

Annual Disclosure Statement

DECEMBER 2014

for FFIEC 041 Bank FIRST NATIONAL BANK MINNESOTA

This statement has not been reviewed or confirmed for accuracy or relevance by the Office of the Comptroller of the Currency.
Office of the Comptroller of the Currency Format (FFIEC 041)

Balance Sheet

(Dollar Amounts in Thousands)

ASSETS	December 31,	
	2014	2013
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin	4,586	3,723
Interest-bearing balances	14,103	11,076
Securities:		
Held-to-maturity securities	0	0
Available-for-sale securities	35,801	38,683
Federal funds sold and securities purchased under agreements to resell:		
Federal funds sold	6,391	1,356
Securities purchased under agreements to resell	0	0
Loans and lease financing receivables:		
Loans and leases held for sale	0	0
Loans and leases, net of unearned income	123,271	121,517
LESS: Allowance for loan and lease losses	2,399	2,340
Loans and leases, net of unearned income and allowance	120,872	119,177
Trading assets	0	0
Premises and fixed assets (including capitalized leases)	3,435	3,691
Other real estate owned	1,337	2,276
Investments in unconsolidated subsidiaries and associated companies	0	0
Direct and indirect investments in real estate ventures	0	0
Intangible assets:		
Goodwill	510	510
Other intangible assets	0	0
Other assets	8,236	8,218
Total assets	195,271	188,710

continued.....

Balance Sheet

(Dollar Amounts in Thousands)

LIABILITIES

December 31,

	2014	2013
Deposits:		
In domestic offices	170,429	165,508
Noninterest-bearing	27,586	22,891
Interest-bearing	142,843	142,617
Federal funds purchased and securities sold under agreements to repurchase:		
Federal funds purchased	0	0
Securities sold under agreements to repurchase	0	0
Trading liabilities	0	0
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases)	2,232	1,323
Subordinated notes and debentures	0	0
Other liabilities	658	339
Total liabilities	173,319	167,170

EQUITY CAPITAL

Perpetual preferred stock and related surplus	0	0
Common stock	1,512	1,512
Surplus (exclude all surplus related to preferred stock)	9,622	9,622
Retained earnings	10,599	10,246
Accumulated other comprehensive income	219	160
Other equity capital components	0	0
Total Bank equity capital	21,952	21,540
Noncontrolling (minority) interests in consolidated subsidiaries	0	0
Total equity capital	21,952	21,540
Total liabilities and equity capital	195,271	188,710

continued.....

Income Statement

(Dollar Amounts in Thousands)

December 31,

	2014	2013
Interest Income:		
Interest and fee income on loans:		
Loans secured by real estate:		
Loans secured by 1-4 family residential properties	1,372	1,411
All other loans secured by real estate	2,555	2,340
Commercial and industrial loans	1,084	1,035
Loans to individuals for household, family, and other personal expenditures:		
Credit cards	0	0
Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	402	466
Loans to foreign governments and official institutions	0	0
All other loans	703	665
Total interest and fee income on loans	6,116	5,917
Income from lease financing receivables	0	0
Interest income on balances due from depository institutions	118	114
Interest and dividend income on securities:		
U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities)	365	405
Mortgage-backed securities	154	165
All other securities (includes securities issued by states and political subdivisions in the U.S.)	107	109
Interest income from trading assets	0	0
Interest income on federal funds sold and securities purchased under agreements to resell	5	4
Other interest income	25	26
Total interest income	6,890	6,740
Interest expense:		
Interest on deposits:		
Transaction accounts (interest-bearing demand deposits, NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	40	36
Nontransaction accounts:		
Savings deposits (includes MMDAs)	34	35
Time deposits of \$100,000 or more	55	95
Time deposits of less than \$100,000	167	242
Expense of federal funds purchased and securities sold under agreements to repurchase	0	0
Interest on trading liabilities and other borrowed money	28	64
Interest on subordinated notes and debentures	0	0
Total interest expense	324	472
Net interest income	6,566	6,268
Provision for loan and lease losses	0	-540

continued.....

