annual Meeting of Shareholders (the "Annual Meeting") of First Manitowoc Bancorp, Inc. (the "Corporation"), the holding company for Bank First National, which will be held on Monday, May 19, 2014, at 4:00 p.m., central time, at the Wisconsin Maritime Museum, 75 Maritime Drive, Manitowoc, Wisconsin 54220. Refreshments will be served following the meeting.

The attached Notice of Annual Meeting of Shareholders and Proxy Statement describes the formal business to be acted upon at the Annual Meeting. The Corporation's Financial Statements for the fiscal year ended December 31, 2013, are also included. We expect Directors and Officers of the Corporation, as well as representatives of the Corporation's auditors, to be present at the Annual Meeting to respond to any shareholder questions.

It is important that your shares be represented and voted at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, we urge you to complete and vote your proxy via mail, telephone or internet prior to the meeting. If you attend the Annual Meeting, you may vote your shares in person even if you have already submitted your proxy.

We hope that you will plan to attend our Annual Meeting on Monday, May 19, 2014. If you have any questions regarding any of the information provided herein, please do not hesitate to contact me directly at (920) 652-3202 or mmolepske@bankfirstnational.com.

Sincerely,

Michael B. Molepske

Michael B. Molepske
President and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 19, 2014

FIRST MANITOWOC BANCORP, INC.
402 North Eighth Street
Manitowoc, Wisconsin 54220
(920) 652-3100

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the ''Annual Meeting'') of First Manitowoc Bancorp, Inc. (the ''Corporation'') will be held on Monday, May 19, 2014, at 4:00 p.m., Central Daylight Time, at the Wisconsin Maritime Museum, 75 Maritime Drive, Manitowoc, Wisconsin 54220, for the following purposes, all of which are set forth more completely in the accompanying Proxy Statement:

(1) To elect three directors of the Corporation, each for three-year terms and in each case until their successors are elected and qualified;

(2) To approve the name change of the Corporation to Bank First National Corporation from First Manitowoc Bancorp, Inc.;

(3) To ratify the appointment of Porter Keadle Moore as the Corporation's independent auditors; and

(4) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof. The Board of Directors is not aware of any other such business.

The Corporation's Board of Directors has fixed the close of business on March 10, 2014, as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting or at any adjournments or postponements thereof. Only shareholders of record as of the close of business on such date will be entitled to notice of, and to vote at, the Annual Meeting or at any adjournments or postponements thereof. In the event there are insufficient votes for a quorum or to approve or ratify any of the foregoing proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies by the Corporation.

By Order of the Board of Directors

Jennifer L. Foote
Secretary

Manitowoc, Wisconsin
March 14, 2014

YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER YOU OWN. EVEN IF YOU PLAN TO BE PRESENT AT THE MEETING, YOU ARE URGED TO PROMPTLY VOTE THE ENCLOSED PROXY. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE EITHER IN PERSON OR BY PROXY. ANY PROXY GIVEN MAY BE REVOKED BY YOU IN WRITING OR IN PERSON AT ANY TIME PRIOR TO THE EXERCISE THEREOF.

PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 19, 2014

FIRST MANITOWOC BANCORP, INC.
402 North Eighth Street
Manitowoc, Wisconsin 54220
(920) 652-3100

This Proxy Statement is provided by the Board of Directors of First Manitowoc Bancorp, Inc. (the ''Corporation'') in connection with our Annual Meeting of Shareholders (the ''Annual Meeting''). It describes the proposals to be voted on at the Annual Meeting and the voting process and includes certain other information. The combined 2013 Annual Report and Proxy Statement, and the form of proxy (''proxy'') are being mailed to our shareholders on or about March 14, 2014.

The Annual Meeting to which this Proxy Statement relates will be held at the Wisconsin Maritime Museum, 75 Maritime Drive, Manitowoc, Wisconsin 54220, on Monday, May 19, 2014, at 4:00 p.m., Central Daylight Time, and at any adjournments or postponements thereof for the purposes set forth in the Notice of Annual Meeting of Shareholders.

ABOUT THE ANNUAL MEETING

Purpose of Meeting
Shareholders will vote upon the nomination of three directors for election to the Corporation's Board of Directors, the name change recommendation, and ratification of appointment of independent auditors at our Annual Meeting. In addition, management will report on the Corporation's performance and will respond to questions from shareholders.

Record Date
Each share of the Corporation's common stock issued and outstanding as of the close of business on March 10, 2014 (the ''Record Date'') is entitled to receive notice of, and is further entitled to one vote on all matters to be voted upon at the Annual Meeting. If you were a shareholder of record on the Record Date, you are entitled to vote all of the shares that you held on that date at the Annual Meeting or any postponements or adjournments thereof.

Outstanding Shares and Quorum
On the Record Date, there were 6,359,032 shares of common stock of the Corporation outstanding. The presence, in person or by proxy, of the holders of at least a majority of the total number of shares of outstanding common stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. Thus, the holders of common stock representing at least 3,179,517 votes will be required to establish a quorum.

Voting
The proxy being provided by the Board of Directors enables a shareholder to vote for the election of the nominees for director, the name change proposed by the Board of Directors, and ratification of the Corporations independent auditors or to withhold authority to vote. Under the Wisconsin Business Corporation Law (''WBCL''), directors are elected by a plurality of the votes cast by the holders of shares entitled to vote at a meeting at which a quorum is present. A ''plurality'' means that the nominees receiving the most votes will be elected as directors regardless of whether or not such nominee receives a majority of the votes cast.

Abstentions and Broker Non-Votes
Abstentions (i.e., shares for which authority is withheld to vote for a matter) are included in the determination of shares present and voting for purposes of whether a quorum exists. For the election of directors, abstentions will have no effect on the outcome of the vote because directors are elected by

a plurality of the votes cast.

Proxies relating to ''street name'' shares (i.e., shares held of record by brokers or other third party nominees) that are voted by brokers or other third party nominees on certain matters will be treated as shares present and voting for purposes of determining the presence or absence of a quorum. ''Broker non-votes'' (i.e., proxies submitted by brokers or third party nominees indicating that such persons have not received instructions from the beneficial owners or other persons entitled to vote shares as to a matter with respect to which the brokers or third party nominees do not have discretionary power to vote) will be considered present for the purpose of establishing a quorum, but will not be treated as shares entitled to vote on such matters.

Solicitation and Revocation

Shareholders are requested to vote their proxy via mail, telephone or internet. The proxy solicited hereby, if properly voted and not revoked prior to its use, will be voted in accordance with the directions contained therein. Where no instructions are indicated, each proxy received will be voted:

• FOR the election of the nominees for director named in this proxy statement;

• FOR the name change of the Corporation;

• FOR the ratification of the Corporation's independent auditors; and

• In accordance with the best judgment of the persons appointed as proxies upon the transaction of such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Voting your proxy will not prevent you from voting in person at the Annual Meeting should you be present and wish to vote in person.

A proxy may be revoked at any time before it is exercised by (i) filing a written notice of revocation with the Secretary of the Corporation (Secretary, First Manitowoc Bancorp, Inc., 402 North Eighth Street, Manitowoc, Wisconsin 54220); (ii) submitting a duly executed proxy bearing a later date; or (iii) appearing at the Annual Meeting and giving the Secretary notice of your intention to vote in person. If you are a shareholder whose shares are not registered in your own name, you will need additional documentation from your broker to vote personally at the Annual Meeting.

The cost of soliciting proxies will be borne by the Corporation, and solicitation will be made principally by distribution via mail. Proxies also may be solicited by email, telephone, facsimile, or other means of communication by certain directors, officers, and employees of the Corporation and Bank First National (the ''Bank'') without additional compensation for their proxy solicitation efforts. The Corporation also has made arrangements with brokerage firms, banks, nominees and other fiduciaries to forward proxy solicitation materials to the beneficial owners of the Corporation's common stock. Proxies solicited hereby will be returned to the Board of Directors.

In the event there are not sufficient votes for a quorum or to approve or ratify any proposal at the time of the Annual Meeting, the Annual Meeting may be adjourned or postponed in order to permit the further solicitation of proxies.

MATTERS TO BE VOTED ON AT THE ANNUAL MEETING

ELECTION OF DIRECTORS

The Articles of Incorporation and Bylaws of the Corporation provide that the Board of Directors of the Corporation shall be divided into three classes which are as equal in number as possible and that the members of each class are to be elected for a term of three years and until their successors are elected and qualified. One class of directors is to be elected annually. A resolution of the Board of Directors of the Corporation adopted pursuant to the Corporation's Bylaws has established the number of directors at seven.

There are three nominees for election to our Board of Directors at the Annual Meeting, each to serve a three-year term. Each of the director nominees is also a member of the Board of Directors of the Bank, a wholly-owned subsidiary of the Corporation. Information regarding the business experience of each nominee is included below. No nominee is being proposed for election pursuant to any agreement or understanding between any person and the Corporation. We are not aware of any family relationships among any of the directors and/or executive officers of the Corporation.

Each proxy executed and returned by a shareholder will be voted FOR the election of the nominees for director listed below unless otherwise directed. At this time, the Board of Directors expects that all nominees will be available to serve as directors. If any person named as nominee should be unable or unwilling to stand for election at the time of the Annual Meeting, the proxies will nominate and vote for any replacement nominee or nominees recommended by the Board of Directors.

NOMINEES FOR ELECTION AS DIRECTORS

The following is a summary of information with respect to the director nominees, including the name and age of each director nominee, his experience, each of the positions and offices he holds with the Corporation, his term of office as director, and all periods during which he has served as director of the Corporation. If elected, the director nominees will hold office for a three-year term expiring in 2017.

Name and Age	Experience
Donald R. Brisch, 62	Mr. Brisch, retired, formerly served as the President and Vice President of Operations for Rockwell Lime Co. in Manitowoc, WI. He became a director of the Corporation and Bank in 2006. Mr. Brisch currently serves as a member of the Corporation and Bank's Audit Committee, Executive Committee, Nominating Committee, and Policy and Governance Committee.
Michael P. Dempsey, 61	Mr. Dempsey joined the Bank in June of 2010 as Executive Vice President and Chief Operating Officer. He has direct responsibility for regional banking services and has more than 30 years of community and commercial banking experience. An active member of the Oshkosh area communities, Dempsey serves on the UW-Oshkosh Advisory Board of Directors, President of Waterfest Concert Series and as Chairman of the Business Recruitment Committee of Oshkosh Area Chamber, among many other community activities. He also volunteers at AirVenture and the EAA. He holds both his MBA and Bachelor's degree from the University of Wisconsin-Oshkosh.
David R. Sachse, 60	Mr. Sachse is President and Owner of Landmark Consultants, Inc., a consulting, research and entrepreneurship business. He is also owner of Landmark North, and Nutrients, Inc. David currently serves on two charitable boards and two private boards relating to machine/tool manufacturing. He became a director of the Corporation and Bank in June 2010, and serves on the Corporation and Bank's Audit Committee as Chairman, Executive Committee, and Nominating Committee.

The Board of Directors recommends you vote "FOR" each of the above nominees for election to the Board of Directors.

CORPORATION NAME CHANGE

The Board of Directors recommends approval to change the Corporation's name to Bank First National Corporation. If approved, the name change will become effective upon the filing of Articles of Amendment with the State of Wisconsin Department of Financial Institutions.

The name change reflects the growth of Bank First National, creates alignment between the Bank First brand and name, and encourages awareness of potential shareholders and the investment community. The Corporation changed its stock ticker symbol to "BFNC" effective May 15, 2013.

The affirmative vote of the majority of the shares outstanding as of the Record Date will be required to approve this proposal.

The Board of Directors recommends you vote ''FOR'' the name change to Bank First National Corporation.

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of the Board has appointed Porter Keadle Moore as the independent public accountant to audit the Corporation's financial statement for the fiscal year ending December 31, 2014. Although not required to do so, the Board is submitting the selection of Porter Keadle Moore as our independent auditors to our shareholders for ratification as a matter of good corporate governance. The Board recommends that our shareholders ratify such appointment. In the event that the appointment is not ratified by the required shareholder vote, the vote would be considered in connection with the engagement of independent auditors for 2015.

The affirmative vote of a majority of shares represented and entitled to vote on the matter to ratify the section of independent auditors will be required for approval. Abstentions will be counted as represented and entitled to vote and will count for purposes of determining whether or not a quorum is present, but will have the effect of a vote against the ratification of the appointment of the independent auditors

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DIRECTORS CONTINUING IN OFFICE

The following is a summary of information with respect to the continuing directors, including the name and age of each director, his or her experience, each of the positions and offices he or she holds with the Corporation, his or her term of office as director, and all periods during which he or she has served as director of the Corporation.

Directors Whose Terms Expire in 2015

Robert D. Gregorski, 52	Mr. Gregorski is the founder and Principal of Gregorski Development, LLC, a commercial real estate development company. The company's portfolio of properties include single tenant retail buildings, multi-tenant retail buildings, ground leased properties, and vacant commercial land. He has developed numerous retail properties throughout Wisconsin, including Harbor Town Center in Manitowoc. Mr. Gregorski became a director of the Corporation and Bank in October 2010, and serves on the Corporation and Bank's Audit, Compensation and Retirement, and Executive Committees.
Katherine M. Reynolds, 63	Ms. Reynolds is a Partner at Michael Best & Friedrich, LLP. Her practice includes wealth planning, business, real estate and municipal law. Ms. Reynolds has been a director of the Corporation and the Bank since 1992. She serves as a member of the Corporation and Bank's Compensation and Retirement, Executive and Chairman of the Policy and Governance Committee.

Directors Whose Terms Expire in 2016

Michael G. Ansay, 59	Mr. Ansay is Chairman and Chief Executive Officer of Ansay & Associates, LLC, a full-service, independent insurance agency providing integrated insurance, risk management, and benefit solutions to businesses, families and individuals. Also, he is a managing member of Ansay Real Estate. Mr. Ansay became a director of the Corporation and Bank in February 2010, was appointed Vice-Chairman in February 2012, and assumed the role of Chairman in January of 2013. He serves as Chairman of the Corporation and Bank's Compensation and Retirement, Executive and Nominating Committees.

