

## Customers First



# To Our Shareholders



|                                   |            |
|-----------------------------------|------------|
| <b>Shareholder Letter .....</b>   | <b>2</b>   |
| <b>CFO Insight.....</b>           | <b>3</b>   |
| <b>Customers First .....</b>      | <b>4-6</b> |
| <b>Community Support.....</b>     | <b>7</b>   |
| <b>Financial Statements .....</b> | <b>8-9</b> |
| <b>Executive Management .....</b> | <b>10</b>  |
| <b>Board of Directors.....</b>    | <b>11</b>  |

Dear Shareholders,

This past year has been one of the most challenging years for the banking industry. We experienced a sluggish housing market, economic uncertainties and a continuation of the flat interest rate yield curve that placed pressure on interest rate margins. These factors and others combined to negatively impact earnings and credit quality for banks across the country. The conservative nature of our management team has successfully moderated the negative impact of the current economic environment. Furthermore, we have positioned ourselves for continued growth and enhanced profitability in 2008.

Net income for 2007 was \$3.4 million representing a 30% decrease in earnings compared to the previous year. A reduction in net interest margin coupled with an increase in the provision for loan losses were the primary reasons for the decline in net income. Bank management has implemented strategies to address these issues and improve future financial performance.

First Bank Financial Centre did record strong growth again in 2007. Total assets increased 10.6% to \$571 million supported by robust loan growth of 15.3%. Our customer base continues to broaden as we recorded impressive deposit growth of 9.5%. We expanded our bank footprint by establishing a loan production office in Sun Prairie. Construction is underway to open a loan production office in Menomonee Falls this spring. Our bank remains well capitalized to meet our future expansion needs.

This last year we also strengthened our infrastructure to support projected growth. Significant investments were made in the area of technology. We introduced new imaging technology including document archiving, branch remote capture, and merchant capture. These investments will significantly improve bank efficiencies and enhance customer service.

Looking to the future, we are focusing on four specific areas:

- Building profitable deposit and loan relationships with our customers.
- Effectively managing our costs and risks.
- Creating new sources of revenue.
- Consistently providing distinctive customer service to encourage customer loyalty.

As a community bank, we will continue to measure our success not only by reaching our financial goals, but also by our ability to positively impact the customers we serve, the communities we operate in and the people we employ.

Sincerely,

Mark W. Mohr  
President

## Overview

Oconomowoc Bancshares, Inc.'s financial philosophy is to enhance shareholder value. To achieve this goal, Management and the Board of Directors focus on increasing profitability, maintaining adequate capital levels, and expanding the bank's footprint.

## Earnings

Earnings declined in 2007 to \$3,363,229 caused by a reduction in the net interest margin from 3.65% to 3.34%, and by an allocation to the provision for loan losses of \$1,000,000.

## Capital

Capital levels increased in 2007 by 5.7% to \$45,018,774; with the book value ending the year \$137.00 per share. Over the past five years, capital and book value have grown at an annualized rate of 15% and 12%, respectively.

Another form of capital, allowance for loan losses, ended the year at an adequate level of \$4,213,648. The bank has sufficient capital to support our future growth plans.

## Bank's Footprint

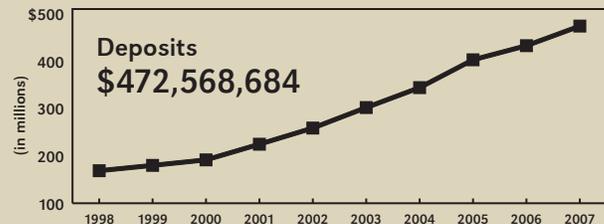
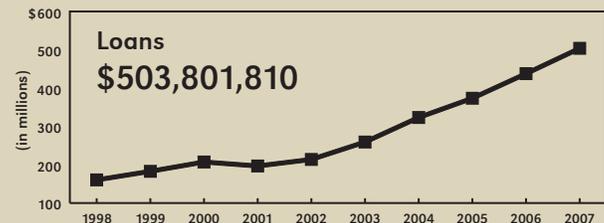
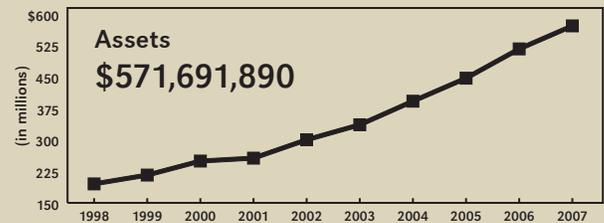
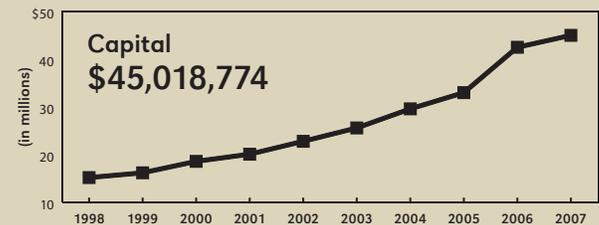
Assets increased to \$571,691,890 in 2007. Over the past five years, assets have grown at an annualized rate of 14%. The growth has come from commercial real estate lending and deposits gathered through our branch network.

