



**F A M I L Y**



**2009 ANNUAL REPORT**

## TO OUR SHAREHOLDERS

First Bank Financial Centre (FBFC) had an outstanding year in 2009 during a time of unprecedented volatility and challenges within the financial service industry.

The continued success of our organization is a direct result of our deep commitment to community banking values. We focus our attention on the needs of local families and small businesses, while providing exceptional service and sound financial advice. Decisions are made locally by bank employees who live and work in the communities we serve.

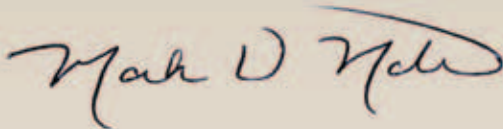
I'm extremely proud of our numerous accomplishments in 2009, including a 24% increase in net income, our recent rating as the number one community bank SBA lender in the state of Wisconsin, and being named Business of the Year in Oconomowoc.

With so much negative sentiment towards Wall Street banks, consumers are seeking financial services from people they know and trust. As a result, FBFC increased market share this year in each community we serve.

We were also able to see strong asset and deposit growth in 2009, and remain well-capitalized and positioned for continued success and growth in 2010.

On behalf of our Board of Directors and our employees, we thank you for your support and investment in our great community bank.

Sincerely,



Mark W. Mohr  
President and CEO



**FIRST  
BANK**  
Financial Centre

## CFO INSIGHT

Oconomowoc Bancshares, Inc. reported a 24% increase in net income for the year ended December 31, 2009, of \$2,499,863 or \$7.46 per share, compared with the year ended December 31, 2008, of \$2,017,696 or \$6.03 per share. Credit quality charges had the greatest negative impact on income, with provision for loan losses and other real estate losses totaling \$2,295,000 and \$607,430 respectively. On a positive note, loan fee, loan servicing and investment sale income increased by a total of \$3,114,473 over 2008.

In 2008, the Board and Management implemented four intertwined plans revolved around strengthening capital, credit quality, liquidity, and net interest margin, which yielded significant results in 2009, with expected carryovers into 2010 and beyond.

**Capital:** The bank remains well-capitalized with a risk based capital ratio of 12.1%, the strongest level since 1995, up from 10.6% in 2008. Management's objective remains to further strengthen capital in 2010 through increased earnings and controlled asset growth. The book value of OBI increased 4.3% to \$145 per share.

**Credit Quality:** Charge-offs totaled \$3,200,210 in 2009, however, the past due ratio ended the year at 0.85%. With the state average ratio for past dues at 4.85%, our ratio is one of the best in the state. Exposure to construction lending was reduced from \$60,100,226 to \$24,971,987. Management has aggressively dealt with credit quality issues and developed a culture that places credit quality at the forefront of every decision.