Michael B. Molepske, 53 — Mr. Molepske was appointed President and Chief Executive Officer of Bank First National in May 2010 and December 2008, respectively. He has been with Bank First National since 2005 in the capacities of Chief Executive Officer, Senior Loan Officer, Regional President and Executive Officer. He was appointed a director of the Corporation and Bank in December 2008. He serves as a member of the Policy and Governance Committee. He is a director and Treasurer of the Bank's data processing subsidiary, United Financial Services, Inc. He is also director and Vice-President of TVG Holdings, Inc., the Bank's entity that holds its investment in Ansay & Associates, LLC, as well as a director of Ansay & Associates, LLC. Mr. Molepske also serves as President of Veritas Asset Holdings, LLC, the Corporation's troubled asset liquidation subsidiary.

OFFICERS OF THE BOARD OF DIRECTORS
Chairman: Michael G. Ansay
President and CEO: Michael B. Molepske
CFO and Treasurer: Lisa M. O'Neill
Secretary: Jennifer L. Foote

COMMITTEES OF THE BOARD OF DIRECTORS
The Corporation has standing Audit, Compensation and Retirement, Executive, Nominating, and Policy and Governance Committees of the Board of Directors. Each committee operates under a written charter adopted by the Board of Directors. You may review each of these charters on the investor relations section of our website at www.bankfirstnational.com. The Committees are comprised of the following directors:

<u>Audit Committee</u>
David R. Sachse*, Chair
Donald R. Brisch*
Robert D. Gregorski*

<u>Compensation and Retirement Committee</u>
Michael G. Ansay*, Chair
Robert D. Gregorski*
Katherine M. Reynolds*

<u>Executive Committee</u>
Michael G. Ansay*, Chair
Donald R. Brisch*
Robert D. Gregorski*
Katherine M. Reynolds*
David R. Sachse*

<u>Nominating Committee</u>
Michael G. Ansay*, Chair
Donald R. Brisch*
David R. Sachse*
Michael B. Molepske

<u>Policy and Governance Committee</u>
Katherine M. Reynolds*, Chair
Donald R. Brisch*
Michael B. Molepske

* Independent

A Bank Officer serves as the nonvoting secretary for the Compensation and Retirement Committee.

The Corporate Secretary serves as the nonvoting secretary for the Audit, Executive, Nominating, and Policy and Governance Committees of the Board.

Audit Committee

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight of the quality and integrity of the Corporation's financial statements; the Corporation's compliance with legal and regulatory requirements; the independent auditor's qualifications and independence; the performance of the Corporation's internal audit function and independent auditors; and other financial matters. Among other things, the Audit Committee has the authority to:

- retain, evaluate and, as necessary, terminate the Corporation's independent auditors;*
- review and approve the scope of the annual internal and external audits;
- review and pre-approve the engagement of our independent auditors to perform non-audit services and the related fees;*
- meet independently with our internal auditing staff, independent auditors, and senior management;
- review the integrity of our financial reporting process;
- review our financial statements and disclosures; and
- review disclosures from our independent auditors regarding compliance with the independence standards of the American Institute of Certified Public Accountants (''AICPA''); Securities and Exchange Commission (''SEC''); and appropriate bank regulations.

The Audit Committee is authorized to obtain advice and assistance from, and receive appropriate funding from the Corporation for, independent outside legal, accounting, and other professional advisors as the Audit Committee deems appropriate to fulfill its responsibilities.

The Board of Directors believes that each member has sufficient knowledge in financial and auditing matters to serve on the Audit Committee.

* Matters with respect to which the Audit Committee has sole authority to act.

Compensation and Retirement Committee

The Compensation and Retirement Committee is primarily responsible for administering the Corporation's executive compensation program. As such, the Compensation and Retirement Committee approves all elements of the executive compensation program including cash compensation, equity compensation and other benefits. Other specific duties of the Compensation and Retirement Committee are to review the overall compensation and benefit policies of the Corporation and review the directors' annual retainer fee as well as other compensation for non-employee directors.

Executive Committee

The Executive Committee is a forum for discussion of matters of bank policy, practice, and long-term planning. The committee consists of only independent directors and can be called at the request of the Chairman or any two members.

Nominating Committee

The Nominating Committee's primary responsibility is to assist the Board of Directors in its corporate governance responsibilities including identifying and appointing individuals qualified to become Board members and recommending director nominees for election at each Annual Meeting. It also provides oversight and direction regarding the functioning and operation of the Board. In addition, the Nominating Committee annually evaluates the size and composition of the Board of Directors and its committees and makes recommendations to the full Board of Directors based on the results of its evaluation.

The Nominating Committee is composed of the Chairman of the Board and at least two directors who shall be appointed by the Board, none of whom are standing for re-election. The Nominating Committee meets at least once each year in connection with the Annual Meeting of shareholders and at such additional times as it deems necessary to perform its duties. In fiscal 2013, the Nominating Committee met in December regarding its recommendations for the 2014 Annual Meeting.

The Nominating Committee will consider nominees recommended by (i) any current director, (ii) the Corporation's executive officers, and (iii) any shareholder, provided that such shareholder's recommendations are made in accordance with the procedures described in this proxy statement under "Shareholder Nominations and Proposals." Shareholder nominees that comply with these procedures will receive the same consideration that nominees from other sources receive.

Nominee Selection. In evaluating potential nominees, the Nominating Committee takes into account all factors it considers appropriate which include a nominee's:

- professional and personal ethics and values;
- experience as a board member or senior officer of a company similar to the holding company and bank, or service as an officer of a publicly-traded company or a prominent company in one of our primary geographic markets;
- current occupation and technical skills;
- ability and commitment to represent the interests of the shareholders of the Corporation and to enhance shareholder value; and
- independence and absence of conflicts of interest.

In addition, the Nominating Committee evaluates whether the nominee's skills are complementary to the existing Board of Directors' skills and needs for operational, management, financial, or other expertise. Our President and Chief Executive Officer and one or more members of the Nominating Committee then interview selected nominees. After completing this evaluation and interview, the Nominating Committee determines the nominees who should be considered for directorship. Based in part on the Nominating Committee's recommendation, the full Board of Directors selects nominees that best suit its needs.

Policy and Governance Committee

The Policy and Governance Committee was formed in 2013. The committee is charged with oversight of the governance and policies of the Corporation and Bank. The Policy and Governance Committee shall periodically review the Corporation and Bank bylaws. The committee will also review all policies requiring board approval annually and make recommendations and consider proposals concerning changes to such.

COMPENSATION OF DIRECTORS

Board of Director Fees (column a)

In fiscal 2013, each non-employee member of the Corporation's Board of Directors received $5,000 annual compensation for service in that capacity. In addition, each non-employee member of the Bank's Board of Directors received $12,000 annual compensation for service in that capacity.

The Chairman of the Board of Directors received an additional $5,000 annual compensation for service in that capacity. The Audit Committee Chairman received an additional $2,000 in annual compensation for service in that capacity. Directors received $300 for each committee meeting attended.

Equity Based Compensation (column b)

In March 2013, the Corporation granted restricted stock to its non-employee directors pursuant to the Corporation's 2011 Equity Plan ("Equity Plan"). Each director received 332 shares of restricted stock at a fair value price of $15.08 per share. These shares fully vest in March 2014.

Director Compensation for Fiscal Year 2013

Director	Fees Earned (a)	Stock Awarded (b)	Total Compensation
Michael G. Ansay	$28,600	$5,000	$33,600
Donald R. Brisch	$24,500	$5,000	$29,500
Robert D. Gregorski	$24,200	$5,000	$29,200
Katherine M. Reynolds	$25,400	$5,000	$30,400
David R. Sachse	$28,600	$5,000	$33,600
Total	$131,300	$25,000	$156,300

Directors' Deferred Compensation Program

Under a non-qualified deferred compensation plan, the Corporation permits the directors to defer their compensation. The total deferred compensation to be paid to a director shall be an amount equal to the director's deferral account balance as of the close of the plan year during which he or she retires, terminates, or becomes disabled or upon death. During the fiscal year ended December 31, 2013, the Board of Directors deferred $102,700 under this plan and the Corporation contributed $98,048 of earnings on deferred compensation. The Bank may purchase life insurance policies on the director's lives, with the Bank as owner and beneficiary.

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of shares of the Corporation's common stock as of March 10, 2014, by (i) each director and director nominee of the Corporation, (ii) each of the executive officers of the Bank, and (iii) all directors and executive officers as a group.

	Common Stock	
Beneficial Owner	Number of Shares	Percent of Class
Directors:		
Michael G. Ansay	60,607	*
Donald R. Brisch	5,789	*
Robert D. Gregorski	18,289	*
Michael B. Molepske (Executive Officer)	76,099	1.20
Katherine M. Reynolds	7,627	*
David R. Sachse	71,207	1.12
Executive Officers who are not Directors:		
Michael P. Dempsey	46,343	*
Lisa M. O'Neill	16,482	*
All directors and executive officers of the Corporation	302,443	4.76

*Represents less than 1% of the total number of shares of common stock outstanding on the Record Date.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Loans to Related Persons

In accordance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, to the best of our knowledge, all loans to executive officers, directors, greater than five percent shareholders, and any affiliates thereof, are made on the same terms, including interest rates, loan fees, and collateral as those prevailing at the time for comparable transactions with the general public and do not involve more than the normal risk of repayment or present other unfavorable features. During 2013, no executive officer, director, greater than five percent shareholder (that we are aware of), and any affiliate of the Corporation or the Bank had loans outstanding at preferred interest rates from the Corporation or the Bank.

Transactions with Related Persons

All transactions between the Corporation or the Bank and executive officers, directors, greater than five percent shareholders (that we are aware of) and affiliates thereof, will, to the best of our efforts, contain terms no less favorable to the Corporation or the Bank than could have been obtained by them in arms' length negotiations with unaffiliated persons and are approved by a majority of outside directors of the Corporation or the Bank, as applicable, not having any interest in the transaction.

Relationship with Ansay & Associates

The Bank's wholly-owned subsidiary, TVG Holdings, Inc., owns 28.8% of Ansay & Associates, LLC.

Michael G. Ansay, Chairman of the Board of Directors of the Corporation is Chairman and Chief Executive Officer of Ansay & Associates.

COMPENSATION OF CHIEF OFFICERS

Summary Compensation Table

The following table summarizes the actual compensation paid for the past three years by the Bank to its President and Chief Executive Officer, Chief Operations Officer and Executive Vice President and Chief Financial Officer holding those positions as of December 31, 2013.

SUMMARY COMPENSATION TABLE

	Annual Compensation			Stock	Other	Total
Name and Principal Position	Year	Salary	Bonus	Awards (a)	Comp. (b)(c)	Comp.
Michael B. Molepske	2013	$346,814	$140,000	$107,819	$48,215	$642,848
President and	2012	$316,689	$100,000	$106,150	$67,488	$590,327
Chief Executive Officer (Director)	2011	$300,769	$93,000	------	$35,887	$429,656
Michael P. Dempsey	2013	$236,351	$59,354	$66,689	$31,893	$394,317
Chief Operating Officer and	2012	$229,786	$57,000	$65,789	$33,172	$385,747
Executive Vice President	2011	$221,154	$57,000	------	$27,081	$305,235
Lisa M. O'Neill	2013	$177,904	$36,000	$48,492	$26,264	$288,660
Chief Financial Officer	2012	$173,093	$35,000	$42,597	$25,911	$276,601
	2011	$166,923	$17,000	------	$22,579	$206,502

(a) On February 26, 2013, restricted stock awards were granted to Senior Management for the 2012 performance results pursuant to the Corporation's Equity Plan. These awards vest equally over a five year period starting in 2013. The Outstanding Equity Awards table further outlines the granted and vested shares for the chief officers. Stock award values are computed in accordance with the FASB ASC Topic 718 (formerly FAS 123R).

(b) Other compensation includes, in part, amounts contributed by the Bank pursuant to the Bank's retirement plan, an insurance allowance for those who waive enrollment in the Bank's insurance benefits program, year-end holiday cash gift, and business development dues. Clothing allowance and restricted stock dividends are included beginning in 2012. Annual director fees for employee directors of the Corporation and Bank were discontinued in 2013 and are now taken into consideration in base salary.

(c) In 2012, the Compensation and Retirement Committee of the Board of Directors adopted an excess benefit plan for Michael B. Molepske. The plan was designed solely for the purpose of providing benefits to Michael B. Molepske in excess of the limitations on contributions and benefits imposed by section 415 of the Internal Revenue Code of 1986. In 2013, $24,000 was contributed as other compensation through this plan.

Outstanding Equity Awards

Chief Officer	Shares Granted In 2013	Shares that have not vested as of December 31, 2013	Market Value of Shares that have not vested (a)
Michael B. Molepske	6,956	13,030	$247,570
Michael P. Dempsey	4,303	8,068	$153,292
Lisa M. O'Neill	3,129	5,567	$105,773

(a) The market value of restricted stock is the number of shares unvested multiplied by the 12/31/2013 stock price of $19.00. These restricted stock shares will fully vest on February 26, 2018.

RELATIONSHIP WITH PRINCIPAL ACCOUNTANT

Audit Committee Appointment of Independent Auditor

The financial statements of the Corporation for the year ended December 31, 2013, have been audited by Porter Keadle Moore, LLC (''Porter Keadle Moore''), independent public accountants. A representative of Porter Keadle Moore is expected to attend the Annual Meeting and will be available to respond to appropriate questions.

As part of its activities, the Audit Committee has:

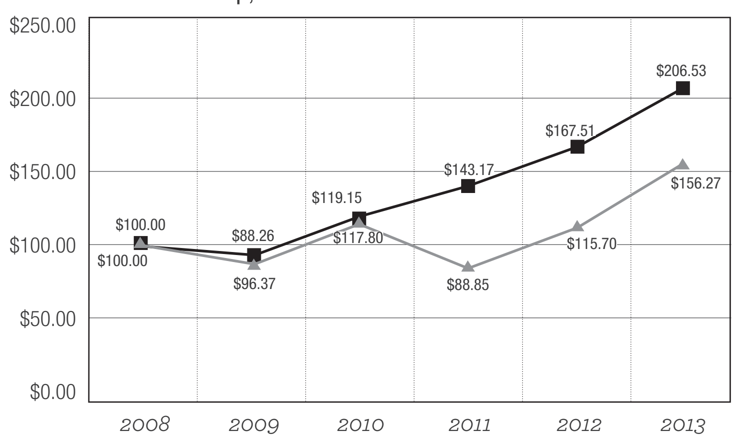
- Reviewed and discussed the audited financial statements with management and its independent auditors, Porter Keadle Moore.
- Discussed with the independent auditors, Porter Keadle Moore, matters required to be discussed by the Statement on Auditing Standards (SAS) No. 61, as amended by SAS No. 90 (Communication with Audit Committees), and SAS No. 99 (Consideration of Fraud in a Financial Statement Audit).
- The Committee received written disclosures from Porter Keadle Moore affirming the firm's independence with the Corporation. The Committee also discussed with Porter Keadle Moore matters relating to its independence.
- As the need arises, other specific permitted services are pre-approved on a case-by-case basis during the year.