Commercial real estate lending remains the bank's core competency. The bank has seen annualized growth in commercial real estate lending of 27.8% over the past five years and total annualized loan growth of 18.4%.

Deposits have also experienced strong growth rates over the past five years with annualized growth of 11.3%. Management's focus will remain on commercial real estate lending and deposit generation through our numerous branch locations.

Nate Zastrow, CFA  
Chief Financial Officer

# CFO Insight



## 2008 FINANCIAL FOCUS

- Building profitable deposit and loan relationships with our customers.
- Effectively managing our costs and risks.
- Creating new sources of revenue.
- Consistently providing distinctive customer service to encourage customer loyalty.

## CUSTOMERS FIRST

### Places To Go



Bruce Rohde, Head Driver  
Silver Streak of Oconomowoc, Inc.

You'll see them at the community center, medical offices and the bank – cars bearing the sign: "Silver Streak." Inside, chances are, you'll see Bruce Rohde behind the wheel, making a local senior's day just a little bit easier.

Seventeen years ago, a group of concerned citizens met in the board room of First Bank Financial Centre in Oconomowoc. Their mission? To discover what they could do to improve the lives of seniors in their community. In 1991, the first Board of Directors rounded up some seed money and named now First Bank Financial Centre President Emeritus, Mac Dorn, as their leader. After months of meetings, Silver Streak was established as a non-profit transportation service for seniors and the disabled.

"We had a lot of support from the community from the start," said Mac Dorn, who was the Board President of a true "working board." Board members would even donate their personal vehicles and time to drive passengers themselves if the taxi broke down.

When a senior is no longer able to drive, or is not comfortable with driving in certain conditions, their freedom is severely limited. Even if a senior is capable of living independently in every other way, not being able to drive to doctor's appointments or other activities could severely limit an older adult's living options.

That's where Silver Streak steps in. It's a taxi service, offering inexpensive rides to seniors and people with disabilities in Oconomowoc. Supported by fares, private donations, grant money, local companies and many dedicated volunteers, Silver Streak helps keep transportation safe and affordable for seniors. As a nonprofit, community-supported organization, in 2007, they provided over 7,000 rides. First Bank Financial Centre has supported Silver Streak since its inception, offering use of a meeting room, accounting help, service on their Board of Directors and financial support.

## CUSTOMERS FIRST

### Room For Growth

When you're watching your favorite live sporting events on the air, you may not think about how the program gets from the camera to your TV screen; but in between Favre's throw and the satellite are some mighty big trucks. Packed with the latest digital and high-definition equipment, these trucks help companies like ESPN and the Golf Channel get their broadcasts on the air.

John Salzwedel's company, Token Creek Mobile TV, has been sending mobile television trucks to sporting events all over the country since 1992. John is an engineer by trade, so he knows what it takes to make sure his multi-million dollar investments in equipment are in perfect working condition.

John knows what it takes to grow in the mobile TV business: great equipment and great service. He has purchased three new trucks over the past two years, and increased his staff from three to ten during the same time.

Last year, John followed his personal banking relationship with Mike Daniel to the First Bank Financial Centre Loan Office in Sun Prairie.

"In my business, I need a bank to partner with me; someone who can provide advice and counsel," said John. "I look to Mike and First Bank Financial Centre to help me make the right financial decisions."

In the fast-paced world of mobile television, John needs a reliable business partner. "For me, it's about loyalty and partnership. That's what I need from my bank."



John Salzwedel, Owner and President  
Token Creek Mobile Television, Inc.

