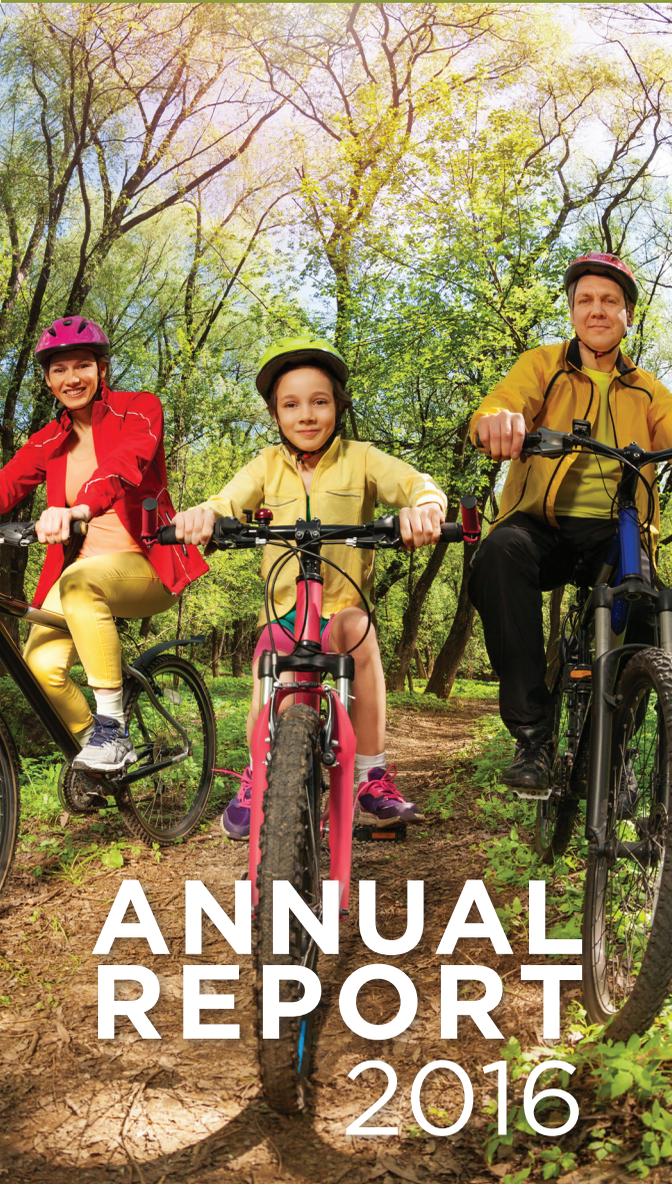


Maunasha Bancshares, Inc.



ANNUAL REPORT 2016



DOLLARS AND SENSE

\$2,643.75 was donated to area non-profits based on the volunteer hours worked by Farmers & Merchants staff. Every staff member is encouraged to volunteer 20 hours each year and a donation based on those hours is made to the organization of their choice.

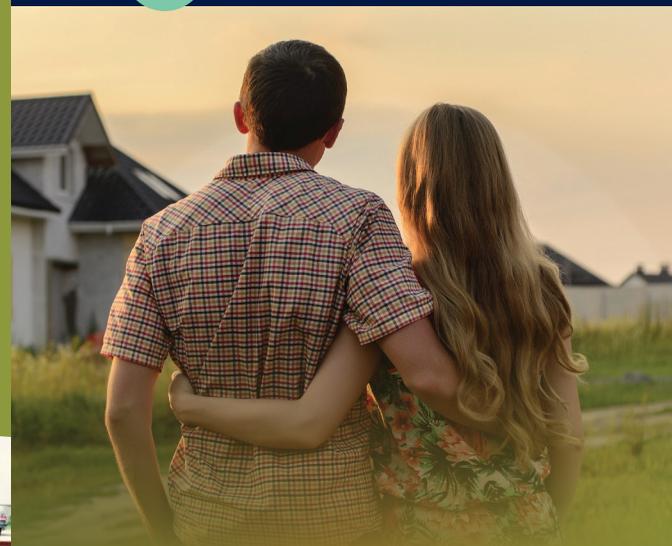
Our dollars and cents make sense because we live here, too!