At a meeting of the Audit Committee held February 25, 2014, Porter Keadle Moore was appointed as the independent public accountant to audit the Corporation's financial statements for the fiscal year ending December 31, 2014.

STOCK PERFORMANCE GRAPH

The following graph compares the yearly cumulative total return on the Corporation's common stock measured at each of the last five year ends with the KBW Bank Index. The KBW Bank Sector (BKX) is a capitalization-weighted index composed of 24 geographically diverse stocks representing national money center banks and leading regional institutions. The cumulative returns set forth in the graph assume an initial investment of $100.00 was invested in the common stock of the Corporation and the KBW Bank Index on December 31, 2008, and that all dividends were reinvested into additional shares of the same class of equity securities at the frequency with which dividends were paid on such securities during the applicable comparison period.

Comparison of Five Year Cumulative Total Return
First Manitowoc Bancorp, Inc. and KBW Bank Index



	2008	2009	2010	2011	2012	2013
First Manitowoc Bancorp, Inc.	$100.00	$88.26	$119.15	$143.17	$167.51	$206.53
KBW Bank Index	$100.00	$96.37	$117.80	$88.85	$115.70	$156.27

SHAREHOLDER NOMINATIONS AND PROPOSALS

Procedure for Recommending Director Nominees to the Nominating Committee

If you wish to recommend nominees for membership on the Corporation's Board of Directors to the Nominating Committee, you must submit your recommendation in writing to the Nominating Committee, c/o Secretary, First Manitowoc Bancorp, Inc., 402 North Eighth Street, Manitowoc, Wisconsin 54220. The submission must include:

- your name and address as they appear on the Corporation's books;
- the number of shares of the Corporation's common stock which are beneficially owned by you;
- a representation that you are the beneficial owner of shares entitled to vote at the meeting at which the nominee may be considered and intend to appear in person or by proxy at the meeting to make the nomination if the nominee is selected by the Nominating Committee;
- the name, age, business address, and residence address of each nominee proposed in such notice;
- the principal occupation or employment of each nominee;
- the number of shares of common stock of the Corporation beneficially owned by each such nominee;
- a description of all arrangements or understandings between you and such nominees and any other person (naming such person) pursuant to which the nomination is to be made by the nominating shareholder;
- the written consent of each nominee to be named in a proxy statement as a nominee and to serve, if elected, as a director.

It is the policy of the Nominating Committee to consider all timely submitted shareholder nominations for membership on the Board of Directors. See ''Nominating Committee — Nominee Selection'' for a summary of the Nominating Committee's selection process. We did not receive any director nominations from shareholders in connection with the 2014 Annual Meeting.

Deadline for Making Director Nominations in 2015 Proxy Materials

Shareholder nominations for election to the Board of Directors at the Corporation's 2015 Annual Meeting of Shareholders must be directed to the attention of the Corporation's Secretary, 402 North Eighth Street, Manitowoc, Wisconsin 54220, not less than 90 days nor more than 120 days prior to the date specified in the Corporation's Bylaws for the Annual Meeting, which currently is established as the third Monday of May or at such other time and date as may be fixed by or under the authority of the Board of Directors. We recommend that you send any such nominations by certified mail and request a return receipt.

Deadline for Including Shareholder Proposals in 2015 Proxy Materials

Shareholder proposals for the 2015 Annual Meeting of Shareholders must be received no later than January 19, 2015, to be considered for inclusion in next year's proxy materials. The proposals should be directed to the attention of the Corporation's Secretary, 402 North Eighth Street, Manitowoc, Wisconsin 54220. We recommend that you send any such proposals by certified mail and request a return receipt.

Deadline for Shareholder Nomination or Proposal to Be Made at the 2015 Annual Meeting of Shareholders

If your nomination or proposal is not submitted for inclusion in the Corporation's proxy materials, such nominations and proposals may be brought before an Annual Meeting pursuant to Article II, Section 2.04 of the Corporation's Bylaws, which provides that business at an Annual Meeting of shareholders must be properly brought before the meeting (a) by or at the direction of the Board of Directors or (b) by a shareholder. For business to be properly brought before an Annual Meeting, you must have given timely notice thereof in writing to the Corporation's Secretary. To be timely, your notice must be delivered to or mailed and received at 402 North Eighth Street, Manitowoc, Wisconsin 54220 not less than 90 days nor more than 120 days prior to the date specified in the Corporation's Bylaws for the Annual Meeting, which currently is established as the third Monday of May, or at such other time and date as may be fixed by or under the authority of the Board of Directors. A shareholder's notice must set forth as to each matter the shareholder proposes to bring before an Annual Meeting (a) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the meeting, (b) your name and address, as they appear on the Corporation's books (or other record of ownership), (c) the number of shares of common stock of the Corporation which are beneficially owned by you, (d) any material interest you may have in such business, and (e) your reasons for conducting such business at such time.

OTHER MATTERS

We are not aware of any business that will be presented at the Annual Meeting other than the matters described above in this proxy statement. However, if any other matters should properly come before the Annual Meeting or any adjournments or postponements thereof, it is intended that the proxies solicited hereby will be voted with respect to those other matters in accordance with the judgment of the persons voting the proxies.

By Order of the Board of Directors

Jennifer L Foote

Jennifer L. Foote
Secretary

Manitowoc, Wisconsin
March 14, 2014

Financial Statement

FIRST MANITOWOC BANCORP, INC.
AND SUBSIDIARIES
Manitowoc, Wisconsin

Consolidated Financial Statements
Years Ended December 31, 2013, 2012 and 2011

INDEPENDENT AUDITOR'S REPORT

Porter Keadle Moore
CPAs | Advisors | www.pkm.com

To the Board of Directors
First Manitowoc Bancorp, Inc., Manitowoc, Wisconsin

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Manitowoc Bancorp, Inc. and its subsidiaries which comprise the consolidated balance sheets as of December 31, 2013 and 2012, 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 consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Manitowoc Bancorp, Inc. and its subsidiaries as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements and notes to the consolidated financial statements of First Manitowoc Bancorp, Inc. and its subsidiaries as of December 31, 2011 and for the year then ended were audited by another auditor whose report dated February 23, 2012 expressed an unmodified opinion on those statements.

Porter Keadle Moore, LLC

Atlanta, Georgia
February 25, 2014

INDEPENDENT AUDITOR'S REPORT

Porter Keadle Moore

CPAs | Advisors | www.pkm.com

To the Board of Directors
First Manitowoc Bancorp, Inc., Manitowoc, Wisconsin

We have examined the internal control over financial reporting of First Manitowoc Bancorp, Inc. and subsidiaries (the ''Company'') as of December 31, 2013, based on criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our examination were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our examination of the Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the consolidated Financial Statements for Bank Holding Companies (''Form FRY-9C''). An entity's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (c) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, First Manitowoc Bancorp, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based upon the criteria established in COSO.

We were not engaged to, and we have not performed any procedures with respect to management's assertion regarding compliance with laws and regulations included in the accompanying Report of Management. Accordingly, we do not express any opinion, or any other form of assurance, on management's assertion regarding compliance with laws and regulations.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the December 31, 2013 consolidated financial statements of First Manitowoc Bancorp, Inc. and subsidiaries and our report dated February 25, 2014 expressed an unqualified opinion.

This report is intended solely for the information and use of the board of directors and management of the Company and Federal Deposit Insurance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Porter Keadle Moore, LLC

Atlanta, Georgia
February 25, 2014

First Manitowoc Bancorp, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31	
	2013	**2012**
	(In Thousands, except per share data)	
Assets		
Cash and due from banks	$ 26,448	$ 38,599
Interest-bearing deposits	45,187	72,562
Federal funds sold	129	454
Cash and cash equivalents	71,764	111,615
Securities available for sale, at fair value	109,650	117,955
Loans, net of allowance for loan loss of $8,755 and $7,950 at 2013 and 2012, respectively	814,389	722,943
Loans held for sale	272	723
Premises and equipment, net	9,272	10,051
Goodwill	7,984	7,984
Other investments, at cost	2,958	2,958
Cash value of life insurance	19,842	19,753
Identifiable intangible assets, net	2,563	2,087
Other real estate owned	2,976	5,567
Investment in minority-owned subsidiaries	14,746	14,170
Other assets	4,471	4,620
TOTAL ASSETS	$ 1,060,887	$ 1,020,426
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 919,486	$ 869,163
Securities sold under repurchase agreements	30,845	43,099
Notes payable	1,815	2,820
Other liabilities	7,173	9,251
Total liabilities	959,319	924,333
Stockholders' equity:		
Serial preferred stock - $0.01 par value		
Authorized - 5,000,000 shares	-	-
Common stock - $0.01 par value		
Authorized - 20,000,000 shares		
Issued - 6,714,560 shares		
Outstanding - 6,384,432 and 6,531,121 in 2013 and 2012, respectively	67	67
Additional paid-in capital	2,608	2,536
Retained earnings	103,631	93,473
Treasury stock, at cost - 330,128 and 183,439 shares in 2013 & 2012, respectively	(5,788)	(3,041)
Accumulated other comprehensive income	1,050	3,058
Total stockholders' equity	101,568	96,093
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,060,887	$ 1,020,426

See accompanying notes to consolidated financial statements.

First Manitowoc Bancorp, Inc. and Subsidiaries
Consolidated Statements of Income

	Years Ended December 31		
	2013	**2012**	**2011**
	(In Thousands, except per share amounts)		
Interest income:			
Loans, including fees	$ 35,866	$ 34,515	$ 33,354
Federal funds sold	31	29	12
Securities:			
Taxable	1,382	1,669	2,250
Tax-exempt	1,812	1,948	2,114
Other	(105)	(3)	10
Total interest income	38,986	38,158	37,740
Interest expense:			
Deposits	4,527	5,186	6,484
Securities sold under repurchase agreements	236	487	665
Borrowed funds	116	140	203
Total interest expense	4,879	5,813	7,352
Net interest income	34,107	32,345	30,388
Provision for loan loss	1,475	2,900	2,110
Net interest income after provision for loan loss	32,632	29,445	28,278
Other income:			
Service charges	2,488	2,869	2,196
Income from Ansay	965	1,196	857
Loan servicing income	1,227	967	24
Income from UFS	914	683	877
Net gain on sales of mortgage loans	1,066	1,874	772
Net (loss) gain on sales of securities	(906)	-	725
Noninterest income from strategic alliances	96	79	691
Other	818	708	1,220
Total other income	6,668	8,376	7,362
Other expenses:			
Salaries, commissions, and employee benefits	11,751	11,698	11,754
Occupancy	2,551	2,536	2,493
Data processing	1,514	1,454	1,366
Postage, stationery, and supplies	380	411	467
Net loss on sales and valuations of other real estate owned	935	824	2,544
Advertising	149	160	208
Outside service fees	1,714	1,789	2,122
Amortization of intangibles	18	18	44
Other	3,786	4,442	3,238
Total other expenses	22,798	23,332	24,236
Income before provision for income taxes	16,502	14,489	11,404
Provision for income taxes	4,939	4,069	2,857
Net Income	$ 11,563	$ 10,420	$ 8,547
Earnings per share - basic	$ 1.79	$ 1.58	$ 1.30
Earnings per share - diluted	$ 1.79	$ 1.58	$ 1.30

See accompanying notes to consolidated financial statements

First Manitowoc Bancorp, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2013	**2012**	**2011**
		(In Thousands)	
Net Income	$ 11,563	$ 10,420	$ 8,547
Other comprehensive (loss) income:			
Unrealized (losses) gains on available for sale securities:			
Unrealized holding (losses) gains arising during period	(3,299)	(238)	4,091
Reclassification adjustment for gains included in net income	906	-	(725)
Income tax expense	385	82	(1,349)
Total other comprehensive (loss) income	(2,008)	(156)	2,017
Comprehensive income	$ 9,555	$ 10,264	$ 10,564

See accompanying notes to consolidated financial statements.

First Manitowoc Bancorp, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Serial Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity
				(In Thousands)			
Balance at January 1, 2011	$ -	$ 67	$ 2,451	$ 83,063	$ (1,767)	$ 1,197	$ 85,011
Net income	-	-	-	8,547	-	-	8,547
Other comprehensive loss	-	-	-	-	-	2,017	2,017
Purchase of treasury stock	-	-	-	-	25	-	25
Cash dividends ($0.42 per share)	-	-	-	(2,779)	-	-	(2,779)
Balance at December 31, 2011	$ -	$ 67	$ 2,451	$ 88,831	$ (1,742)	$ 3,214	$ 92,821
Net income	-	-	-	10,420	-	-	10,420
Other comprehensive loss	-	-	-	-	-	(156)	(156)
Purchase of treasury stock	-	-	-	-	(1,881)	-	(1,881)
Sale of treasury stock					549		549
Cash dividends ($0.88 per share)	-	-	-	(5,778)	-	-	(5,778)
Amortization of stock-based compensation	-	-	118	-	-	-	118
Vesting of restricted stock awards	-	-	(33)	-	33	-	-
Balance at December 31, 2012	$ -	$ 67	$ 2,536	$ 93,473	$ (3,041)	$ 3,058	$ 96,093
Net income	-	-	-	11,563	-	-	11,563
Other comprehensive loss	-	-	-	-	-	(2,008)	(2,008)
Purchase of treasury stock	-	-	-	-	(3,337)	-	(3,337)
Sale of treasury stock	-	-	-	-	492	-	492
Cash dividends ($0.22 per share)	-	-	-	(1,405)	-	-	(1,405)
Amortization of stock-based compensation	-	-	170	-	-	-	170
Vesting of restricted stock awards	-	-	(98)	-	98	-	-
Balance at December 31, 2013	$ -	$ 67	$ 2,608	$ 103,631	$ (5,788)	$ 1,050	$ 101,568

See accompanying notes to consolidated financial statements.