Income Statement

(Dollar Amounts in Thousands)

December 31,

	2014	2013
Noninterest income:		
Income from fiduciary activities	0	0
Service charges on deposit accounts	374	432
Trading revenue	0	0
Fees and commissions from securities brokerage	34	23
Investment banking, advisory, and underwriting fees and commissions	0	0
Fees and commissions from annuity sales	32	12
Underwriting income from insurance and reinsurance activities	0	0
Income from other insurance activities	2	0
Venture capital revenue	0	0
Net servicing fees	0	0
Net securitization income	0	0
Net gains (losses) on sales of loans and leases	0	0
Net gains (losses) on sales of other real estate owned	79	-225
Net gains (losses) on sales of other assets (excluding securities)	0	-1
Other noninterest income	891	905
Total noninterest income	1,412	1,146
Realized gains (losses) on held-to-maturity securities	0	0
Realized gains (losses) on available-for-sale securities	0	54
Noninterest expense:		
Salaries and employee benefits	3,213	3,122
Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest)	802	761
Goodwill impairment losses	0	0
Amortization expense and impairment losses for other intangible assets	0	0
Other noninterest expense	2,374	2,711
Total noninterest expense	6,389	6,594
Income (loss) before income taxes and extraordinary items, and other adjustments	1,589	1,414
Applicable income taxes	458	379
Income (loss) before extraordinary items and other adjustments	1,131	1,035
Extraordinary items and other adjustments, net of income taxes	0	0
Net income (loss) attributable to bank and noncontrolling (minority) interests	1,131	1,035
LESS: Net income (loss) attributable to noncontrolling (minority) interests	0	0
Net income (loss) attributable to bank	1,131	1,035

continued.....

Income Statement

(Dollar Amounts in Thousands)

December 31,

MEMORANDA:

	2014	2013
Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes	0	0

The following item to be completed by banks with \$1 billion or more in total assets:

Income from the sale and servicing of mutual funds and annuities	N/A	0
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Income on tax-exempt loans and leases to states and political subdivisions in the U.S.	76	92
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Income on tax-exempt securities issued by states and political subdivisions in the U.S.	50	51
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Number of full-time equivalent employees at end of current period	47	50
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The following item is to be completed by:

- banks with \$300 million or more in total assets, and
- banks with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans.

Interest and fee income on loans to finance agricultural production and other loans to farmers	588	529
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Trading revenue (from cash instruments and derivative instruments)
(To be completed by banks that reported average trading assets of \$2 million or more for any quarter of the preceding calendar year.):

Interest rate exposures	N/A	0
Foreign exchange exposures	N/A	0
Equity security and index exposures	N/A	0
Commodity and other exposures	N/A	0
Credit exposures	N/A	0

Memoranda Items 8.f and 8.g are to be completed by banks \$100 billion or more in total assets that are required to complete Schedule RI, Memorandum items 8.a through 8.e, above.(1)

Impact on trading revenue of changes in the creditworthiness of the bank's derivatives counterparties on the bank's derivative assets (included in Memorandum items above)	N/A	0
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Impact on trading revenue of changes in the creditworthiness of the bank on the bank's derivative liabilities (included in Memorandum items 8.a. through 8.e above)	N/A	0
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Net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account:		
Net gains (losses) on credit derivatives held for trading	0	0
Net gains (losses) on credit derivatives held for purposes other than trading	0	0

The following item to be completed by banks with \$300 million or more in total assets:

Credit losses on derivatives	N/A	0
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Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year?	YES / NO NO	YES / NO NO
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The following item is to be completed by banks that are required to complete Schedule RC-C, part I, Memorandum items 8.b and 8.c.

Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties (included in Schedule RI, item 1.a.(1))	N/A	0
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The following items are to be completed by banks that have elected to account for assets and liabilities under a fair value option.

Net gains (losses) recognized in earnings on assets and liabilities that are reported at fair value under a fair value option:		
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Net gains (losses) on assets	N/A	0
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Estimated net gains (losses) on loans attributable to changes in instrument-specific credit risk	N/A	0
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Net gains (losses) on liabilities	N/A	0
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Estimated net gains (losses) on liabilities attributable to changes in instrument-specific credit risk	N/A	0
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Income Statement

(Dollar Amounts in Thousands)

December 31,

MEMORANDA:

Other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities:

	2014	2013
Total other-than-temporary impairment losses	0	0
Portion of losses recognized in other comprehensive income (before income taxes)	0	0
Net impairment losses recognized in earnings	0	0

continued.....