1. Penny and little friend Jillian share a smile during Marshall's Main Street Mania - Gone Country Again.
2. Looks like some serious negotiation happened in the Waterloo bank during Merchants Trick or Treat.
3. F&M Bank crew is ready and waiting to serve at the 16th Annual Customer Appreciation Tailgate in the Waterloo bank community room.
4. Kris educates some interested Marshall students during their tour of the Marshall bank as part of "Teach Kids to Save" activities.



HOME LOANS



You Have Dreams.
We Can Help.
Learn More.



Thank You

for the opportunity to serve as your financial partner throughout the years!



FARMERS & MERCHANTS STATE BANK BOARD OF DIRECTORS

Dr. Joseph L. Arena
James A. Beyer
William Campbell
Gene Davis

Andrew Griggs
Terry Hellenbrand
Terry Weisensel

DIRECTORS EMERITUS

H. Griff Mason

Melvin C. Martin

OFFICERS

Kim Abraham..... Vice President & CMO
William Campbell..... President & CEO
Scott Cochems..... Vice President Commercial Lending
Pamela Davison..... Personal Banking Officer
Bobbi Franklin..... Human Resources Officer
Laura Frey..... Vice President Operations
Barbara Hennessy..... Vice President Commercial Lending
William Hogan..... Executive Vice President & CFO
Joy Probst..... AVP, Business Banking Coordinator
Jim Schaefer..... Assistant Vice President Mortgage Lending
David Stronach..... Senior Vice President Commercial Lending
Tammy Weisman..... Compliance Officer

FINANCIAL SERVICES

Malinda Weisensel..... CERTIFIED FINANCIAL PLANNER™

STAFF MEMBERS

Christine Abell	Austin German	Edwina Kulke
Jena Bleecker	Kathy Granzig	Pricilla Moll
Brad Chadwick	Justine Hellenbrand	Ann Renforth
Kathy Elliott	Nicole Hooper	Connie Schumann
Sue Ewers	Connie Jeschke	Cheryl Setz
Anela Garcia	Kyler Kabat	Annette Stebnitz
Rachel Geise	Kris Krenn	

MAUNESHA BANCSHARES, INC. BOARD OF DIRECTORS

Dr. Joseph L. Arena
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Andrew Griggs
Terry Hellenbrand

William Hogan
Terry Weisensel

CORPORATE PROFILE

Maunasha Bancshares, Inc. (the Company) is a Bank Holding Company incorporated in the State of Wisconsin. It conducts business primarily through its wholly owned subsidiary, Farmers & Merchants State Bank. Principal activities include commercial and retail lending, security investments and deposit services.

Dear Shareholders and Friends,

We are pleased to report 2016 net income of \$1,682,137, a 21% increase from 2015 net income of \$1,384,635. This represents earnings per share of \$11.37 in 2016, a 9% return on beginning book value. Dividends paid in 2016 were \$3.75 per share increased from \$3.50 per share paid in 2015.

Our balance sheet ended the year with \$167 million in assets, while our total assets under management rose from \$338 million at the beginning of the year to \$355 million. December 31, 2016 Shareholders Equity remains strong at 11.8% of average assets at December 31, 2016.

Maunesh Bancshares, Inc. through its 100% owned operating subsidiary Farmers & Merchants State Bank is proud to provide leading edge products and services to our communities. Farmers & Merchants State Bank is celebrating our 120th anniversary. Throughout this history our products and services have kept in line with the times. Today the same basic services offered in 1897 are offered using technologies like on-line access, Bill Payment, and Mobile banking. Our investment in technology allows us to deliver state of the art banking services, while still staying true to the values of a community bank. Farmers & Merchants State Bank proudly partners with our customers, communities, and shareholders striving to be YOUR PARTNER FOR LIFE.

William T. Hogan

William T. Hogan
President
Maunesh Bancshares, Inc.