First Manitowoc Bancorp, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2013	2012	2011
	(In Thousands)		
Cash flows from operating activities:			
Net income	$ 11,563	$ 10,420	$ 8,547
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for loan losses	1,475	2,900	2,110
Depreciation and amortization of premises and equipment	981	990	968
Amortization of intangibles	18	18	44
Net amortization of securities	777	944	841
Amortization of stock-based compensation	170	118	-
(Benefit) expense for deferred income taxes	(365)	135	(941)
Goodwill and intangible impairment	-	-	602
Change in fair value of mortgage servicing rights (MSR) and other	25	503	1,127
(Gain) loss from sale and disposal of premises and equipment	(23)	125	62
Loss on sale of other real estate owned and valuation allowance	935	824	2,544
Proceeds from sales of mortgage loans	64,907	117,852	66,359
Originations of mortgage loans held for sale	(63,909)	(115,634)	(66,961)
Gain on sales of mortgage loans	(1,066)	(1,874)	(772)
Realized gain (loss) on sale of securities available for sale	906	-	(724)
Gain recognized on contribution of assets to Ansay, net	-	-	(96)
Undistributed income of UFS joint venture	(914)	(683)	(877)
Undistributed income of Ansay joint venture	(965)	(1,196)	-
Net earnings on life insurance	(623)	(551)	(423)
Decrease in other assets	150	547	291
(Decrease) increase in other liabilities	(422)	124	819
Net cash provided by operating activities	13,620	15,562	13,520
Cash flows from investing activities:			
Activity in securities available for sale:			
Sales	16,682	4,998	24,269
Maturities, prepayments, and calls	16,254	23,261	23,984
Purchases	(29,613)	(15,961)	(38,308)
Net increase in loans	(93,201)	(59,110)	(86,201)
Purchase of bank-owned life insurance	-	(2,000)	-
Dividends received from UFS	433	1,659	413
Dividends received from Ansay	870	873	-
Proceeds from sale of Ansay units	-	-	2,859
Proceeds from life insurance	534	-	363
Proceeds from sale of other real estate owned	1,965	2,556	2,660
Capital expenditures on real estate held	(29)	(3)	(122)
Proceeds from sale of FHLB stock	-	581	-
Proceeds from sale of premises and equipment	643	291	-
Purchases of premises and equipment	(822)	(1,884)	(1,540)
Net cash used in investing activities	(86,284)	(44,739)	(71,623)

First Manitowoc Bancorp, Inc. and Subsidiaries
Consolidated Statements of Cash Flows - (continued)

	Years Ended December 31 2013	2012 (In Thousands)	2011
Cash flows from financing activities:			
Net increase in deposits	$ 50,323	$ 116,677	$ 97,279
Net decrease in securities sold under repurchase agreements	(12,254)	(8,834)	(23,764)
Proceeds from advances of borrowed funds	120,900	51,000	-
Repayment of borrowed funds	(121,095)	(51,000)	(1,203)
Proceeds from revolving line of credit	3,125	710	300
Repayment of revolving line of credit	(3,935)	(1,590)	(3,205)
Dividends paid	(1,405)	(5,778)	(2,779)
Proceeds from sales of common stock	492	549	259
Repurchase of common stock	(3,337)	(1,881)	(234)
Net cash provided by financing activities	32,814	99,853	66,653
Net increase (decrease) in cash and cash equivalents	(39,851)	70,676	8,550
Cash and cash equivalents at beginning	111,615	40,939	32,389
Cash and cash equivalents at end	$ 71,764	$ 111,615	$ 40,939
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	$ 4,992	$ 6,042	$ 7,867
Income taxes	4,820	4,069	2,915
Supplemental schedule of noncash activities:			
Loans transferred to other real estate owned	1,198	2,304	4,315
Mortgage servicing rights resulting from sale of loans	519	810	529
Financed sales of OREO	918	147	215
Change in unrealized (loss) gain on investment securities available-for-sale, net of tax	(2,008)	(156)	2,017
Ansay units sold and net assets contributed to Ansay & Associates LLC merger	$ -	$ -	$ (2,859)

See accompanying notes to consolidated financial statements.

Note 1 Summary of Significant Accounting Policies
The accounting and reporting policies of First Manitowoc Bancorp, Inc. and Subsidiaries (Corporation) conform to generally accepted accounting principles (GAAP) in the United States and general practices within the financial institution industry. Significant accounting and reporting policies are summarized below.

Principles of Consolidation
The consolidated financial statements include the accounts of First Manitowoc Bancorp, Inc. and its wholly -owned subsidiaries, Veritas Asset Holdings, LLC (Veritas) and Bank First National (Bank). The Bank's wholly owned subsidiaries are Bank First Investments, Inc. and TVG Holdings, Inc. (TVG). Effective December 31, 2011 the Corporation dissolved BFN Asset Management, Inc. All significant intercompany balances and transactions have been eliminated. The Bank has two investments in minority-owned subsidiaries that are accounted for using the equity method in the consolidated financial statements. The Bank owns 49.8% of United Financial Services, Inc. (UFS) which provides data processing solutions to over 55 banks in the Midwest, and 28.8% of Ansay & Associates, LLC (Ansay) providing clients with superior insurance and risk management solutions. See Note 8 for a discussion of the Ansay merger.

Organization
The Corporation provides a variety of financial services to individual and business customers in Northeastern Wisconsin through the Bank. The Bank is subject to competition from other traditional and nontraditional financial institutions and is also subject to the regulations of certain federal agencies and undergoes periodic examinations by those regulatory authorities including the OCC and the Federal Reserve Bank.

Use of Estimates in Preparation of Financial Statements
The preparation of the accompanying consolidated financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. The allowance for loan losses, carrying value of real estate owned, carrying value of goodwill, fair value of mortgage servicing rights, and fair values of financial instruments are inherently subjective and are susceptible to significant change.

Cash and Cash Equivalents
For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash on hand, interest-bearing and noninterest-bearing accounts in other financial institutions, and federal funds sold, all of which have original maturities of three months or less. Generally, federal funds are purchased and sold for one day periods. The Bank is required to maintain noninterest-bearing deposits on hand or with the Federal Reserve Bank to meet specific reserve requirements. In the normal course of business, the Corporation maintains cash and due from bank balances with correspondent banks. Accounts at each institution that are insured by the Federal Deposit Insurance Corporation have up to $250,000 of insurance. Total uninsured balances held at December 31, 2013 and 2012 were approximately $22,100,000 and $4,112,000, respectively. The Bank is required to maintain noninterest-bearing deposits on hand or with the Federal Reserve Bank. For December 31, 2013 and 2012 those required reserves were approximately $13,151,000 and $0, respectively.

Securities
Securities are classified as available for sale and are carried at fair value. Interest and dividends are included in interest income from securities as earned. Amortization of premiums and accretion of discounts are recognized in interest income using the effective interest method over the expected estimated maturity.

Unrealized gains or losses considered temporary and the noncredit portion of unrealized losses deemed other-than-temporary are reported as an increase or decrease in accumulated other comprehensive income. The credit related portion of unrealized losses deemed other-than-temporary is recorded in current period earnings. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings. The Bank evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. As part of such monitoring, the credit quality of individual securities and their issuers are assessed. In addition, management considers the length of time and extent that fair value has been less than cost, the financial condition and near-term prospects of the issuer, and that the Corporation does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis. Adjustments to market value that are considered temporary are recorded as a separate component of equity, net of tax. If an impairment of security is identified as other-than-temporary based on information available such as the decline in the credit worthiness of the issuer, external market ratings or the anticipated or realized elimination of associated dividends, such impairments are further analyzed to determine if a credit loss exists. If there is a credit loss, it will be recorded in the consolidated statement of income in the period of identification.

Other Investments
Other investments are carried at cost, which approximates fair value, and consist of Federal Home Loan Bank of Chicago (FHLB) stock, Federal Reserve Bank stock, Bankers' Bancorporation stock, and preferred stock in a community development project. Other investments are evaluated for impairment on an annual basis.

Loans Held for Sale
Loans originated and intended for sale in the secondary market, consisting of the current origination of certain fixed-rate mortgage loans, are carried at the lower of cost or estimated fair value in the aggregate. A gain or loss is recognized at the time of the sale reflecting the present value of the difference between the contractual interest rate of the loans sold and the yield to the investor, adjusted for the initial value of mortgage servicing rights associated with loans sold with servicing retained. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Loans and Related Interest Income
Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are generally reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. The accrual of interest on loans is calculated using the simple interest method on daily balances of the principal amount outstanding and is recognized in the period earned utilizing the loan convention applicable by loan type. Loan-origination fees are credited to income when received and the related loan-origination costs are expensed as incurred. Capitalization of fees net of the related costs would not have a material effect on the consolidated financial statements.

The accrual of interest is discontinued when a loan becomes 90 days past due and is not both well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. When loans are placed on nonaccrual or charged off, all unpaid accrued interest is reversed and additional income is recorded only to the extent that payments are received and the collection of principal is reasonably assured. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, when the obligation has performed in accordance with the contractual terms for a reasonable period of time, and future payments of principal and interest are reasonably assured. Loans are considered impaired if it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. Total impaired loans are evaluated based on the fair value of the collateral rather than on discounted cash flow basis.

Allowance for Loan Losses
The allowance for loan losses (ALL) is established through a provision for loan losses charged to expense as losses are estimated to have occurred. Loan losses are charged against the allowance when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

Management regularly evaluates the allowance for loan losses using general economic conditions, the Corporation's past loan loss experience, composition of the portfolio, and other relevant factors. This evaluation is inherently subjective since it requires material estimates that may be susceptible to significant change.

The ALL consists of specific reserves for certain impaired loans and general reserves for non-impaired loans. Specific reserves reflect estimated losses on impaired loans from management's analyses developed through specific credit allocations. The specific credit reserves are based on regular analyses of impaired non-homogenous loans greater than $250,000. These analyses involve a high degree of judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values. The general reserve is based on the Bank's historical loss experience which is updated quarterly. The general reserve portion of the ALL also includes consideration of certain qualitative factors such as 1) changes in lending policies and/or underwriting practices, 2) national and local economic conditions 3) changes in portfolio volume and nature, 4) experience, ability and depth of lending management and other relevant staff, 5) levels of and trends in past-due and nonaccrual loans and quality, 6) changes in loan review and oversight, 7) impact and effects of concentrations, 8) other issues deemed relevant.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of premises and equipment are reflected in income. Premises and equipment, and other long-term assets, are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Depreciation expense is computed using the straight-line method over the following estimated useful lives.

Buildings and improvements	40 years
Land improvememnts	20 years
Furniture, fixtures and equipment	2-7 years

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lesser of carrying value or fair value at the date of foreclosure less estimated costs to sell the asset, establishing a new cost basis. Any write downs at the time of foreclosure are charged to the allowance for loan loss. Subsequent to foreclosure, valuations are periodically performed by management, and a valuation allowance is established if fair value declines below carrying value. Costs relating to the development and improvement of the property are capitalized. Revenue and expenses from operations and changes in the valuation allowance are included in other expenses.

Intangible Assets and Goodwill

Intangible assets consist of the value of core deposits and mortgage servicing assets, and the excess of purchase price over fair value of net assets (goodwill). Core deposits are stated at cost less accumulated amortization and are amortized on a straight-line basis over a period of one to ten years. Mortgage servicing rights are stated at fair value. Goodwill is not amortized but is subject to impairment evaluation annually.

Mortgage servicing rights are recognized as separate assets when rights are acquired through purchase or through sale of mortgage loans with servicing retained. Servicing rights acquired through sale of financial assets are recorded based on the fair value of the servicing right. The determination of fair value is based on a valuation model and includes stratifying the mortgage servicing rights by predominant characteristics, such as interest rates and terms, and estimating the fair value of each stratum based on the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as costs to service, a discount rate, and prepayment speeds. Change in fair value is recorded as an adjustment to earnings.

The Corporation performs a "qualitative" assessment of goodwill to determine whether further impairment testing of indefinite-lived intangible assets is necessary on at least an annual basis. If it is determined as a result of performing a qualitative assessment over goodwill that it is more likely than not that goodwill is impaired, management will perform an impairment test to determine if the carrying value of goodwill is realizable.

The Corporation evaluated goodwill and core deposit intangibles for impairment during 2013, 2012 and 2011. In 2013 and 2012, the Corporation determined there was no goodwill and core deposit intangible impairment. In 2011, the Corporation determined $602,000 of goodwill and intangible asset impairment in connection with the closure of BFN Asset Management, Inc. and recognized the expense in 2011 earnings.

Income Taxes
The Corporation files one consolidated federal income tax return and one Wisconsin combined return. Federal income tax expense is allocated to each subsidiary based on an intercompany tax sharing agreement.

Deferred tax assets and liabilities have been determined using the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities and the current enacted tax rates which will be in effect when these differences are expected to reverse. Provision (benefit) for deferred taxes is the result of changes in the deferred tax assets and liabilities.

Securities Sold Under Repurchase Agreements
The Corporation sells securities under repurchase agreements. These transactions are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were sold. The Corporation may have to provide additional collateral to the counterparty, as necessary.

Off-Balance-Sheet Financial Instruments
In the ordinary course of business, the Corporation has entered into off-balance-sheet financial instruments including commitments to extend credit, unfunded commitments under lines of credit, and letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded.

Advertising
Advertising costs are generally expensed as incurred.

Per Share Computations
Weighted average shares outstanding were 6,463,823, 6,587,174, and 6,593,759 for the years ended December 31, 2013, 2012 and 2011, respectively. All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities for basic and diluted earnings per share calculations. There were no potentially dilutive instruments outstanding during the periods presented.

Loss Contingencies
Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe that there are any such matters that will have a

material effect on the consolidated financial statements at December 31, 2013 and 2012.

Transfers of Financial Assets
Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Bank, the transferee obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets and the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Comprehensive Income
GAAP normally requires that recognized revenues, expenses, gains and losses be included in net income. In addition to net income, other components of comprehensive income include the after-tax effect of changes in unrealized gains and losses on available-for-sale securities and derivative financial instruments accounted for as cash flow hedges. These items are reported as a separate component of stockholders' equity. The Corporation presents comprehensive income in the statement of comprehensive income.