Changes in Equity Capital

(Dollar Amounts in Thousands)

December 31,

	2014	2013
Total bank equity capital most recently reported at the end of the prior year		
Reports of Condition and Income	21,540	21,454
Restatements due to corrections of material accounting errors and changes in accounting principles	0	0
Balance end of previous calendar year as restated	21,540	21,454
Net income (loss) attributable to bank	1,131	1,035
Sale, conversion, acquisition, or retirement of capital stock, net (excluding treasury stock transactions)	0	0
Treasury stock transactions, net	0	0
Changes incident to business combinations, net	0	0
LESS: Cash dividends declared on preferred stock	0	0
LESS: Cash dividends declared on common stock	778	435
Other comprehensive income	59	-514
Other transactions with parent holding company	0	0
Total bank equity capital end of current period	21,952	21,540

Changes in Allowance for Loan and Lease Losses

Balance most recently reported at the end of the prior year		
Reports of Condition and Income	2,340	2,865
Recoveries	179	141
LESS: Charge-offs	120	126
LESS: Write-downs arising from transfers of loans to a held-for-sale account	0	0
Provision for loan and lease losses	0	-540
Adjustments	0	0
Balance end of current period	2,399	2,340

continued.....

Past Due and Nonaccrual Loans, Leases, and Other Assets

(Dollar Amounts in Thousands)

Past Due 90 days or more and still accruing:

December 31,

2014

2013

Loans secured by real estate:

Construction, land development, and other land loans:		
1-4 family residential construction loans	0	0
Other construction loans and all land development and other land loans	0	0
Secured by farmland	0	0
Secured by 1-4 family residential properties:		
Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	0	0
Closed-end loans secured by 1-4 family residential properties		
Secured by first liens	0	0
Secured by junior liens	0	0
Secured by multifamily (5 or more) residential properties	0	0
Secured by nonfarm nonresidential properties:		
Loans secured by owner-occupied nonfarm nonresidential properties	0	0
Loans secured by other nonfarm nonresidential properties	0	0
Loans to depository institutions and acceptances of other banks	0	0
Commercial and industrial loans	0	0
Loans to individuals for household, family, and other personal expenditures:		
Credit cards	0	0
Automobile loans	0	0
Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	0	1
Loans to foreign governments and official institutions	0	0
All other loans	0	0
Lease financing receivables	0	0
Debt securities and other assets (exclude other real estate owned and other repossessed assets)	0	0
Loans and leases reported above which are wholly or partially guaranteed by the U.S. Government, excluding loans and leases covered by loss-sharing agreements with the FDIC	0	0
Guaranteed portion of loans and leases included above (exclude rebooked "GNMA loans")	0	0
Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included above	0	0

continued.....

FIRST NATIONAL BANK MINNESOTA

(Dollar Amounts in Thousands)

Past Due 90 days or more and still accruing:

December 31,

2014 **2013**

Loans and leases reported in items above that are covered by loss-sharing agreements with the FDIC:

Loans secured by real estate:

Construction, land development, and other land loans:		
1-4 family residential construction loans	0	0
Other construction loans and all land development and other land loans	0	0
Secured by farmland	0	0
Secured by 1-4 family residential properties		
Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	0	0
Closed-end loans secured by 1-4 family residential properties:		
Secured by first liens	0	0
Secured by junior liens	0	0
Secured by multifamily (5 or more) residential properties	0	0
Secured by nonfarm nonresidential properties:		
Loans secured by owner-occupied nonfarm nonresidential properties	0	0
Loans secured by other nonfarm nonresidential properties	0	0
Commercial and industrial loans	0	0
Loans to individuals for household, family, and other personal expenditures:		
Credit cards	0	0
Automobile loans	0	0
Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	0	0
All other loans and all leases	0	0
Loans to depository institutions and acceptances of other banks	0	0
Loans to foreign governments and official institutions	0	0
Other loans	0	0
Loans to finance agricultural production and other loans to farmers included in Schedule RC-N above	0	0
Lease financing receivables	0	0
Portion of covered loans and leases included in items 11.a through 11.e.3 above that is protected by FDIC loss-sharing agreements	0	0

continued.....