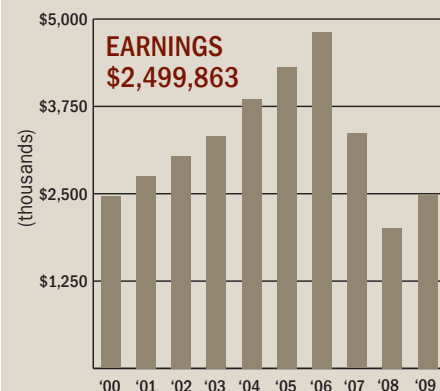
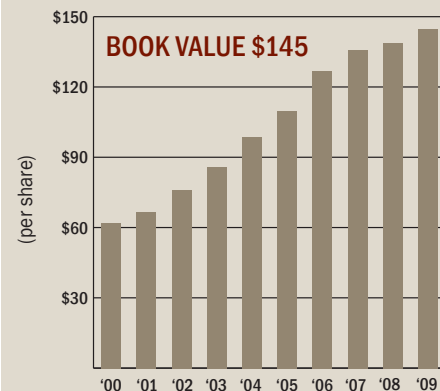
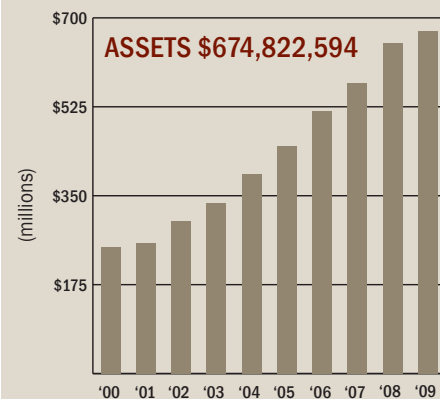
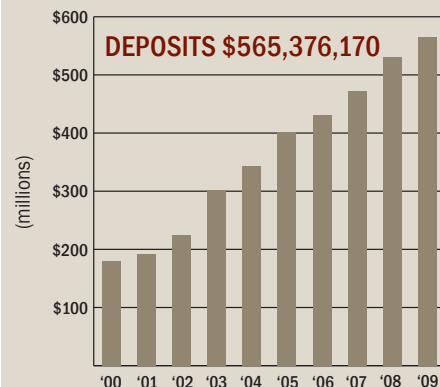
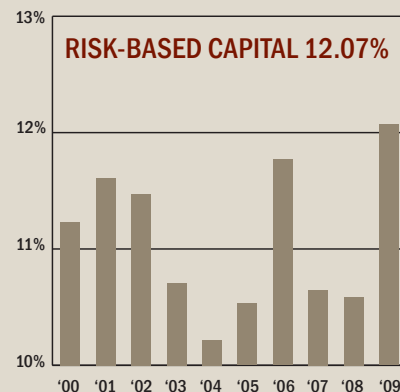
**Liquidity:** Management shifted to an on-balance sheet liquidity strategy during 2009, increasing customer deposits by \$65,360,000, while simultaneously reducing the reliance on non-customer funding by \$48,926,000. At the end of 2009, the liquidity position was the strongest in our history.

**Net Interest Margin:** During 2009, quarterly net interest margin improved from 2.65% to 3.40% through new loan and deposit pricing strategies. In 2010, improvements in margin will continue.

We will continue to leverage our community bank model, and we are excited about growth opportunities in 2010.



Nate Zastrow, CFA  
Senior Vice President, Chief Financial Officer





## GROWING FAMILY

The Axness' have had their bank accounts at the West Bend branch for more than seven years. Financial responsibility and community are important elements of the banking relationship for their family, Bob, Heather and their children, Joshua (6), Alyssa (4) and Kylie (2). "We opened savings accounts here for all the kids when they were born," says Bob, a systems administrator for Restat in Milwaukee. "When the kids get money for birthdays, baptism, etc., we make sure they put some money in their accounts."

"I have more than six hundred dollars in my account," says Joshua with a big smile. What does he like to spend his money on? "Football cards!" His little sisters, though, would rather save for Barbies and ponies. All the kids earn extra money for their piggy banks by helping out at home, making their beds and cleaning up their rooms.

A trip to the bank is an enjoyable outing for Heather, a stay-at-home mom and Tastefully Simple consultant, and her children. She can deposit the checks for her business, and the kids can see their piggy bank coins add up to real spending money. But the best part of the visit for the kids, she admits, is the trip to the cookie jar.

The West Bend branch is conveniently located by both their home and work. They truly appreciate the community bank touch, adding "We're just comfortable here - everyone knows our names."



**Customer Service Manager  
Stacey Weisenberger helps Joshua  
count coins.**



## FAMILY HOME

With an active, growing son, Dan and Amanda Klawes wanted to find a home with a great yard, and one that was located in a family-friendly neighborhood with young kids; not to mention a great dining room for family dinners. With the first-time home buyers' tax credit available, they began to search for the perfect home.

Initially, they found the process of applying for a mortgage rather challenging. "We checked with two other banks first...I don't know if they thought we were too young or something, but they weren't interested in working with us." That's when Dan's mom, Kathy, a long time First Bank Financial Centre customer told them to call Mike Welsh at First Bank Financial Centre.

"From that point on, it was easy," said Amanda. "Mike didn't make us feel small or unimportant. He took the time, answered all our questions, and made sure we understood everything."