Stock-based Compensation
The Corporation uses the fair value method of recognizing expense for stock-based compensation based on the fair value of restricted stock awards at the date of grant as prescribed by accounting standards codification Topic 781-10 Compensation/Stock Compensation.

Mortgage Banking Derivatives
Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free standing derivatives. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest rate on the loan is locked. The Bank enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into in order to hedge the change in interest rates resulting from its commitments to fund loans. The forward commitments for the future delivery of mortgage loans are based on the Bank's ''best efforts'' and therefore the Bank is not penalized if a loan is not delivered to the investor if the loan did not get originated. Changes in the fair values of these derivatives generally offset each other and are included in ''other income'' in the consolidated statements of income.

Subsequent Events
Management has evaluated subsequent events through February 25, 2014, the issuance date of these consolidated financial statements.

Reclassifications
Certain reclassifications have been made to the 2012 and 2011 consolidated financial statements to conform to the 2013 classifications.

New Accounting Pronouncements
In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to improve the transparency of reporting these reclassifications. Other comprehensive income includes gains and losses that are initially excluded from net income for an accounting period. Those gains and losses are later reclassified out of accumulated other comprehensive income into net income. The amendments in ASU 2013-02 require entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive statements of net income and other comprehensive income. The option to present items of other comprehensive income in the statement of changes in equity is eliminated. The amendments in this guidance are effective for the Corporation as of the beginning of the 2014 reporting year, as well as interim periods within that year. The adoption of this amendment will have no impact on the consolidated financial statements as the prior presentation of comprehensive income was in compliance with this amendment.

In January 2013, FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. This ASU limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting agreement. The disclosure requirements were effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods.

In July 2013, FASB issued ASU 2013-10, Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a benchmark Interest Rate for Hedge Accounting Purposes. It permits the Fed Funds Effective Swap Rate (OIS) to be used as a benchmark interest rate for hedge accounting in addition to U.S. Treasury Securities and LIBOR. The amendments also remove the restriction on using different benchmark rates or similar hedges. The standard is effective prospectively for qualifying new or re-designated hedging relationships entered into on or after July 17, 2013. This guidance did not have a material impact on the Corporation's financial position, results of operations or disclosures.

ASU 2013-11 – Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). ASU 2013-11 requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. However, if a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments are effective for fiscal years beginning after December 15, 2014, for nonpublic entities. The amendments are not expected to have a material impact on the Corporation's results of operations, financial position or disclosures.

Note 2 Securities Available for Sale
The amortized cost and estimated fair value of securities with gross unrealized gains and losses follows (dollar amounts in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2013				
U.S. Treasury securities and obligations of U.S Government sponsored agencies	$ 22,184	$ 66	$ (140)	$ 22,110
Obligations of states and political subdivisions	54,524	1,329	(322)	55,531
Mortgage-backed securities	29,018	950	(161)	29,807
Corporate notes	2,197	5	-	2,202
Total securities	$ 107,923	$ 2,350	(623)	$ 109,650
December 31, 2012				
U.S. Treasury securities and obligations of U.S Government sponsored agencies	$ 13,359	$ 461	$ -	$ 13,820
Obligations of states and political subdivisions	57,033	3,045	(69)	60,009
Mortgage-backed securities	42,437	1,592	(3)	44,026
Corporate notes	100	-	-	100
Total securities	$ 112,929	$ 5,098	(72)	$ 117,955

The following table shows the fair value and gross unrealized losses of securities with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (dollar amounts in thousands):

	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2013						
U.S. Treasury securities and obligations of U.S. Government sponsored agencies	$ 16,124	$ (140)	$ -	$ -	$16,124	$ (140)
Obligations of states and political subdivisions	$ 8,166	$ (297)	$ 275	$ (25)	$ 8,441	$ (322)
Mortgage-backed securities	9,126	(161)	-	-	9,126	(161)
Totals	$ 33,416	$ (598)	$ 275	$ (25)	$33,691	$ (623)
December 31, 2012						
U.S. Treasury securities and obligations of U.S. Government sponsored agencies	$ -	$ -	$ -	$ -	$ -	$ -
Obligations of states and political subdivisions	$ 3,328	$ (69)	$ -	$ -	$ 3,328	$ (69)
Mortgage-backed securities	1,424	(3)	-	-	1,424	(3)
Totals	$ 4,752	$ (72)	$ -	$ -	$ 4,752	$ (72)

The Corporation evaluates securities for other-than-temporary impairment at least on a quarterly basis and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and that management does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis. In analyzing an issuer's financial condition, the Corporation may consider whether the securities are issued or sponsored by the U.S. Government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

Contractual maturities will differ from expected maturities for mortgage-backed securities because borrowers may have the right to call or prepay obligations without penalties. The following is a summary of amortized cost and estimated fair value of securities, by contractual maturity, as of December 31, 2013 (dollar amounts in thousands):

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 3,205	$ 3,219
Due after one year through 5 years	28,455	28,996
Due after 5 years through ten years	34,926	35,128
Due after 10 years	12,319	12,500
Subtotal	78,905	79,843
Mortgage-backed securities	29,018	29,807
Total	$ 107,923	$ 109,650

Following is a summary of the proceeds from sales of securities available for sale, as well as gross gains and losses, from the years ended December 31 (dollar amounts in thousands):

	2013	2012	2011
Proceeds from sales of securities	$16,682	$4,998	$24,269
Gross gains on sales	-	-	734
Gross losses on sales	906	-	9

As of December 31, 2013 and 2012, the carrying values of securities available for sale pledged to secure public deposits, securities sold under repurchase agreements, and for other purposes required or permitted by law were approximately $65,687,000 and $80,127,000, respectively.

Note 3 Loans

The composition of loans at December 31 is as follows (dollar amounts in thousands):

	2013	2012
Commercial/industrial	$ 210,757	$ 187,161
Commercial real estate - owner occupied	231,169	195,043
Commercial real estate - non-owner occupied	109,761	104,155
Construction and development	31,240	28,406
Residential 1-4 family	206,005	189,589
Consumer	21,800	12,011
Other	12,412	14,528
Subtotals	823,144	730,893
Less allowance for loan losses	8,755	7,950
Loans, net of allowance	814,389	722,943
Loans held for sale	272	723
Loans, net and loans held for sale	$ 814,661	$ 723,666

A summary of the activity in the allowance for loan losses by loan type as of December 31, 2013 and December 31, 2012 is as follows (dollar amounts in thousands):

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
Allowance for loan losses - January 1, 2013	$ 1,980	$ 1,414	$ 792	$ 1,055	$ 2,058	$ 117	$ 133	$ 401	$ 7,950
Charge-offs	(90)	(176)	-	(36)	(631)	(28)	(36)	-	(997)
Recoveries	32	145	-	107	25	14	4	-	327
Provision	(471)	221	196	(334)	773	48	(4)	1,045	1,475
Allowance for loan losses - December 31, 2013	$ 1,451	$ 1,604	$ 988	$ 792	$ 2,225	$ 151	$ 97	$ 1,446	$ 8,755
ALL ending balance individually evaluated for impairment	-	-	-	560	585	-	-	-	$ 1,145
ALL ending balance collectively evaluated for impairment	$ 1,451	$ 1,604	$988	$232	$ 1,640	$ 151	$ 97	$ 1,446	$ 7,610
Loans outstanding - December 31, 2013	$ 210,757	$ 231,169	$ 109,761	$ 31,240	$ 206,005	$ 21,800	$ 12,412	$ -	$ 823,144
Allowance for loan losses	1,451	1,604	988	792	2,225	151	97	1,446	8,755
Loans, net of ALL	$ 209,306	$ 229,565	$ 108,773	$ 30,448	$ 203,780	$ 21,649	$ 12,315	$ (1,446)	$ 814,389
Loans ending balance individually evaluated for impairment	-	868	-	1,129	1,514	-	-	-	3,511
Loans ending balance collectively evaluated for impairment	$ 209,306	$ 228,697	$ 108,773	$ 29,319	$ 202,266	$ 21,649	$ 12,315	$ (1,446)	$ 810,878

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
Allowance for loan losses -									
January 1, 2012	$ 1,488	$ 803	$ 536	$ 601	$ 3,353	$ 352	$ 40	$ 307	$ 7,480
Charge-offs	(686)	(154)	(910)	(151)	(655)	(29)	(85)	-	(2,670)
Recoveries	87	1	-	-	125	17	10	-	240
Provision	1,091	764	1,166	605	(765)	(223)	168	94	2,900
Allowance for loan losses -									
December 31, 2012	$ 1,980	$ 1,414	$ 792	$ 1,055	$ 2,058	$ 117	$ 133	$ 401	$ 7,950
ALL ending balance individually									
evaluated for impairment	-	-	25	450	210	-	-	-	$ 685
ALL ending balance collectively									
evaluated for impairment	$ 1,980	$ 1,414	$ 767	$ 605	$ 1,848	$ 117	$ 133	$ 401	$ 8,635
Loans outstanding -									
December 31, 2012	$ 187,161	$ 195,043	$ 104,155	$ 28,406	$ 189,589	$ 12,011	$ 14,528	$ -	$ 730,893
Allowance for loan losses	1,980	1,414	792	1,055	2,058	117	133	401	7,950
Loans, net of ALL	$ 185,181	$ 193,629	$ 103,363	$ 27,351	$ 187,531	$ 11,894	$ 14,395	$ (401)	$ 722,943
Loans ending balance individually									
evaluated for impairment	-	460	353	1,570	845	-	-	-	3,228
Loans ending balance collectively									
evaluated for impairment	$ 185,181	$ 193,169	$ 103,010	$ 25,781	$ 186,686	$ 11,894	$ 14,395	$ (401)	$ 719,715

A summary of past due loans as of December 31, 2013 are as follows (dollar amounts in thousands):

	30-89 Days Past Due Accruing	90 Days or more Past Due or on Non-Accrual	2013 Total
Commercial/industrial	$ 9	$ 1	$ 10
Commercial real estate - owner occupied	-	404	404
Commercial real estate - non-owner occupied	-	2	2
Construction and development	48	1,145	1,193
Residential 1-4 family	559	1,065	1,624
Consumer	-	-	-
Other	-	-	-
	$ 616	$ 2,617	$ 3,233

A summary below of past due loans as of December 31, 2012 are as follows (dollar amounts in thousands):

	30-89 Days Past Due Accruing	90 Days or more Past Due or on Non-Accrual	2012 Total
Commercial/industrial	$ -	$ 18	$ 118
Commercial real estate - owner occupied	36	955	991
Commercial real estate - non-owner occupied	-	352	352
Construction and development	38	1,568	1,606
Residential 1-4 family	474	1,235	1,709
Consumer	41	8	49
Other	-	-	-
	$ 589	$ 4,236	$ 4,825

Credit Quality:
We utilize a numerical risk rating system for commercial relationships whose total indebtedness equals $250,000 or more. All other types of relationships (ex: residential, consumer, commercial under $250,000 of indebtedness) are assigned a "Pass" rating, unless they have fallen 90 days past due or more, at which time they receive a rating of 7. The Corporation uses split ratings for government guaranties on loans. The portion of a loan that is supported by a government guaranty is included with other Pass credits.

The determination of a commercial loan risk rating begins with completion of a matrix, which assigns scores based on the strength of the borrower's debt service coverage, collateral coverage, balance sheet leverage, industry outlook, and customer concentration. A weighted average is taken of these individual scores to arrive at the overall rating. This rating is subject to adjustment by the loan officer based on facts and circumstances pertaining to the borrower. Risk ratings are subject to independent review.

Commercial borrowers with ratings between 1 and 5 are considered Pass credits, with 1 being most acceptable and 5 being just above the minimum level of acceptance.

Commercial borrowers rated 6 have potential weaknesses which may jeopardize repayment ability.

Borrowers rated 7 have a well-defined weakness or weaknesses such as the inability to demonstrate significant cash flow for debt service based on analysis of the company's financial information. These loans remain on accrual status provided full collection of principal and interest is reasonably expected. Otherwise they are deemed impaired and placed on nonaccrual status. Borrowers rated 8 are the same as 7 rated credits with one exception: collection or liquidation in full is not probable.

The breakdown of loans by risk rating as of December 31, 2013 is as follows (dollar amounts in thousands):

	Pass (1-5)	6	7	8	Total
Commercial/industrial	$ 203,189	$ 2,818	$ 4,750	$ -	$ 210,757
Commercial real estate - owner occupied	221,707	1,015	8,447	-	231,169
Commercial real estate - non-owner occupied	108,923	-	838	-	109,761
Construction and development	30,047	-	1,193	-	31,240
Residential 1-4 family	202,496	460	2,722	327	206,005
Consumer	21,800	-	-	-	21,800
Other	12,412	-	-	-	12,412
	$ 800,574	$ 4,293	$ 17,950	$ 327	$ 823,144

The breakdown of loans by risk rating as of December 31, 2012 is as follows (dollar amounts in thousands):

	Pass (1-5)	6	7	8	Total
Commercial/industrial	$ 177,546	$ 2,177	$ 7,438	$ -	$ 187,161
Commercial real estate - owner occupied	185,513	2,648	6,882	-	195,043
Commercial real estate - non-owner occupied	102,133	493	1,529	-	104,155
Construction and development	25,882	-	2,524	-	28,406
Residential 1-4 family	186,149	194	3,246	-	189,589
Consumer	12,000	-	11	-	12,011
Other	14,528	-	-	-	14,528
	$ 703,751	$ 5,512	$ 21,630	$ -	$ 730,893

The ALL represents management's estimate of probable and inherent credit losses in the loan portfolio. Estimating the amount of the ALL requires the exercise of significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogenous loans based on historical loss experience, and consideration of other qualitative factors such as current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset on the consolidated balance sheets. Loan losses are charged off against the ALL, while recoveries of amounts previously charged off are credited to the ALL. A provision for loan losses (PFLL) is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors.

The ALL consists of specific reserves for certain individually evaluated impaired loans and general reserves for collectively evaluated non-impaired loans. At December 31, 2013 and 2012, the Corporation had no specific reserves outstanding. Specific reserves reflect estimated losses on impaired loans from management's analyses developed through specific credit allocations. The specific reserves are based on regular analyses of impaired, non-homogenous loans greater than $250,000. These analyses involve a high degree of judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values. The general reserve is based in part on the Bank's historical loss experience which is updated quarterly. The general reserve portion of the ALL also includes consideration of certain qualitative factors such as 1) changes in lending policies and/or underwriting practices, 2) national and local economic conditions, 3) changes in portfolio volume and nature, 4) experience, ability and depth of lending management and other relevant staff, 5) levels of and trends in past-due and nonaccrual loans and quality, 6) changes in loan review and oversight, 7) impact and effects of concentrations and 8) other issues deemed relevant.

