

***First National Capital
Markets, Inc.***
***(A Wholly-Owned Subsidiary of
First National of Nebraska, Inc.)***
(SEC I.D. No. 8-53514)

*Statements of Financial Condition as of December 31,
2005 and 2004 and Supplemental Report on Internal
Control for the Year Ended December 31, 2005
and Independent Auditors' Report*

*Filed pursuant to Rule 17a-5(e)(3) as a **PUBLIC
DOCUMENT***



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
First National Capital Markets, Inc.
Omaha, Nebraska

We have audited the accompanying statements of financial condition of First National Capital Markets, Inc. (the "Company"), a wholly-owned subsidiary of First National of Nebraska, Inc., as of December 31, 2005 and 2004, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such statements of financial condition present fairly, in all material respects, the financial position of the Company at December 31, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

February 20, 2006

FIRST NATIONAL CAPITAL MARKETS, INC.

STATEMENTS OF FINANCIAL CONDITION DECEMBER 31, 2005 AND 2004

ASSETS	2005	2004
Cash and cash equivalents	949,268	\$ 1,708,481
Receivables:		
Commissions	222,734	120,225
Affiliate (Note D)	88,298	80,263
Interest	71,625	26,625
Other	<u>13,134</u>	<u>16,466</u>
Total Receivables	395,791	243,579
Prepaid expenses and other assets	21,963	43,068
Property and equipment, net (Note C)	35,350	49,226
Investment in partnership (Note F)	<u>500,000</u>	<u>500,000</u>
Total Assets	<u>\$ 1,902,372</u>	<u>\$ 2,544,354</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES:		
Accrued expenses and other liabilities	150,436	\$ 123,039
Affiliate accounts payable (Note D)	87,890	94,892
Income taxes payable	<u>59,213</u>	<u>16,034</u>
Total Liabilities	<u>297,539</u>	<u>233,965</u>
COMMITMENTS AND CONTINGENCIES (Note G)		
STOCKHOLDER'S EQUITY:		
Common stock, \$1.00 par value; 10,000 shares authorized, issued and outstanding	10,000	10,000
Additional paid-in capital	640,000	640,000
Retained earnings	<u>954,833</u>	<u>1,660,389</u>
Total Stockholder's Equity	<u>1,604,833</u>	<u>2,310,389</u>
Total Liabilities and Stockholder's Equity	<u>\$ 1,902,372</u>	<u>\$ 2,544,354</u>

The accompanying notes are an integral part of these statements of financial condition.

FIRST NATIONAL CAPITAL MARKETS, INC.

NOTES TO STATEMENTS OF FINANCIAL CONDITION AS OF DECEMBER 31, 2005 and 2004

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

First National Capital Markets, Inc. (the “Company”) is a wholly-owned subsidiary of First National of Nebraska, Inc. (the “Parent Company”). The Company is engaged in the purchase and sale of an array of financial products including fixed income and money market securities primarily to institutional clientele. In addition, the Company offers services including bond accounting, portfolio analysis, financial reporting, and safekeeping. Service fees result from amounts collected from independent contract brokers for processing securities trades and from amounts collected for administrative and compliance services. The Company executes and clears trades through the First National Bank of Omaha, a majority-owned subsidiary of the Parent Company.

The Company operates as a separate entity as a registered member of the National Association of Securities Dealers (“NASD”).

The Company is exempt (under paragraph (k)(2)(i)) from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934.

Use of Estimates – The preparation of the statements of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statements of financial condition. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.

Securities Transactions – Securities transactions are recorded on a trade-date basis.

Income Taxes – The Company is included in the consolidated income tax return of the Parent Company. Under the liability method used to calculate income taxes, the Parent Company provides deferred taxes for differences between the financial statement carrying amounts and tax bases of existing assets and liabilities by applying currently enacted statutory rates which are applicable to future periods.

Deferred taxes relate to employee benefits, depreciation and amortization. Deferred taxes are reflected in other assets on the statements of financial condition.

B. NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain minimum net capital, as defined under such provisions. Although nonclearing broker-dealers generally have a minimum net capital requirement of \$100,000, the NASD has informed the Company that it must maintain minimum net capital of \$250,000 due to the Company’s close relationship with its clearing agent (see Note A). Net capital, net capital requirement, and net capital ratio may fluctuate on a daily basis. At December 31, 2005, the Company had net capital of \$741,152 and a net capital requirement of \$250,000. The Company’s ratio of aggregate indebtedness to

net capital was .40 to 1. At December 31, 2004, the Company had net capital of \$1,480,182 and a net capital requirement of \$250,000. The Company's ratio of aggregate indebtedness to net capital was 0.16 to 1.