FIRST NATIONAL BANK MINNESOTA

(Dollar Amounts in Thousands)

Past Due 90 days or more and still accruing:

December 31,

2014 **2013**

MEMORANDA:

Loans restructured in troubled debt restructurings included in Schedule RC-N, items above

Construction, land development, and other land loans:

1-4 family residential construction loans	0	0
Other construction loans and all land development and other land loans	0	0
Loans secured by 1-4 family residential properties	0	0
Secured by multifamily (5 or more) residential properties	0	0
Secured by nonfarm nonresidential properties:		
Loans secured by owner-occupied nonfarm nonresidential properties	0	0
Loans secured by other nonfarm nonresidential properties	0	0
Commercial and industrial loans	0	0

The following two items are to be completed by banks with \$300 million or more in total assets.

To U.S. addressees (domicile)	N/A	0
To non-U.S. addressees (domicile)	N/A	0

All other loans (Include loans to individuals for household, family, and other personal expenditures)

Loans secured by farmland	0	0
Loans to depository institutions and acceptances of other banks	0	0
Loans to individuals for household, family, and other personal expenditures:		
Credit cards	0	0
Automobile loans	0	0
Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	0	0
Loans to foreign governments and official institutions	0	0
Other Loans	0	0

The following item is to be completed by:

- Banks with \$300 million or more in total assets
- Banks with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers

Loans to finance agricultural production and other loans to farmers included in Schedule RC-N, Memorandum item above	0	0
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continued.....

FIRST NATIONAL BANK MINNESOTA

(Dollar Amounts in Thousands)

Past Due 90 days or more and still accruing:

December 31,

2014 **2013**

Loans to finance commercial real estate, construction, and land development activities (not secured by real estate)	0	0
<i>The following four items are to be completed by banks with \$300 million or more in total assets:</i>		
Loans secured by real estate to non-U.S. addressees (domicile)	N/A	0
Loans to and acceptances of foreign banks	N/A	0
Commercial and industrial loans to non-U.S. addressees (domicile)	N/A	0
Leases to individuals for household, family, and other personal expenditures	N/A	0
<i>The following item is to be completed by:</i>		
<ul style="list-style-type: none"> • banks with \$300 million or more in total assets • banks with less than \$300 million or more in total assets that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans: 		
Loans to finance agricultural production and other loans to farmers	0	0
Loans and leases held for sale and loans measured at fair value	0	0
Loans measured at fair value:		
Fair value	0	0
Unpaid principal balance	0	0
<i>The following item is to be completed by banks with \$300 million or more in total assets:</i>		
Derivative contracts:		
Fair value of amounts carried as assets	N/A	0
Purchased credit-impaired loans accounted for in accordance with FASB ASC 310-30 (former AICPA Statement of Position 03-3):		
Outstanding balance	0	0
Carrying amount included in Schedule RC-N, items 1 through 7, above	0	0

continued.....

Past Due and Nonaccrual Loans, Leases, and Other Assets

(Dollar Amounts in Thousands)

December 31,

Nonaccrual:

2014

2013

Loans secured by real estate:

Construction, land development, and other land loans:		
1-4 family residential construction loans	0	0
Other construction loans and all land development and other land loans	33	0
Secured by farmland	0	0
Secured by 1-4 family residential properties:		
Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	20	0
Closed-end loans secured by 1-4 family residential properties		
Secured by first liens	100	107
Secured by junior liens	78	81
Secured by multifamily (5 or more) residential properties	0	89
Secured by nonfarm nonresidential properties:		
Loans secured by owner-occupied nonfarm nonresidential properties	1,893	2,186
Loans secured by other nonfarm nonresidential properties	249	256
Loans to depository institutions and acceptances of other banks	0	0
Commercial and industrial loans	341	348
Loans to individuals for household, family, and other personal expenditures:		
Credit cards	0	0
Automobile loans	2	7
Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	0	0
Loans to foreign governments and official institutions	0	0
All other loans	0	0
Lease financing receivables	0	0
Debt securities and other assets (exclude other real estate owned and other repossessed assets)	0	0
Loans and leases reported above which are wholly or partially guaranteed by the U.S. Government, excluding loans and leases covered by loss-sharing agreements with the FDIC	0	0
Guaranteed portion of loans and leases included above (exclude rebooked "GNMA loans")	0	0
Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included above	0	0

continued.....