There are many factors affecting ALL; some are quantitative while others require qualitative judgment. The process for determining the ALL (which management believes adequately considers potential factors which might possibly result in credit losses) includes subjective elements and, therefore, may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional PFLL could be required that could adversely affect the Corporation's earnings or financial position in future periods. Allocations of the ALL may be made for specific loans but the entire ALL is available for any loan that, in management's judgment, should be charged off or for which an actual loss is realized. As an integral part of their examination process, various regulatory agencies review the ALL as well. Such agencies may require that changes in the ALL be recognized when such regulators' credit evaluations differ from those of management based on information available to the regulators at the time of their examinations.

A summary of impaired loans individually evaluated as of December 31, 2013 is as follows (dollar amounts in thousands):

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
With an allowance recorded:									
Recorded investment	$ -	$ -	$ -	$ 1,129	$ 1,324	$ -	$ -	$ -	$ 2,453
Unpaid principal balance	-	-	-	1,129	1,372	-	-	-	2,501
Related allowance	-	-	-	560	585	-	-	-	1,145
With no related allowance recorded:									
Recorded investment	$ -	$ 868	$ -	$ -	$ 190	$ -	$ -	$ -	$ 1,058
Unpaid principal balance	-	868	-	-	190	-	-	-	1,058
Related allowance	-	-	-	-	-	-	-	-	$ -
Total:									
Recorded investment	$ -	$ 868	$ -	$ 1,129	$ 1,514	$ -	$ -	$ -	$ 3,511
Unpaid principal balance	-	868	-	1,129	1,562	-	-	-	3,559
Related allowance	-	-	-	560	585	-	-	-	1,145
Average recorded investment during 2013 through December	$ 50	$ 835	$ 147	$ 1,302	$ 909	$ 3	$ -	$ -	$ 3,246
Interest income recognized while impaired	$ -	$ 13	$ -	$ -	$15	$ -	$ -	$ -	$28

A summary of impaired loans as of December 31, 2012 is as follows (dollar amounts in thousands):

	Commercial/ Industrial	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Construction and Development	Residential 1-4 Family	Consumer	Other	Unallocated	Total
With an allowance recorded:									
Recorded investment	$ -	$ -	$ 353	$ 862	$ 845	$ -	$ -	$ -	$ 2,060
Unpaid principal balance	-	-	508	943	954	-	-	-	2,405
Related allowance	-	-	25	450	210	-	-	-	685
With no related allowance recorded:									
Recorded investment	$ -	$ 460	$ -	$708	$ -	$ -	$ -	$ -	$ 1,168
Unpaid principal balance	-	877	-	708	-	-	-	-	1,585
Related allowance	-	-	-	-	-	-	-	-	$ -
Total:									
Recorded investment	$ -	$ 460	$ 353	$ 1,570	$ 845	$ -	$ -	$ -	$ 3,228
Unpaid principal balance	-	877	508	1,651	954	-	-	-	3,990
Related allowance	-	-	25	450	210	-	-	-	685
Average recorded investment during 2012 through December	$ 99	$ 382	$ 1,879	$ 686	$ 757	$ -	$ -	$ -	$ 3,803
Interest income recognized while impaired	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Management regularly monitors impaired loan relationships. In the event facts and circumstances change, additional provision for loan losses may be necessary.

An analysis of impaired loans for the three years ended December 31 follows (dollar amounts in thousands):

	2013	2012	2011
Average investment in impaired loans	$ 3,246	$ 3,803	$ 4,655
Interest income that would have been recognized on an accrual basis	$ 134	$ 209	$ 266
Cash-basis interest income recognition	$ 28	$ -	$ -

A summary of nonperforming loans as of December 31, 2013 is as follows (dollar amounts in thousands):

	2013	2012
Nonaccrual loans	$ 2,571	$ 3,959
Loans past due 90 days	$ 46	$ 277
Total nonperforming loans (''NPLs'')	$ 2,617	$ 4,236

A troubled debt restructuring (''TDR'') includes a loan modification where a borrower is experiencing financial difficulty and we grant a concession to that borrower that we would not otherwise consider except for the borrower's financial difficulties. A TDR may be either on accrual or nonaccrual status based upon the performance of the borrower and management's assessment of collectability. If a TDR is placed on nonaccrual status, it remains there until a sufficient period of performance under the restructured terms has occurred at which time it is returned to accrual status, generally six months. The Corporation did not have any loans that are considered troubled debt restructurings during 2012. As of December 31, 2013 the Corporation had specific reserves of $250,000 for TDR's and none of them have subsequently defaulted.

Modifications by Class of Loans

Trouble Debt restructurings as of December 31, 2013 (in thousands)	Number Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Residential 1-4 family	2	$ 713	$ 667
Commercial real estate- owner occupied	1	475	475
	3	$ 1,188	$ 1,142

Note 4 Related Party Matters

Directors, executive officers, and principal shareholders of the Corporation, including their families and firms in which they are principal owners, are considered to be related parties. Substantially all loans to officers, directors, and shareholders owning 5% or more of the Corporation, that we are aware of, were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectability or present other unfavorable features. Changes of those serving as directors are reflected in the new loans and repayments.

A summary of loans to directors, executive officers, principal shareholders, and their affiliates for the years ended December 31 is as follows (dollar amounts in thousands):

	2013	2012
Balances at beginning	$ 20,406	$ 22,664
New loans and advances	14,205	12,683
Repayments	(12,278)	(14,941)
Balance at end	$ 22,333	$ 20,406

Note 5 Mortgage Servicing Rights

Loans serviced for others are not included in the accompanying consolidated balance sheets. Mortgage servicing rights (MSRs) are recognized as separate assets when loans sold in the secondary market are sold with servicing retained. The Corporation utilizes a third party consulting firm to determine an accurate assessment of the mortgage servicing rights fair value. The third party firm collects relevant data points from numerous sources. Some of these data points relate directly to the pricing level or relative value of the mortgage servicing while other data points relate to the assumptions used to derive fair value. In addition, the valuation evaluates specific collateral types, and current and historical performance of the collateral in question. The valuation process focuses on the non-distressed secondary servicing market, common industry practices and current regulatory standards. The primary determinants of the fair value of mortgage servicing rights are servicing fee percentage, ancillary income, expected loan life or prepayment speeds, discount rates, costs to service, delinquency rates, foreclosure losses and recourse obligations. The valuation data also contains interest rate shock analyses for monitoring fair value changes in differing interest rate environments.

Following is an analysis of activity for the years ended December 31 in servicing assets that are measured at fair value (dollar amounts in thousands):

	2013	2012
Fair value beginning of year	$ 2,011	$ 1,704
Servicing asset additions	519	810
Loan payments and payoffs	(515)	(711)
Changes in valuation inputs and assumptions used in the valuation model	490	208
Amount recognized through earnings	494	307
Fair value at end of year	$ 2,505	$ 2,011
Unpaid principal balance of loans serviced for others (in thousands)	$ 284,765	$ 273,158
Mortgage servicing rights as a percent of loans serviced for others	0.88	0.74

During the years ended December 31, 2013 and 2012, the Corporation utilized economic assumptions in measuring the initial value of MSRs for loans sold whereby servicing is retained by the Corporation. The economic assumptions used at December 31, 2013 and 2012 included constant prepayment speed of 10.3 and 14.7 months, respectively, and a discount rate of 10.54% and 10.56%, respectively. The constant prepayment rates are obtained from publicly available sources for each of the Federal National Mortgage Association (FNMA) loan programs that the Corporation originates under. The assumptions used by the Corporation are hypothetical and supported by a third party valuation. The Corporation's methodology for estimating the fair value of MSRs is highly sensitive to changes in assumptions.

The carrying value of the mortgage servicing rights is included with intangible assets and approximates fair market value at December 31, 2013 and 2012. Changes in fair value are recognized through the income statement as loan servicing income.

Note 6 Premises and Equipment

An analysis of premises and equipment at December 31 follows (dollar amounts in thousands):

	2013	2012
Land improvements	$ 1,211	$ 1,311
Buildings and improvements	10,381	10,860
Furniture and equipment	7,034	6,308
Totals	18,626	18,479
Less accumulated depreciation	9,354	8,428
Premises and equipment, net	$ 9,272	$ 10,051

Depreciation and amortization of premises and equipment charged to operating expense totaled approximately $981,000, $990,000, and $968,000 for the years ended December 31, 2013, 2012, and 2011, respectively.

Note 7 Other Real Estate Owned

Changes in other real estate owned (OREO) for the years ended December 31 were as follows (dollar amounts in thousands):

		2013		2012
Beginning of year	$	5,567	$	6,640
Transfers in		1,198		2,304
Capitalized improvements		29		3
Valuation allowances		(732)		(759)
Loss on other real estate owned		(203)		(65)
Sales		(2,883)		(2,556)
End of year	$	2,976	$	5,567

Activity in the valuation allowance for the years ended December 31 was as follows (dollar amounts in thousands):

		2013		2012
Beginning of year	$	1,932	$	1,755
Additions charged to expense		732		759
Valuation relieved due to sale of OREO		(248)		(582)
End of year	$	2,416	$	1,932

Note 8 Investment in Nonconsolidated Subsidiaries

The Corporation owns 49.8% of UFS whose business is providing data processing services to the Corporation and other financial institutions. As of December 31, 2013, UFS had total assets of $12,675,000 and liabilities of $4,856,000. The Corporation's investment in UFS was $3,836,000 and $3,355,000 at December 31, 2013 and 2012, respectively. The investment is accounted for on the equity method. The Corporation's earnings from its investment in UFS were approximately $914,000, $683,000, and $877,000 for the years ended December 31, 2013, 2012 and 2011, respectively. Data processing service fees paid by the Corporation to UFS were approximately $1,000,000, $947,000, and $955,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

The Corporation has an annual contract with UFS that matured December 31, 2013, which automatically renewed for a twelve-month term. The Corporation has the option to terminate the contract at any time by giving notice 180 days prior to maturity. The Corporation would have incurred a termination penalty of approximately $464,000 at December 31, 2013 if it had early terminated the contract with no notice. The termination penalty is calculated using the greater of 50% of the total estimated remaining unpaid monthly processing fees or six times the average monthly fee over the prior three months.

Since the financial results of the Corporation and its 49.8% owned subsidiary are included for financial reporting but earnings from the investment in the subsidiary are included in taxable income only when they are received, the basis of the investment differs for financial and income tax reporting primarily by the Corporation's share of UFS's undistributed earnings since the date of acquisition. The undistributed earnings that have been recognized in the Corporation's consolidated financial statements but have not yet been included in its taxable income total approximately $1,400,000 and $1,300,000 at December 31, 2013 and 2012, respectively. Those earnings would become taxable through dividends or sale of the subsidiary, however a substantial portion of any dividends would be nontaxable due to the dividend received deduction. Deferred income taxes of approximately $546,000 and $508,000 have been provided on undistributed earnings at December 31, 2013 and 2012, respectively. During 2013, 2012 and 2011, the Corporation received $433,000, $1,659,000 and $413,000 in dividends from UFS, respectively.

On December 31, 2009, TVG, the insurance subsidiary of the Bank merged with A.N. Ansay and Associates, Inc. to form Ansay. Ansay is a family owned independent insurance agency that has operated in southeastern Wisconsin since 1946, managing the insurance and risk needs of commercial and personal insurance clients in Wisconsin and the Midwest. Effective January 1, 2011, Ansay purchased 8,440 Class A units from TVG for approximately $2,900,000 of cash. Effective with the purchase, TVG reduced its investment in Ansay & Associates, LLC from 36.9% to 28.8% and recognized a gain of $96,000. In connection with TVG's 2009 investment in Ansay whereby certain net assets were contributed, a $338,000 deferred gain was recorded. At December 31, 2013 the remaining deferred gain is $242,000 and will be recognized upon liquidation of the remaining ownership interest.

As of December 31, 2013, Ansay had total assets of $25,755,000 and liabilities of $12,990,000. The Corporation's investment in Ansay, which is accounted for using the equity method, was $10,910,000 and $10,815,000 at December 31, 2013 and 2012, respectively. The Corporation recognized earnings of approximately $965,000, $1,196,000 and $857,000 and received dividends of $870,000, $873,000 and $720,000 from its investment in Ansay during the years ended December 31, 2013, 2012 and 2011, respectively.

Effective January 1, 2013, the CEO of Ansay, Michael G. Ansay, was named Chairman of the Board of the Corporation and also serves as the Compensation Committee Chairman. As a related party, during 2013, 2012 and 2011 the Corporation purchased director and officer, fidelity bond and commercial insurance coverage through Ansay spending approximately $168,000, $168,000 and $196,000, respectively. Ansay has an available revolving line of credit of $2.0 million with the Corporation with no amounts outstanding as of December 31, 2013 and 2012.

As of December 31, 2013 Ansay had the following term loans with the Corporation:

Primary Name	Net Active Principal Balance		Interest Rate	Maturity Date
A N Ansay & Associates Inc	$	2,500,000	3.50%	1/17/2017
Ansay & Associates LLC		2,073,289	5.35%	1/1/2018
Ansay & Associates LLC		1,761,758	4.65%	7/1/2019
Ansay & Associates LLC		918,998	4.65%	10/1/2020
Ansay & Associates LLC		1,340,934	4.65%	8/15/2020

Ansay maintains deposits at the Bank totaling $1,666,000 and $2,537,000 as of December 31, 2013 and 2012. Ansay leased a building from the Bank under a non-cancellable operating lease expiring December 31, 2019 and paid rents of $57,000, $81,000 and $113,000 for the years ended December 31, 2013, 2012 and 2011, respectively. On September 5, 2013 Ansay purchased the leased building from the Corporation.

Since the financial results of the Corporation and its 28.8% owned subsidiary are included for financial reporting, but earnings from the investment in the subsidiary are included in taxable income only when they are received, the basis of the investment differs for financial and income tax reporting primarily by the Corporation's share of Ansay's undistributed earnings since the date of the acquisition. Deferred income taxes of approximately $831,000 and $884,000 have been provided on undistributed earnings of $2,100,000 and $2,300,000 at December 31, 2013 and 2012, respectively. Those earnings would become taxable through dividends or during the sale of Ansay.