CUSTOMERS FIRST

## Family Connections



Josh Holland  
Holland Builders of Watertown, Inc.

When Lake Country homeowners are looking for a builder for their special new home, it's likely that Josh Holland's name is on everyone's list. For Josh, his custom home business is all about quality and relationships – a creed that serves him well in his business of crafting twelve custom homes each year.

A carpenter by trade, Josh places a high value on craftsmanship and attention to detail. This commitment to excellence has paid off. Holland Builders has doubled in size since Josh went out on his own over ten years ago.

By his side through all the growth has been Linda Daul, Vice President, Mortgage Lender at First Bank Financial Centre, Oconomowoc. More than just a banker, Josh considers her part of his family. "We speak the same language," said Josh. "She tells me what my best options are, and breaks them down so I can understand it."

Linda has been putting customers first throughout her 41-year career at the bank. "One of the best parts of my job is seeing people like Josh build their business." Linda is on her second generation of helping business owners and homeowners make good financial decisions. She is thrilled to see her business customers succeed and grow.

The relationship between Josh and Linda is built on a solid foundation of trust and respect, says Josh. "They treat me the way I want to be treated. I like to give people the truth with no sugarcoating, and that's what I get from Linda."



Since 1859, FBFC has been a neighborhood community bank, striving for success in customer and community service.

**A tradition of caring**

First Bank Financial Centre donated over \$100,000 to community and charitable organizations in 2007. First Bank Financial Centre employees also donated countless volunteer hours to help make their communities better places to live.

**Highlights from a Year of Donations**

First Bank Financial Centre’s Hartford and West Bend branches helped raise \$800 for Big Brothers/Big Sisters of Washington County by supporting the annual Bowl-a-Thon in February.

**First Bank Financial Centre’s Hartford branch donated \$1,000 to Project Care in November.**

Project Care is a youth organization focusing on positive character building attributes in children. The goal is to motivate individuals, families and community members to provide guidance and support to the greater Hartford community.

**In October, First Bank Financial Centre’s Oconomowoc branches raised over \$1,000 for the Oconomowoc Food Pantry.** They accomplished this goal with monies collected from a Brett Favre jersey fundraiser at the Community Harvest Business Expo and with matching branch donations.

**In November, FBFC became a Gold Sponsor of the YMCA’s Strong Kids Campaign with a \$5,000 donation.** By supporting the Strong Kids program, FBFC can open up opportunities for everyone to participate in the benefits the YMCA has to offer.

*Donations of time and money also benefited:*

- LakeWalk for Cancer
- AngelsGrace Hospice
- Hartford Relay for Life
- Local Food Pantries

## Giving Back



# Financial Statements

OCONOMOWOC BANCSHARES, INC. | CONSOLIDATED STATEMENTS OF INCOME  
Years Ended December 31, 2007 and 2006

|                                                            | 2007              | 2006              |
|------------------------------------------------------------|-------------------|-------------------|
| Interest and dividend income:                              |                   |                   |
| Loans, including fees                                      | \$ 33,114,386     | \$ 27,946,733     |
| Securities:                                                |                   |                   |
| Taxable                                                    | 604,855           | 696,814           |
| Tax-exempt                                                 | 694,714           | 496,543           |
| Interest-bearing deposits                                  | 146,352           | 111,703           |
| Other                                                      | 185,374           | 248,815           |
| <b>Total interest and dividend income</b>                  | <b>34,745,681</b> | <b>29,500,608</b> |
| Interest expense:                                          |                   |                   |
| Deposits                                                   | 16,585,676        | 12,678,419        |
| Federal funds purchased                                    | 225,690           | 370,091           |
| Other borrowings                                           | 1,373,721         | 545,359           |
| Subordinated debentures                                    | 410,511           | 300,320           |
| <b>Total interest expense</b>                              | <b>18,595,598</b> | <b>13,894,189</b> |
| Net interest income                                        | 16,150,083        | 15,606,419        |
| Provision for loan losses                                  | 1,000,000         | 600,000           |
| <b>Net interest income after provision for loan losses</b> | <b>15,150,083</b> | <b>15,006,419</b> |
| Noninterest income:                                        |                   |                   |
| Service fees                                               | 1,092,057         | 1,123,687         |
| Loan servicing income                                      | 322,388           | 341,605           |
| Gain from sale of loans                                    | 409,692           | 291,518           |
| Net gain on sale of securities                             | 0                 | 113,169           |
| Other                                                      | 556,884           | 1,560,491         |
| <b>Total noninterest income</b>                            | <b>2,381,021</b>  | <b>3,430,470</b>  |
| Noninterest expense:                                       |                   |                   |
| Salaries and employee benefits                             | 7,171,968         | 6,776,553         |
| Occupancy and equipment                                    | 1,858,432         | 1,622,751         |
| Data processing                                            | 999,354           | 674,593           |
| Advertising and promotions                                 | 297,834           | 254,681           |
| Professional fees                                          | 352,277           | 191,937           |
| Contributions                                              | 109,961           | 227,653           |
| Other                                                      | 1,736,865         | 1,281,128         |
| <b>Total noninterest expense</b>                           | <b>12,526,691</b> | <b>11,029,296</b> |
| Income before provision for income taxes                   | 5,004,413         | 7,407,593         |
| Provision for income taxes                                 | 1,641,184         | 2,598,532         |
| <b>Net income</b>                                          | <b>3,363,229</b>  | <b>4,809,061</b>  |
| <b>Earnings per common share</b>                           | <b>\$10.16</b>    | <b>\$16.00</b>    |