With financing in place, they were then able to move fast when they found the right home. "We really appreciated the personal contact and face-to-face meetings," said Dan. "When we were ready to close, it only took about 15 minutes."

The Klawes have since settled in, and have been slowly adding the finishing touches to their first home. But the best addition of all was baby Ella Rose, born right before Christmas of 2009.



There's nothing like your first home.



## FAMILY BUSINESS

Rikki Boyce has been brightening the lives of children for more than 20 years. She began her career caring for a few children in her own home, and has since grown her business to a full daycare program. Sixty-three kids aged six weeks through eleven years enjoy a bright, clean, spacious environment. Mrs. Rikki's Structured Daycare is conveniently located in the heart of Franklin, allowing easy access for working parents.

Growing a small business is an education in itself, and the process of constructing a new building was a bigger project that she anticipated. "I thought getting the loan was going to be hard. That was the easy part," says Rikki. Rikki connected with First Bank Financial Centre through the Small Business Administration's loan program. Once approved, she counted on John Lynch and his team at the Corporate branch to answer her questions and keep the process moving forward. "When I had a question, they found the answer...they were always there to help me."

This partnership helped a family business (Rikki's daughter works with her) grow, and gave Rikki the support and structure she needed to do the work she really enjoys. "I just love working with the children. They're so honest."

First Bank Financial Centre was an important part of making Rikki's dream come true.



Connecting with kids at Mrs. Rikki's Structured Daycare is her first priority.



GIVING BACK TO OUR COMMUNITY - Top left, First Bank Financial Centre donated \$10,000 to AngelsGrace Hospice; Top right, \$18,000 was donated to the Jack Russell Memorial Library Campaign, where funds will be used to develop a children's reading area within the new library; Bottom left, employees from the Corporate branch planted a Green Mountain Sugar Maple tree at Roosevelt Park in Oconomowoc to honor Phil McNutt. Phil, an FBFC customer, was recently deployed to Afghanistan; Bottom right, the Germantown branch planted flowers at Kinderberg Park.

## CHARITABLE GIVING

No family exists alone. We all share the responsibility of caring for each other and making our communities better places to live. First Bank Financial Centre donated more than \$172,000 to community organizations in 2009.

“We can always count on FBFC to be there for us. Their volunteers, advice and financial support are important to our success,” Pat Ornberg, Executive Director, Oconomowoc Chamber of Commerce.

**IT'S OFTEN THE LITTLE THINGS THAT MAKE A BIG DIFFERENCE WHEN IT COMES TO CUSTOMER SERVICE. REMEMBERING NAMES. TAKING A MINUTE TO CHAT. KNOWING THAT YOU TAKE YOUR COFFEE WITH TWO CREAMS AND A SUGAR.**



A former MPS teacher, Chip Zastrow is keeping busy in retirement. Each morning, he serves up coffee and conversation at Mac's Cafe, the coffee stand inside First Bank Financial Centre's Corporate branch. "It's great to chat with customers and friends every day. That's how I stay in the know!" Customers appreciate how Chip keeps up with the details of their lives, and he makes coming into the branch that much more enjoyable.