Note 9 Identifiable Intangible Assets

The gross carrying amount and accumulated amortization of intangible assets (excluding goodwill) for the years ended December 31 are as follows (dollar amounts in thousands):

	2013				**2012**			
	Gross Carrying Amount		Intangible Accumulated Amortization		Gross Carrying Amount		Intangible Accumulated Amortization	
Core deposit intangible	$	232	$	174	$	232	$	156
Mortgage servicing rights		2,505		-		2,011		-
Totals	$	2,737	$	174	$	2,243	$	156

The amortization expense for the years ended December 31, 2013, 2012 and 2011, was $18,000, $18,000, and $19,000, respectively.

Mortgage servicing rights are carried at fair value; therefore, there is no amortization expense. The following table shows the estimated future amortization expense for amortizing intangible assets. The projections of amortization expense are based on existing asset balances as of December 31, 2013 (dollar amounts in thousands):

	Core Deposit Intangible
2014	18
2015	18
2016	22
Total	$ 58

Note 10 Goodwill

The changes in the carrying amount of goodwill for the years ended December 31 are as follows (dollar amounts in thousands):

	2013	2012
Balance at beginning	$ 7,984	$ 7,984
Goodwill impairment	-	-
Total goodwill	$ 7,984	$ 7,984

Note 11 Deposits

The composition of deposits at December 31 is as follows (dollar amounts in thousands):

	2013	2012
Noninterest-bearing demand deposits	$ 215,677	$ 192,305
Interest-bearing demand deposits	68,800	87,615
Savings deposits	480,033	426,176
Time deposits	154,976	163,067
Total deposits	$ 919,486	$ 869,163

Time deposits of $100,000 or more were approximately $65,496,000 and $67,245,000 at December 31, 2013 and 2012, respectively.

The scheduled maturities of time deposits at December 31, 2013, are summarized as follows (dollar amounts in thousands):

2014	81,400
2015	26,140
2016	25,917
2017	9,335
2018	10,083
Thereafter	2,101
Total	$ 154,976

Deposits from directors, executive officers, principal shareholders, and their affiliates totaled approximately $17,819,000 and $21,205,000 as of December 31, 2013 and 2012, respectively.

Note 12 Securities Sold Under Repurchase Agreements

Securities sold under repurchase agreements have contractual maturities up to one year from the transaction date with variable and fixed rate terms. The agreements to repurchase securities require that the Corporation (seller) repurchase identical securities as those that are sold. The securities underlying the agreements were under the Corporation's control. During 2013 and 2012, the Corporation terminated one of its repurchase agreements in each year and recognized $470,000 and $1,400,000 of early termination costs in other expenses for each year, respectively.

Information concerning securities sold under repurchase agreements at December 31 consists of the following (dollar amounts in thousands):

	2013	2012	2011
Outstanding balance at the end of the year	$ 30,845	$ 43,099	$ 51,933
Weighted average interest rate at the end of the year	0.32%	0.60%	1.16%
Average balance during the year	$ 31,785	$ 37,014	$ 56,261
Average interest rate during the year	0.72%	1.29%	1.18%
Maximum month end balance during the year	$ 51,174	$ 61,436	$ 73,643

Note 13 Borrowed Funds

At December 31, 2013 and 2012, respectively, the Bank had no advances outstanding from FHLB. From time to time the Bank utilized short term FHLB advances to fund liquidity during 2013.

At December 31, 2013, total loans available to be pledged as collateral on FHLB borrowings were approximately $106.0 million and of that total, $68.0 million qualified as eligible collateral. The Bank owned $2.6 million of FHLB stock. As of December 31, 2013, the Bank had $17.9 million of credit outstanding from the FHLB which consisted of $17.9 million in letters of credit and, accordingly, the Bank was required to hold $2,300,000 in FHLB stock. At December 31, 2013, the Bank had available liquidity of $50.0 million for future draws. FHLB stock is included in other investments at December 31, 2013 and 2012. This stock is recorded at cost, which approximates fair value.

At December 31, 2012, total loans available to be pledged as collateral on FHLB borrowings were approximately $89.6 million and of that total, $57.3 million qualified as eligible collateral and the Bank owned $2.6 million of FHLB stock. As of December 31, 2012, the Bank had $18.5 million of credit outstanding from the FHLB which consisted of $18.5 million in letters of credit and, accordingly, the Bank was required to hold $2,088,000 in FHLB stock. At December 31, 2012, the Bank had available liquidity of $38.8 million for future draws.

The Bank is approved for the borrower in custody program at the Federal Reserve Bank Discount Window. At December 31, 2013 and 2012, the Bank pledged $11.2 million and $4.6 million, respectively, of commercial loans. At December 31, 2013 and 2012, respectively, the Bank had available liquidity of $9.7 and $2.6 million, respectively, for future draws utilizing the discount window. The Bank had no borrowings outstanding at December 31, 2013 and 2012.

Note 14 Notes Payable

The Corporation maintains a $10,000,000 line of credit with a commercial bank. At December 31, 2013 and 2012, the Corporation had an outstanding balance on the line of credit of $0 and $810,000, respectively. The interest rate is a variable rate with a floor of 3.25% due May 19, 2014. At December 31, 2013, the interest rate was 3.25%.

In addition to the line of credit, the Corporation has a note payable with another commercial bank that is collateralized with real estate owned by First Manitowoc Bancorp, Inc. At December 31, 2013 and 2012, the Corporation had an outstanding balance on the note payable of $1,265,000 and $2,010,000, respectively. During 2013, $625,000 of the note was paid down following the sale of a portion of the real estate collateral securing the note payable. The note is payable in monthly installments at $10,000 including interest at a variable rate with a floor of 3.25%. At December 31, 2013, the interest rate was 3.25%. The note is due December 15, 2015.

The Corporation's real estate subsidiary, Veritas, entered into a note payable with a commercial bank in March 2013. At December 31, 2013, the Corporation had an outstanding balance on the note payable of $550,000. The note requires interest payments quarterly at a variable rate with a floor of 3.25%. At December 31, 2013, the rate was 3.25%. The note is due March 15, 2016.

The schedule of notes payable maturities at December 31, 2013 is summarized as follows (dollar amounts in thousands):

	Total
2014	120
2015	120
2016	670
2017	120
2018	120
Thereafter	665
Total	$ 1,815

Note 15 Income Taxes

The components of the provision for income taxes for the years ended December 31 are as follows (dollar amounts in thousands):

	2013	2012	2011
Current tax expense:			
Federal	$ 3,968	$ 2,870	$ 2,729
State	1,336	1,064	1,069
Total current	5,304	3,934	3,798
Deferred tax expenses (benefit):			
Federal	$ (291)	$ 117	$ (708)
State	(74)	18	(233)
Total deferred	(365)	135	(941)
Total provision for income taxes	$ 4,939	$ 4,069	$ 2,857

A summary of the sources of differences between income taxes at the federal statutory rate and the provision for income taxes for the years ended December 31 follows (dollar amounts in thousands):

	2013	2012	2011
Tax expense at statutory rate	$ 5,611	$ 4,926	$ 3,877
Increase (decrease) in taxes resulting from:			
Tax-exempt interest	(1,064)	(993)	(1,008)
State taxes (net of Federal benefit)	833	696	552
Cash surrender value of life insurance	(227)	(189)	(322)
ESOP dividend	(21)	(210)	(101)
Tax credits	(122)	(121)	(121)
Other	(71)	(40)	(20)
Total provision for income taxes	$ 4,939	$ 4,069	$ 2,857

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Corporation's assets and liabilities. Deferred taxes are included in other liabilities of the balance sheet. The major components of the net deferred tax asset (liability) as of December 31 are presented below (dollar amounts in thousands):

	2013	2012
Deferred tax assets:		
Deferred compensation	$ 796	$ 883
Allowance for loan losses	3,433	3,118
Accrued vacation and severance	59	66
Other real estate owned	919	733
Other	98	65
Total deferred tax assets	5,305	4,865
Deferred tax liabilities:		
Investment in acquisition and discount accretion	(89)	(93)
Mortgage servicing rights	(983)	(789)
Depreciation	(820)	(913)
Unrealized gain on securities available for sale	(677)	(1,973)
Other investments	(301)	(301)
Prepaid expenses	(59)	(64)
Investment in minority owned subsidiaries	(1,377)	(1,392)
Total deferred tax liabilities	(4,306)	(5,525)
Net deferred tax asset (liability)	$ 999	$ (660)

Tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Corporation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. When applicable, interest and penalties on uncertain tax positions are calculated based on the guidance from the relevant tax authority and included in income tax expense. At December 31, 2013 and 2012, there was no liability for uncertain tax positions. Federal income tax returns for 4 years ended December 31, 2010 through 2013 remain open and subject to review by applicable tax authorities. State income tax return for 5 years ended December 31, 2009 through 2013 remain open and subject to review by applicable tax authorities.

Note 16 Employee Benefit Plans

Employee Stock Ownership Plan

The Corporation has a defined contribution profit sharing 401(k) plan which includes the provisions for an employee stock ownership plan (ESOP). The plan is available to all employees over 18 years of age after completion of three months of service. Employees participating in the plan may elect to defer a minimum of 2% of compensation up to the limits specified by law. All participants of the 401(k) plan are eligible for the ESOP and may allocate their contributions to purchase shares of the Corporation's stock. As of December 31, 2013, the plan held 550,541 shares. These shares are included in the calculation of the Corporation's earnings per share. The Corporation may make discretionary contributions up to the limits established by IRS regulations. The discretionary match was 35% of participant tax deferred contributions up to 10% of the employee's salary in 2013, 2012, and 2011. The Corporation made additional discretionary contributions to the plan of $467,000, $346,000, and $313,000 in 2013, 2012, and 2011, respectively. All discretionary contributions are at the direction of the Board of Directors. Total expense associated with the plans was approximately $696,000, $574,000, and $551,000 in 2013, 2012, and 2011, respectively.

Share-based Compensation

The Corporation has made restricted share grants during 2013 and 2012 pursuant to the First Manitowoc Bancorp, Inc. 2011 Equity Plan. The purpose of the Plan is to provide financial incentives for selected employees and for the non-employee Directors of the Corporation, thereby promoting the long-term growth and financial success of the Corporation. The Corporation stock to be offered under the Plan pursuant to Stock Appreciation Rights (SAR), performance unit awards, and restricted stock and unrestricted Corporation stock awards must be Corporation stock previously issued and outstanding and reacquired by the Corporation. The number of shares of Corporation stock that may be issued pursuant to awards under the Plan shall not exceed, in the aggregate, 659,250. Compensation expense for restricted stock is based on the fair value of the awards at the time of grant, which is equal to the value of First Manitowoc Bancorp, Inc. common stock on the date of the grant. The value of restricted stock grants that are expected to vest is amortized into expense over the vesting periods. For the year ended December 31, 2013 and 2012, compensation expense of $168,000 and $118,000, respectively, was recognized related to restricted stock awards.

As of December 31, 2013, there was $591,000 of unrecognized compensation cost related to non-vested restricted stock awards granted under the plan. That cost is expected to be recognized over a weighted average period of 3.8 years. The aggregate grant date fair value of restricted stock awards that vested during 2013 was approximately $98,000.

	For the year ended December 31, 2013			For the year ended December 31, 2012		
	Shares		Weighted-Average Grant-Date Fair Value	Shares		Weighted-Average Grant-Date Fair Value
Restricted Stock						
Outstanding at beginning of year	27,754	$	13.98	-	$	-
Granted	28,648		15.91	30,082		13.98
Vested	(6,979)		13.99	(2,328)		13.99
Cancelled	-		-	-		-
Outstanding at end of year	49,423	$	14.76	27,754	$	13.98
Vested during the year	6,979		13.99	2,328		13.99

Deferred Compensation Plan

The Corporation has a deferred compensation agreement with one of its former executive officers. The benefits were payable beginning June 30, 2009, the date of termination of employment with the Corporation via retirement. The estimated annual cash benefit payment upon retirement at the age of 70 under the salary continuation plan is $108,011. The payoff is for the participant's lifetime and is guaranteed to the participant or their surviving beneficiary for a minimum of 15 years. Related expense for this agreement was approximately $57,000, $81,000, and $91,000 for the years ended December 31, 2013, 2012, and 2011, respectively. The vested present value of future payments of approximately $926,000 and $977,000 at December 31, 2013 and 2012, respectively, is included in other liabilities. During 2013 and 2012 the discount rate used to present value the future payments of this obligation was 4.95% and 4.20%, respectively.

The Corporation has a nonqualified deferred compensation plan which permits eligible participants to defer a portion of their compensation. The benefits are generally payable beginning with the earlier of attaining age 70 or resignation from the Corporation. The estimated present value of future payments of approximately $1,103,000 and $1,273,000 at December 31, 2013 and 2012, respectively, is included in other liabilities. Expense associated with this plan was approximately $110,000, $124,000, and $99,000 in 2013, 2012, and 2011, respectively.

Note 17 Stockholders' Equity and Regulatory Matters

The Bank, as a national bank, is subject to the dividend restrictions set forth by the Office of the Comptroller of the Currency. Under such restrictions, the Bank may not, without the prior approval of the Office of the Comptroller of the Currency, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years. The dividends that the Bank could not declare without the prior approval of the Office of the Comptroller of the Currency as of December 31, 2013 totaled approximately $18,800,000. The payment of dividends may be further limited because of the need for the Bank to maintain capital ratios satisfactory to applicable regulatory agencies.

The Corporation and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory — and possibly additional discretionary — actions by regulators that, if undertaken, could have a direct material effect on the Corporation's consolidated financial statements and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital to risk-weighted assets and of Tier I capital to average assets. It is management's opinion, as of December 31, 2013, that the Corporation and the Bank meet all applicable capital adequacy requirements.

As of December 31, 2013, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification which management believes have changed the Bank's category.