FIRST NATIONAL BANK MINNESOTA

(Dollar Amounts in Thousands)

Nonaccrual:

December 31,

2014 **2013**

Loans and leases reported in items above that are covered by loss-sharing agreements with the FDIC:

Loans secured by real estate:

Construction, land development, and other land loans:		
1-4 family residential construction loans	0	0
Other construction loans and all land development and other land loans	0	0
Secured by farmland	0	0
Secured by 1-4 family residential properties		
Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	0	0
Closed-end loans secured by 1-4 family residential properties:		
Secured by first liens	0	0
Secured by junior liens	0	0
Secured by multifamily (5 or more) residential properties	0	0
Secured by nonfarm nonresidential properties:		
Loans secured by owner-occupied nonfarm nonresidential properties	0	0
Loans secured by other nonfarm nonresidential properties	0	0
Commercial and industrial loans	0	0
Loans to individuals for household, family, and other personal expenditures:		
Credit cards	0	0
Automobile loans	0	0
Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	0	0
All other loans and all leases	0	0
Loans to depository institutions and acceptances of other banks	0	0
Loans to foreign governments and official institutions	0	0
Other loans	0	0
Loans to finance agricultural production and other loans to farmers included in Schedule RC-N above	0	0
Lease financing receivables	0	0
Portion of covered loans and leases included in items 11.a through 11.e.3 above that is protected by FDIC loss-sharing agreements	0	0

continued.....

FIRST NATIONAL BANK MINNESOTA

(Dollar Amounts in Thousands)

Nonaccrual:

December 31,

2014

2013

MEMORANDA:

Loans restructured in troubled debt restructurings included in Schedule RC-N, items above

Construction, land development, and other land loans:

1-4 family residential construction loans	0	0
Other construction loans and all land development and other land loans	0	0
Loans secured by 1-4 family residential properties	30	30
Secured by multifamily (5 or more) residential properties	0	0
Secured by nonfarm nonresidential properties:		
Loans secured by owner-occupied nonfarm nonresidential properties	693	1,105
Loans secured by other nonfarm nonresidential properties	8	9
Commercial and industrial loans:	341	348

The following two items are to be completed by banks with \$300 million or more in total assets.

To U.S. addressees (domicile)	N/A	0
To non-U.S. addressees (domicile)	N/A	0

All other loans (Include loans to individuals for household, family, and other personal expenditures)

Loans secured by farmland	0	2
Loans to depository institutions and acceptances of other banks	0	0
Loans to individuals for household, family, and other personal expenditures:		
Credit cards	0	0
Automobile loans	0	0
Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	0	0
Loans to foreign governments and official institutions	0	0
Other Loans	0	0

The following item is to be completed by:

- Banks with \$300 million or more in total assets
- Banks with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers

Loans to finance agricultural production and other loans to farmers included in Schedule RC-N, Memorandum item above	0	0
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continued.....

FIRST NATIONAL BANK MINNESOTA

(Dollar Amounts in Thousands)

Nonaccrual:

December 31,

2014 **2013**

Loans to finance commercial real estate, construction, and land development activities (not secured by real estate)	0	0
<i>The following four items are to be completed by banks with \$300 million or more in total assets:</i>		
Loans secured by real estate to non-U.S. addressees (domicile)	N/A	0
Loans to and acceptances of foreign banks	N/A	0
Commercial and industrial loans to non-U.S. addressees (domicile)	N/A	0
Leases to individuals for household, family, and other personal expenditures	N/A	0
<i>The following item is to be completed by:</i>		
• banks with \$300 million or more in total assets		
• banks with less than \$300 million or more in total assets that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans:		
Loans to finance agricultural production and other loans to farmers	0	0
Loans and leases held for sale and loans measured at fair value	0	0
Loans measured at fair value:		
Fair value	0	0
Unpaid principal balance	0	0
Additions to nonaccrual assets during the quarter	204	196
Nonaccrual assets sold during the quarter	0	0
Purchased credit-impaired loans accounted for in accordance with FASB ASC 310-30 (former AICPA Statement of Position 03-3):		
Outstanding balance	0	0
Carrying amount included in Schedule RC-N, items 1 through 7, above	0	0

I do hereby attest that this Disclosure Statement has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct in the best of my knowledge and belief.

Officer's Signature

Officer's Title

Date