# FINANCIAL STATEMENTS

## Oconomowoc Bancshares, Inc. and Subsidiaries - Consolidated Statements of Income

	2009	2008	2007
Interest and dividend income:			
Loans, including fees	\$ 30,627,507	\$ 33,641,009	\$ 33,114,386
Securities:			
Taxable	2,045,023	1,107,124	604,855
Tax-exempt	1,248,736	794,644	694,714
Interest-bearing deposits	26,657	77,853	146,352
Other	2,371	29,282	185,374
<b>Total interest and dividend income</b>	<b>33,950,294</b>	<b>35,649,912</b>	<b>34,745,681</b>
Interest expense:			
Deposits	14,528,375	16,277,315	16,585,676
Short-term borrowings	169,841	152,458	28,924
Other borrowings	1,035,261	1,688,633	1,570,487
Subordinated debentures	320,297	365,934	410,511
<b>Total interest expense</b>	<b>16,053,774</b>	<b>18,484,340</b>	<b>18,595,598</b>
Net interest income	17,896,520	17,165,572	16,150,083
Provision for loan losses	2,295,000	3,410,500	1,000,000
<b>Net interest income after provision for loan losses</b>	<b>15,601,520</b>	<b>13,755,072</b>	<b>15,150,083</b>
Noninterest income:			
Service fees	1,291,252	1,451,132	1,092,057
Loan servicing income	1,711,407	629,376	322,388
Income from sale of loans	1,329,425	325,985	-
Gain from sale of loans	(607,430)	46,500	409,692
Gain on sale of available-for-sale securities	1,370,370	341,368	-
Other	436,644	415,971	556,884
<b>Total noninterest income</b>	<b>5,531,668</b>	<b>3,210,332</b>	<b>2,381,021</b>
Noninterest expense:			
Salaries and employee benefits	9,826,934	8,086,527	7,171,968
Occupancy and equipment	2,708,451	2,411,882	1,858,432
Data processing	849,514	876,681	999,354
Advertising and promotions	450,374	402,446	297,834
Professional fees	921,571	569,658	352,277
Contributions	135,872	85,310	109,961
Other	3,187,459	1,949,190	1,736,865
<b>Total noninterest expense</b>	<b>18,080,175</b>	<b>14,381,694</b>	<b>12,526,691</b>
Income before provision for income taxes	3,053,013	2,583,710	5,004,413
Provision for income taxes	553,150	566,014	1,641,184
<b>Net income</b>	<b>\$ 2,499,863</b>	<b>\$ 2,017,696</b>	<b>\$ 3,363,229</b>
<b>Earnings per common share</b>	<b>\$7.46</b>	<b>\$6.03</b>	<b>\$10.16</b>

### Loan Losses

An analysis of the allowance for loan losses for the years ended Dec. 31 follows:

	2009	2008	2007
Balance at beginning	5,786,750	4,213,648	4,255,961
Provision for loan losses	2,295,000	3,410,500	1,000,000
Loans charged off	(3,200,210)	(1,930,558)	(1,062,169)
Recoveries of loans previously charged off	119,564	93,160	19,856
<b>Balance at end</b>	<b>\$ 5,001,104</b>	<b>\$ 5,786,750</b>	<b>\$ 4,213,648</b>

Oconomowoc Bancshares, Inc. and Subsidiaries - Consolidated Balance Sheet

	2009	2008	2007
<b>Assets:</b>			
Cash and due from banks	\$ 34,328,852	\$ 30,292,956	\$ 16,719,791
Federal funds sold	6,000	49,000	27,000
Cash and cash equivalents	34,334,852	30,341,956	16,746,791
Securities available for sale	116,760,669	51,047,899	35,938,814
Loans held for sale	497,100	615,920	97,000
Loans, net	484,479,879	542,544,134	499,588,162
Accrued interest receivable	2,265,358	2,601,505	2,406,468
Premises and equipment, net	7,495,009	7,929,007	6,538,318
Other investments, at cost	2,800,920	2,800,920	2,800,920
Cash value of life insurance	4,577,279	5,316,768	5,149,842
Loan servicing rights	2,501,717	1,291,631	1,077,664
Other real estate, net	11,672,296	3,918,943	297,000
Other assets	7,437,515	2,912,721	1,050,911
<b>TOTAL ASSETS</b>	<b>674,822,594</b>	<b>651,321,404</b>	<b>571,691,890</b>
<b>Liabilities:</b>			
Noninterest-bearing deposits	57,755,194	51,468,894	54,907,388
Interest-bearing deposits	507,620,976	479,405,473	417,661,296
Total deposits	565,376,170	530,874,367	472,568,684
Short-term borrowings	31,191,593	27,299,345	397,500
Borrowed funds	20,975,000	38,000,000	45,500,000
Subordinated debentures	6,186,000	6,186,000	6,186,000
Accrued interest payable	1,129,423	1,661,840	1,800,528
Other liabilities	1,367,709	647,299	220,404
Total liabilities	626,225,895	604,668,851	526,673,116
<b>Stockholders' equity:</b>			
Common stock - \$0.01 par value:			
Authorized - 450,000 shares, Issued - 335,110	3,351	3,351	3,351
Additional paid-in capital	8,023,779	8,023,779	8,016,884
Retained earnings	40,046,802	38,458,438	37,349,666
Treasury stock, at cost - 0 shares in 2009 and 2008; 1,962 shares in 2007	-	-	(336,455)
Accumulated other comprehensive loss	522,767	166,985	(14,672)
Total stockholders' equity	48,596,699	46,652,553	45,018,774
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 674,822,594</b>	<b>\$ 651,321,404</b>	<b>\$ 571,691,890</b>