The minimum amounts required for capital adequacy purposes and to be well capitalized under prompt corrective action provisions as well as the Corporation's and the Bank's actual capital amounts and ratios as of December 31 are presented in the following table (dollar amounts in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2013						
Total capital (to risk-weighted assets):						
Corporation	$ 100,980	12.46%	$ 64,844	8.00%	N/A	N/A
Bank	$ 98,727	12.24%	$ 64,516	8.00%	$ 80,645	10.00%
Tier 1 capital (to risk-weighted assets):						
Corporation	$ 92,225	11.38%	$ 32,422	4.00%	N/A	N/A
Bank	$ 89,972	11.16%	$ 32,258	4.00%	$ 48,387	6.00%
Tier 1 capital (to average assets):						
Corporation	$ 92,225	9.10%	$ 40,529	4.00%	N/A	N/A
Bank	$ 89,972	8.91%	$ 40,374	4.00%	$ 50,468	5.00%
2012						
Total capital (to risk-weighted assets):						
Corporation	$ 92,724	12.32%	$ 60,199	8.00%	N/A	N/A
Bank	$ 90,001	12.03%	$ 59,836	8.00%	$ 74,795	10.00%
Tier 1 capital (to risk-weighted assets):						
Corporation	$ 84,774	11.27%	$ 30,099	4.00%	N/A	N/A
Bank	$ 82,051	10.97%	$ 29,918	4.00%	$ 44,877	6.00%
Tier 1 capital (to average assets):						
Corporation	$84,774	8.89%	$ 38,152	4.00%	N/A	N/A
Bank	$ 82,051	8.65%	$ 37,947	4.00%	$ 47,433	5.00%

Note 18 Segment Information
First Manitowoc Bancorp, Inc., through a branch network of its subsidiary, Bank First National, provides a full range of consumer and commercial financial institution services to individuals and businesses in Northeastern Wisconsin. These services include credit cards; secured and unsecured consumer, commercial, and real estate loans; demand, time, and savings deposits; ATM processing; insurance services; and asset management services. The Corporation also offers a full-line of insurance services through its equity investment in Ansay and offers data processing services through its equity investment in UFS.

While the Corporation's chief decision makers monitor the revenue streams of various Corporation products and services, operations are managed and financial performance is evaluated on a Corporation-wide basis. Accordingly, all of the Corporation's financial institution operations are considered by management to be aggregated in one reportable operating segment.

Note 19 Commitments and Contingencies
The Corporation enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements and for fixed rate commitments also considers the difference between current levels of interest rates and committed rates. The notional amount of rate lock commitments at December 31, 2013 and 2012, respectively, was $367,000 and $13,589,000.
The Bank is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss is represented by the contractual or notional amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Since some of the commitments are expected to expire without being drawn upon and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

The following commitments were outstanding at December 31 (dollar amounts in thousands):

	Notional Amount	
	2013	**2012**
Commitments to extend credit:		
Fixed	$ 23,748	$ 19,262
Variable	169,432	155,359
Credit card arrangements	4,051	4,307
Letters of credit	33,865	40,451

Commitments to extend credit are agreements to lend to a customer at fixed or variable rates as long as there is no violation of any condition established in the contract. Commitments have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable; inventory; property, plant, and equipment; real estate; and stocks and bonds.

Credit card commitments are commitments on credit cards issued by a third party on behalf of the Bank and serviced by other companies. These commitments are unsecured.

Letters of credit include $24,435,000 of direct pay letters of credit and $9,430,000 of standby letters of credit. Direct pay letters of credit generally are issued to support the marketing of industrial development revenue and housing bonds and provide that all debt service payments will be paid by drawing on the letter of credit. The letter of credit draws are then repaid by draws from the customer's bank account. Standby letters of credit are conditional lending commitments issued by the Corporation to guaranty the performance of a customer to a third party. Generally, all standby letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation generally holds collateral supporting these commitments. The majority of the Corporation's loans, commitments, and letters of credit have been granted to customers in the Corporation's market area. The concentrations of credit by type are set forth in Note 3. Standby letters of credit were granted primarily to commercial borrowers. Management believes the diversity of the local economy will prevent significant losses in the event of an economic downturn.

Note 20 Fair Value of Financial Instruments

Accounting guidance establishes a fair value hierarchy to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Information regarding the fair value of assets measured at fair value on a recurring basis is as follows (dollar amounts in thousands):

	Instruments Measured At Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013				
Assets				
Securities available for sale				
U.S. Treasury securities and obligations of U.S. Government sponsored agencies	$ 22,110	-	$ 22,110	-
Obligations of states and political subdivisions	55,531	-	54,116	1,415
Mortgage-backed securities	29,807	-	29,807	-
Corporate notes	2,202	-	2,202	-
Mortgage Servicing Rights	2,505	-	2,505	-
Liabilities				
Salary continuation plan	926	-	926	-
December 31, 2012				
Assets				
Securities available for sale				
U.S. Treasury securities and obligations of U.S. Government sponsored agencies	$ 13,820	-	$ 13,820	-
Obligations of states and political subdivisions	60,009	-	58,999	1,010
Mortgage-backed securities	44,026	-	44,026	-
Corporate notes	100	-	100	-
Mortgage Servicing Rights	2,011	-	2,011	-
Liabilities				
Salary continuation plan	977	-	977	-

Fair value of assets measured on a recurring basis using significant unobservable inputs (Level 3) are as follows (dollar amounts in thousands):

	2013	2012
Total securities at beginning of year	$ 1,010	$ 1,010
Included in earnings	-	-
Included in other comprehensive income	-	-
Purchases, issuance, and settlements	405	-
Transfer in and/or out of level 3	-	-
Total securities at end of year	$ 1,415	$ 1,010

The following methods and assumptions were used by the Corporation to estimate fair value of financial instruments on a non-recurring basis.

Loans - The Corporation does not record loans at fair value on a recurring basis. However, from time to time a loan is considered impaired and an allowance for loan losses is established. Loans are considered impaired if it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. Once a loan is identified as impaired, the fair value of the impaired loan is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, and liquidation value or discounted cash flows. Impaired loans do not require an allowance if the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2013 and 2012, substantially all of the total impaired loans were evaluated based on the fair value of the collateral rather than on discounted cash flows. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation records the impaired loan as a nonrecurring Level 2 valuation. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Corporation records the impaired loan as nonrecurring Level 3.

Loans with a carrying amount of $3,511,000 and $3,228,000 at December 31, 2013 and 2012, respectively, were considered impaired. As a result, the Corporation recognized an impairment reserve of approximately $1,145,000 and $685,000 during the years ended December 31, 2013 and 2012, respectively. Impaired loans with balances less than $250,000 are not specifically evaluated for impairment. At December 31, 2013, $343,000 of impaired loans are not specifically evaluated and are carried at historical cost on the balance sheet.

Other real estate owned – Real estate acquired through or in lieu of loan foreclosure is not measured at net realizable value on a recurring basis. However, other real estate is initially measured at net realizable value (less estimated costs to sell) when it is acquired and is also measured at net realizable value (less estimated costs to sell) if it becomes subsequently impaired. The net realizable value measurement for each property may be obtained from an independent appraiser or prepared internally. Net realizable value measurements obtained from independent appraisers are generally based on sales of comparable assets and other observable market data and are considered Level 3 measurements. Measurements prepared internally are based on observable market data but include significant unobservable data and are therefore considered Level 3 measurements

Information regarding the fair value of assets measured at fair value on a non-recurring basis is as follows (dollar amounts in thousands):

	Assets Measured At Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013				
Other real estate owned	$ 2,976	$ -	$ -	$ 2,976
Impaired Loans,				
net of impairment reserve	438	-	-	438
	$ 3,414	$ -	$ -	$ 3,414
December 31, 2012				
Other real estate owned	$ 5,567	$ -	$ -	$ 5,567
Impaired Loans,				
net of impairment reserve	1,835	-	-	1,835
	$ 7,402	$ -	$ -	$ 7,402

The following methods and assumptions were used by the Corporation to estimate fair value of financial instruments.

Cash and cash equivalents — Fair value approximates the carrying amount.

Securities — The fair value measurement is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data.

Other investments — The carrying amount reported in the consolidated balance sheets for other investments approximates the fair value of these assets.

Loans held for sale — Fair value is based on commitments on hand from investors or prevailing market prices.

Loans — Fair value of variable rate loans that reprice frequently are based on carrying value. Fair value of other loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings. Fair value of impaired and other nonperforming loans are estimated using discounted expected future cash flows or the fair value of the underlying collateral, if applicable.

Mortgage servicing rights — Fair values were determined using the present value of future cash flows.

Cash value of life insurance — The carrying amount approximates its fair value.

Accrued interest receivable and payable — Fair value approximates the carrying amount.

Deposits — Fair value of deposits with no stated maturity, such as demand deposits, savings, and money market accounts, by definition, is the amount payable on demand on the reporting date. Fair value of fixed-rate time deposits is estimated using discounted cash flows applying interest rates currently offered on similar time deposits.

Securities sold under repurchase agreements — The fair value of securities sold under repurchase agreements with variable rates or due on demand is the amount payable at the reporting date. The fair value of securities sold under repurchase agreements with fixed terms is estimated using discounted cash flows with discount rates at interest rates currently offered for securities sold under repurchase agreements of similar remaining values.

Borrowed funds and notes payable — Rates currently available to the Corporation for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. Fair value of borrowings is estimated by discounting future cash flows using the current rates at which similar borrowings would be made. Fair value of borrowed funds due on demand is the amount payable at the reporting date.

Off-balance-sheet instruments — Fair value is based on quoted market prices of similar financial instruments where available. If a quoted market price is not available, fair value is based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the company's credit standing. Since this amount is immaterial, no amounts for fair value are presented.

The carrying value and estimated fair value of financial instruments at December 31 follows (dollar amounts in thousands):

	2013		2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 71,764	$ 71,764	$ 111,615	$ 111,615
Securities available for sale	109,650	109,650	117,955	117,955
Loans - Net	814,389	810,243	722,943	722,300
Loans held for sale	272	272	723	723
Other Investments, at cost	2,958	2,958	2,958	2,958
Mortgage servicing rights	2,505	2,505	2,011	2,011
Cash surrender value of life insurance	19,842	19,842	19,753	19,753
Accrued interest receivable	2,708	2,708	2,762	2,762
Total financial assets:	$ 1,024,088	$ 1,019,942	$ 980,720	$ 980,077
Financial liabilities:				
Deposits	$ 919,486	$ 906,306	$ 869,163	$ 866,814
Securities sold under repurchase agreements	30,845	30,845	43,099	43,978
Notes payable	1,815	1,815	2,820	2,820
Accrued interest payable	526	526	639	639
Total financial liabilities:	$ 952,672	$ 939,492	$ 915,721	$ 914,251

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Corporation.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Corporation's entire holdings of a particular instrument. Because no market exists for a significant portion of the Corporation's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts nor is it recorded as an intangible asset on the consolidated balance sheet. Significant assets and liabilities that are not considered financial assets and liabilities include premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Note 21 Parent Company Only Financial Statements

Balance Sheets

	December 31	
	2013	2012
	(In Thousands)	
Assets		
Cash and cash equivalents	$ 529	$ 231
Investment in Bank	99,315	93,370
Investment in Veritas	2,564	3,784
Premises and equipment, net	909	1,523
Other assets	41	16
TOTAL ASSETS	$ 103,358	$ 98,924
Liabilities and Stockholders' Equity		
Notes payable	$ 1,265	$ 2,820
Other liabilities	525	11
Total liabilities	1,790	2,831
Stockholders' equity:		
Common stock	67	67
Additional paid-in capital	2,608	2,536
Retained earnings	103,631	93,473
Treasury stock, at cost	(5,788)	(3,041)
Accumulated other comprehensive income	1,050	3,058
Total stockholders' equity	101,568	96,093
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 103,358	$ 98,924

Statements of Income

	Years Ended December 31		
	2013	2012	2011
	(In Thousands)		
Income:			
Dividends received from Bank	$ 4,106	$ 7,895	$ 5,578
Rental income received from Bank	344	358	422
Equity in undistributed earnings of subsidiaries	7,467	2,618	2,918
Other income	10	10	-
Total income	11,927	10,881	8,918
Other expenses	370	521	337
Provision (benefit) for income taxes	(6)	(60)	34
Net income	$ 11,563	$ 10,420	$ 8,547

Statements of Cash Flows

	Years Ended December 31		
	2013	2012	2011
	(In Thousands)		
Cash flow from operating activities:			
Net income	$ 11,563	$ 10,420	$ 8,547
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of premises and equipment	57	63	67
Gain from sale and disposal of premises and equipment	16	39	-
Stock compensation	170	118	-
Equity in undistributed earnings of subsidiaries	(11,573)	(10,513)	(8,496)
Changes in other assets and liabilities:			
Other assets	(25)	(5)	44
Other liabilities	514	(91)	99
Net cash provided by operating activities	722	31	261
Cash flows from investing activities:			
Sales of premises and equipment	628	285	-
Purchases of premises and equipment	(87)	-	(256)
Dividends received from Bank	4,106	7,895	5,578
Dividends received from Veritas	809	-	-
Contribution to subsidiaries	(75)	(165)	-
Net cash provided by (used in) investing activities	5,381	8,015	5,322
Cash flows from financing activities:			
Net repayments proceeds of borrowings	(1,555)	(881)	(2,905)
Cash dividends paid	(1,405)	(5,778)	(2,779)
Issuance of common stock	492	549	259
Repurchase of common stock	(3,337)	(1,881)	(234)
Net cash used in financing activities	(5,805)	(7,991)	(5,659)
Net increase (decrease) in cash and cash equivalents	298	55	(76)
Cash and cash equivalents at beginning	231	176	252
Cash and cash equivalents at end	529	231	176
Supplemental schedule of noncash activities:			
Change in unrealized (loss) gains on investment securities	$ (2,008)	$ (156)	$ 2,017

Note 22 Discontinued Operations

Effective December 31, 2011, the Corporation discontinued its registered investment advisory subsidiary, BFN Asset Management, Inc. Upon dissolving the entity, the Corporation recognized a $602,000 impairment charge to earnings consisting of goodwill and intangible assets recognized when BFN Asset Management, Inc. was acquired in 2006. The year-to-date loss for 2011 from operations of this subsidiary was approximately $336,000. Gross revenues from the discontinued operation amounted to approximately $245,000 in 2011.

All other remaining assets were transferred to the Bank on December 31, 2011. The customer accounts formerly managed by BFN Asset Management, Inc. have transferred to a third party registered investment advisory firm. The Bank receives a percentage of net revenue pursuant to contract terms with the third party registered investment advisory firm.