William E. Campbell

William E. Campbell
President
Farmers & Merchants State Bank

Maunesh Bancshares, Inc. Consolidated Statement of Condition December 31, 2016

ASSETS		
Cash & Due From Banks	\$	2,111,384
Federal Funds Sold		401,000
Certificates of Deposit		2,192,000
Available for Sale Securities		18,827,699
Loans, net of Reserve for Loan Losses of \$2,009,735		139,573,114
Premises and Equipment, Net		1,698,837
Accrued Interest Receivable		831,046
Other Assets		1,201,583
Total Assets	\$	<u>166,836,663</u>

LIABILITIES & STOCKHOLDERS EQUITY

Deposits:		
Non-interest Bearing	\$	25,202,249
Interest Bearing		94,389,161
Total Deposits		119,591,410
Federal Home Loan Bank Advances		26,797,530
Interest Payable		114,052
Other Liabilities		867,639
Total Liabilities		<u>147,370,631</u>

Common Stock		489,120
Additional Paid in Capital		13,980,956
Undivided Profits		10,303,827
Accumulated Other Comprehensive Income		(82,637)
Treasury Stock, at cost		(5,225,234)
Total Stockholders Equity		<u>19,466,032</u>

Total Liabilities and Stockholders Equity	\$	<u>166,836,663</u>
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Managed Investments	\$	34,043,147
Serviced Assets		153,746,159
Total Assets		166,836,663
Total Managed Assets	\$	<u>354,625,969</u>

Maunesh Bancshares, Inc. Consolidated Statements of Income Years ended December 31, 2016 & 2015

	2016	2015
INTEREST INCOME		
Interest & Fees on Loans	\$ 6,018,656	\$ 5,940,345
Interest Investments	323,494	356,235
Other	77,938	55,625
Total Interest Income	<u>6,420,088</u>	<u>6,352,205</u>

INTEREST EXPENSE		
Deposits	492,531	531,868
Borrowings	481,247	498,724
Total Interest Expense	<u>973,778</u>	<u>1,030,592</u>

Net Interest Income Before Provision for Loan Losses	5,446,310	5,321,613
Provisions for Loan Losses	10,000	139,750
Net Interest Income	<u>5,436,310</u>	<u>5,181,863</u>

NON-INTEREST INCOME		
Service Charges Deposit Accounts	186,097	194,790
Other Income	914,447	786,945
Gain (Loss) on Sale of Assets	58,187	1,476
Total Non-interest Income	<u>1,158,731</u>	<u>983,211</u>

NON-INTEREST EXPENSE		
Salaries & Employee Benefits	2,237,509	2,317,046
Occupancy & Equipment	304,264	309,451
Data Processing	462,674	459,573
FDIC Insurance	81,298	92,640
Foreclosed Assets & Loan Collection	30,645	108,893
Other Expenses	796,572	820,843
Total Non-interest Expense	<u>3,912,962</u>	<u>4,108,446</u>

Net Income Before Taxes	2,682,079	2,056,628
Income Taxes	999,942	671,993
Net Income	<u>\$ 1,682,137</u>	<u>\$ 1,384,635</u>

Earnings Per Share	<u>\$ 11.37</u>	<u>\$ 9.29</u>
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Maunesh Bancshares, Inc. Consolidated Statements of Equity Years ended December 31, 2016 & 2015

	2016	2015
STOCKHOLDERS EQUITY		
Beginning Equity	\$ 18,940,206	\$ 18,205,695
Net Income	1,682,137	1,384,635
Dividends	(546,188)	(519,862)
Change in Unrealized Security Gains	(190,953)	(75,543)
Net Treasury, transactions	(419,170)	(54,719)
Ending Equity	<u>\$ 19,466,032</u>	<u>\$ 18,940,206</u>

	2016	2015
PER SHARE DATA		

Book Value	\$ 133.00	\$ 126.64
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Adjusted Book Value*	\$ 133.57	\$ 125.91
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Dividends	\$ 3.75	\$ 3.50
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Earnings	\$ 11.37	\$ 9.29
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*Adjusted for accumulated comprehensive income.

	2016	2015
COMMON SHARES		
Authorized	200,000	200,000
Issued	195,648	195,648
Outstanding	146,360	149,565
Treasury	49,288	46,083
Weighted Average Outstanding	147,907	149,046