OCONOMOWOC BANCSHARES, INC. | CONSOLIDATED REPORT OF CONDITION  
Years Ended December 31, 2007 and 2006

|                                                                                          | 2007               | 2006               |
|------------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash and due from banks                                                                  | \$ 16,719,791      | \$ 36,386,723      |
| Federal funds sold                                                                       | 27,000             | 0                  |
| Cash and cash equivalents                                                                | 16,746,791         | 36,386,723         |
| Securities available for sale                                                            | 35,938,814         | 26,756,112         |
| Securities held to maturity (estimated fair value of \$316,108)                          | 0                  | 315,214            |
| Loans held for sale                                                                      | 97,000             | 0                  |
| Loans, net                                                                               | 499,588,162        | 433,472,472        |
| Accrued interest receivable                                                              | 2,406,468          | 2,221,141          |
| Premises and equipment, net                                                              | 6,538,318          | 6,456,631          |
| Other investments, at cost                                                               | 2,800,920          | 2,800,920          |
| Cash value of life insurance                                                             | 5,149,842          | 4,978,769          |
| Mortgage servicing rights                                                                | 1,077,664          | 1,169,817          |
| Other real estate, net                                                                   | 297,000            | 583,457            |
| Other assets                                                                             | 1,050,911          | 1,560,600          |
| <b>TOTAL ASSETS</b>                                                                      | <b>571,691,890</b> | <b>516,701,856</b> |
| <b>Liabilities:</b>                                                                      |                    |                    |
| Non-interest-bearing deposits                                                            | 54,907,388         | 56,425,109         |
| Interest-bearing deposits                                                                | 417,661,296        | 374,951,673        |
| <b>Total deposits</b>                                                                    | <b>472,568,684</b> | <b>431,376,782</b> |
| Federal funds purchased                                                                  | 397,500            | 1,846,000          |
| Borrowed funds                                                                           | 45,500,000         | 33,000,000         |
| Subordinated debentures                                                                  | 6,186,000          | 6,186,000          |
| Accrued interest payable                                                                 | 1,800,528          | 1,430,284          |
| Other liabilities                                                                        | 220,404            | 279,247            |
| <b>Total liabilities</b>                                                                 | <b>526,673,116</b> | <b>474,118,313</b> |
| <b>Stockholders' equity:</b>                                                             |                    |                    |
| Common stock - \$0.01 par value:                                                         |                    |                    |
| Authorized - 450,000 shares; Issued - 335,110 shares                                     | 3,351              | 3,351              |
| Additional paid-in capital                                                               | 8,016,884          | 7,967,594          |
| Retained earnings                                                                        | 37,349,666         | 34,926,837         |
| Treasury stock, at cost - 1,962 shares in 2007 and 1,120 shares in 2006                  | (336,455)          | (176,600)          |
| Accumulated other comprehensive loss                                                     | (14,672)           | (137,639)          |
| <b>Total stockholders' equity</b>                                                        | <b>45,018,774</b>  | <b>42,583,543</b>  |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                        | <b>571,691,890</b> | <b>516,701,856</b> |
| <b>An analysis of the allowance for loan losses for the years ended Dec. 31 follows:</b> |                    |                    |
|                                                                                          | 2007               | 2006               |
| Balance at beginning                                                                     | 4,255,961          | 4,005,782          |
| Provision for loan losses                                                                | 1,000,000          | 600,000            |
| Loans charged off                                                                        | (1,062,169)        | (390,779)          |
| Recoveries of loans previously charged off                                               | 19,856             | 40,958             |
| <b>Balance at end</b>                                                                    | <b>4,213,648</b>   | <b>4,255,961</b>   |