C. PROPERTY AND EQUIPMENT

The Company's property and equipment consisted of the following as of December 31, 2005 and 2004:

	2005	2004
Furniture and equipment	\$ 12,360	\$ 10,891
Computer equipment	18,636	54,226
Software	<u>378,632</u>	<u>351,932</u>
	409,628	417,049
Accumulated depreciation and amortization	<u>(374,278)</u>	<u>(367,823)</u>
Net property and equipment	<u>\$ 35,350</u>	<u>\$ 49,226</u>

D. RELATED PARTY TRANSACTIONS

The Company provides services to other affiliates of the Parent Company, including First National Bank of Omaha ("FNBO"). These services include federal funds transfers, bond accounting, portfolio trades, repurchase agreements and negotiable certificates of deposit dealer services, and commercial paper management. At December 31, 2005 and 2004, approximately \$88,000 and \$80,000, respectively, was due to the Company from affiliates for services provided.

In addition, the Company has a service agreement with the Parent Company and FNBO in which FNBO provides the Company with certain services including trade execution and clearing, purchasing, personnel, general ledger, website development, financial services, executive support, financial, operational and information systems audit services, compliance audit and consulting services, branding/trademark modifications and miscellaneous other corporate services. The Company is billed for such services based on various allocation methods. At December 31, 2005 and 2004, the Company owed its affiliates approximately \$88,000 and \$95,000, respectively, for services provided.

Transaction terms with related parties are not necessarily indicative of the terms that would be present if the parties were unrelated.

E. EMPLOYEE BENEFIT PLANS

Employees of the Company participate in employee benefit plans sponsored by the Parent Company. Among them is a noncontributory defined benefit pension plan. The Company is allocated its share of the cost of this plan. As of December 31, 2005 and 2004, the Company had remitted all amounts related to its share of the benefit obligation to the Parent Company; therefore, no liability existed.

In addition to providing pension benefits, the Parent Company also sponsors postretirement medical and death benefits to retired employees meeting certain eligibility requirements. The medical plan is contributory, whereby the retired employee pays a portion of the health insurance premium, and contains other cost-sharing features such as deductibles and coinsurance. The Company is allocated its share of costs for the postretirement benefit plan. At December 31, 2005 and 2004, the Company's share of the benefit obligation was approximately \$4,600 and \$2,400, respectively, which is recorded as a liability on the statements of financial condition.

In addition to the pension and postretirement benefit plans, the Parent Company also has a contributory defined contribution plan which covers substantially all employees. The Company is allocated its share of costs for the defined contribution plan.

F. INVESTMENT IN PARTNERSHIP

During the year ended December 31, 2003, the Company committed to purchase a limited partnership interest for \$500,000. The Company's initial capital contribution of \$150,000 was paid during 2003. In addition to the initial capital contributions, the Company signed a promissory note to make subsequent capital contributions in the aggregate amount of \$350,000. The subsequent capital contributions were paid during 2004. The Company's partnership interest is less than 3% of the partnership's total capital and is accounted for at original cost. The Company assesses this investment for impairment on an annual basis.

G. COMMITMENTS AND CONTINGENCIES

The Company may be involved in various legal matters in the normal course of its business. At December 31, 2005, and 2004, management does not believe that any such matters, either individually or in the aggregate, will materially affect the Company's results of operations or its financial position.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY
SECURITIES AND EXCHANGE COMMISSION RULE 17a-5**

To the Board of Directors and Stockholder of
First National Capital Markets, Inc.
Omaha, Nebraska

In planning and performing our audit of the financial statements of First National Capital Markets, Inc. (the Company), a wholly-owned subsidiary of First National of Nebraska, Inc., for the year ended December 31, 2005, (on which we have issued our report dated February 20, 2006) we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") above-mentioned objectives. Two of the objectives of an internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized acquisition, use, or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluations of the internal control or of such practices and procedures to future periods are subject to

the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Company's internal control and its operation (including control activities for safeguarding securities) that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

Omaha, Nebraska
February 20, 2006