Loans

The composition of loans at December 31 is as follows:

	2009	2008	2007
Commercial	\$ 38,321,050	\$ 48,736,319	\$ 38,150,464
Real Estate:			
Commercial	301,625,483	352,120,063	286,319,127
Residential	120,041,357	81,336,612	87,546,205
Construction	24,971,987	60,100,226	86,140,402
Consumer	4,126,096	5,745,706	5,256,663
Subtotals	489,085,973	548,038,926	503,412,861
Add - Deferred loan fees	395,010	291,958	388,949
Less - Allowance for loan loss	5,001,104	5,786,750	4,213,648
<b>Loans, net</b>	<b>\$ 484,479,879</b>	<b>\$ 542,544,134</b>	<b>\$ 499,588,162</b>

## BOARD OF DIRECTORS

Dear Shareholders,

The hard work undertaken in 2009 and prior years has reaped another successful and profitable year for First Bank Financial Centre. This is certainly an accomplishment to be proud of during the most challenging economic environment in a generation. These difficult times have presented challenges to all businesses, including banks. Let it be known that your bank has met the challenges of these times and looks forward to an even brighter future, as we have laid a solid foundation for future success.

We have great confidence in our bank president, Mark Mohr, and our executive officers.

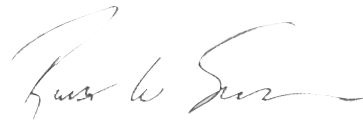
Mr. Mohr has proven to be a tremendous leader. Our talented executive officers are performing at a very high level, and are working in unison with Mr. Mohr and our Board of Directors.

Due to the efforts of Mr. Mohr, our executive officers, and our many dedicated employees, we believe that you will notice the distinctive customer service that separates our bank from the competition. Innovative technology, and process and training improvements are beginning to show in all aspects of our bank.

We want to thank you for your continued business and confidence in our financial institution. First Bank Financial Centre remains your community bank, and is here to meet your banking needs.

Please tell somebody about your bank and encourage them to discover the community bank difference. You are our greatest ambassadors.

Very truly yours,



**Robert W. Snyder**  
Chairman



*On a special note, after 32 years of service, Malcolm "Mac" Dorn will be retiring from First Bank Financial Centre this summer. The Board of Directors and I sincerely thank Mac for all he has done for our community bank, and we wish him well in his retirement.*



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

## EXECUTIVE MANAGEMENT

**MARK W. MOHR**  
 President, Chief Executive Officer  
  
**MARK T. MCCUNE**  
 Senior Vice President, Chief Lending Officer  
  
**RICK VANDER VEEN**  
 Senior Vice President, Chief Retail Officer  
  
**NATE ZASTROW**  
 Senior Vice President, Chief Financial Officer  
  
**MALCOLM A. DORN**  
 President Emeritus

# BANK BRANCHES

## **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

## **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

## **MENOMONEE FALLS**

Loan Office  
N56 W14044 Silver Spring Drive, Suite 100  
Menomonee Falls, WI 53051  
(262) 252-1302

---

Lobby and Drive-Thru Hours Available Anytime  
at [FBFCWI.com](http://FBFCWI.com)

24-Hour Telephone Banking  
(888) 569-5066



MEMBER FDIC