## Executive Management



Main Branch

MARK W. MOHR

President

RICK VANDER VEEN

Executive Vice President, Chief Operating Officer

JOHN T. LYNCH

First Vice President, Chief Lending Officer

MARK T. McCUNE

Senior Vice President, Commercial Loan Sales Manager

NATE ZASTROW

Chief Financial Officer

STACY M. BOHMSACK

Vice President, Retail and Operations Manager

MALCOLM A. DORN

President Emeritus

Customers are the reason we are energized and excited by our work at First Bank Financial Centre, and we would like to express our thanks. It's a true privilege to work with the individuals, organizations and businesses that have chosen us to be their financial resource in all the communities we serve.

In an increasingly impersonal world, we believe that these personal relationships will continue to allow our bank to grow and thrive. Thank you for your trust and commitment to community banking.

# Board of Directors



Back Row, L to R: PETER G. ROEHL Roehl Corporation  
 MAUREEN STAPLETON Stapleton Realty and Appraisal  
 CRAIG S. SCHIEFELBEIN Paragon Development Systems, Inc.  
 CHARLES J. FOLKMAN, JR. L.F. George, Inc.  
 JAMES P. SIEPMANN Siepmann Realty Corporation  
 GERALD J. KUHN Ernst & Young LLC (retired)  
 Front Row, L to R: ROBERT SNYDER, VICE CHAIRMAN Snyder and Ek, S.C.  
 MARK W. MOHR First Bank Financial Centre  
 MALCOLM A. DORN First Bank Financial Centre  
 Shown below: DIRK J. DEBBINK, CHAIRMAN MSI General Corporation



As your Chairman, it's my privilege to tell you how proud the entire Board of Directors is of our Management Team, as well as all of our employees. The Management Team, led by our new President, Mark W. Mohr, met the economic challenges presented to us in 2007 with skill, determination, and commitment.

Financial markets, in particular, were hit hard this past year, and it was the forthright manner in which First Bank Financial Centre addressed each challenge that enabled us to not only continue our growth, but also to prepare for continued success. As this year's annual report clearly indicates, we recognize that providing distinctive customer service is the key to our continued growth and success.

In late October 2007, I was propositioned by the U.S. Navy to transition from reserve status to active duty. As a result, I find myself unable to continue in my current role at First Bank Financial Centre. It has truly been a privilege and an honor to serve as your Chairman for the past eight and a half years. I sincerely appreciate your personal support during this time. More importantly, and on behalf of your entire Board, thank you for your continued support of the *finest* community bank in southeast Wisconsin, First Bank Financial Centre.

  
**Dirk J. Debbink**  
 Chairman



## Branch Offices

### **Oconomowoc**

155 W. Wisconsin Avenue  
Oconomowoc, WI 53066  
(262) 569-9900  
(888) 569-9909

W359 N5900 Brown Street  
Oconomowoc, WI 53066  
(262) 569-3055

1300 Summit Avenue, Suite 100  
Oconomowoc, WI 53066  
(262) 567-3300

Lobby and Drive-Through Hours  
Available Anytime at  
**[www.fbfcwi.com](http://www.fbfcwi.com)**

**24-Hr Phone Banking**  
**(888) 569-5066**

### **Hartford**

940 Bell Avenue  
Hartford, WI 53027  
(262) 673-0920

### **Hartland**

800 Cardinal Lane  
Hartland, WI 53029  
(262) 369-9900

### **Germantown**

N112 W17100 Mequon Road  
Germantown, WI 53022  
(262) 250-3800

### **West Bend**

1811 W. Washington Street  
West Bend, WI 53095  
(262) 338-9900

### **Sun Prairie Loan Office**

121 S. Bristol Street, Suite 101  
Sun Prairie, WI 53590  
(608) 834-4040

