

Western



Bank • Invest • Insure

Your Hometown Bank







Table of Contents

Message from the CEO.....	3
The Western Way.....	5
Experience.....	7
Customized Solutions.....	9
Relationships.....	11
Teamwork.....	13
Commitment.....	17
Innovation.....	21
Expansion.....	27
Creative.....	29
Giving Back.....	31
Performance.....	32
Senior Management.....	34

Front Cover – Left to right: Photo 1: Kelly Fischer, Vice President/Business Banking Officer, Devils Lake; Rick Blake, Owner, Blake’s Marine & Sports; Gary Lochow, President/Chief Operating Officer, Devils Lake. Photo 2: Caden Mattson & Jill Mattson, Personal Banking Officer, West Fargo. Photo 3: Kim Pladsen, TNT Kids Fitness & Gymnastics; Angie Scoville, Cash Management Officer, West Fargo; Andy Strand, Vice President/Business Banking Manager, West Fargo

Back Cover – Left to right: Photo 1: Osgood Townsite, Fargo; Building Complex. Photo 2: Brent Wersinger, Business Banking Officer, West Fargo; Brad Jacobson, West Fargo & Fargo President; Barry Davidson, Valley Landscaping. Photo 3: Matt & Jessica Lepird, Owners of West Fargo Fitness Center, Inc., West Fargo

Matthew Burtch, Tom Burtch, Richard Burtch;
Three generation farmers/customers, near Towner;
Alan Mathern, President, Towner



Brian Houkom, Chief Executive Officer

Message from the CEO

Time marches on at Western and we don't often take time to reflect on the past. Forty years ago our total loans were \$139,228 and today they total over \$275 million. Total assets were \$852,340 and now they are over \$360 million. That's a lot of growth and we expect it to continue!

It's just more fun for everyone in our company to work on new opportunities and search for ways to help our customers. Our employees are strongly encouraged to seek out new ways to help our customers achieve their financial dreams. When the customer is happy, we are happy!

We have been working on a number of exciting opportunities to help our customers and create growth opportunities. A few of the items we have been working on include – our expansion in the West Fargo/Fargo market with the opening of our second location in January 2007; land acquisition for two future bank locations in the West Fargo/Fargo market; acquisition of an insurance agency in October 2007; the opening of our Loan Production Office in Chandler, Arizona in January 2008; land acquisition in Chandler for our first Arizona bank location; and our leasing operation moved into a newly renovated 15,000 square foot office building in March 2008.

We remain committed to providing unequalled personal service to our customers, creating customized solutions to fit their individual needs, and forming long-term relationships. We will continue to be leaders in the community and give back to the communities we serve. Thank you for your business and loyal support!



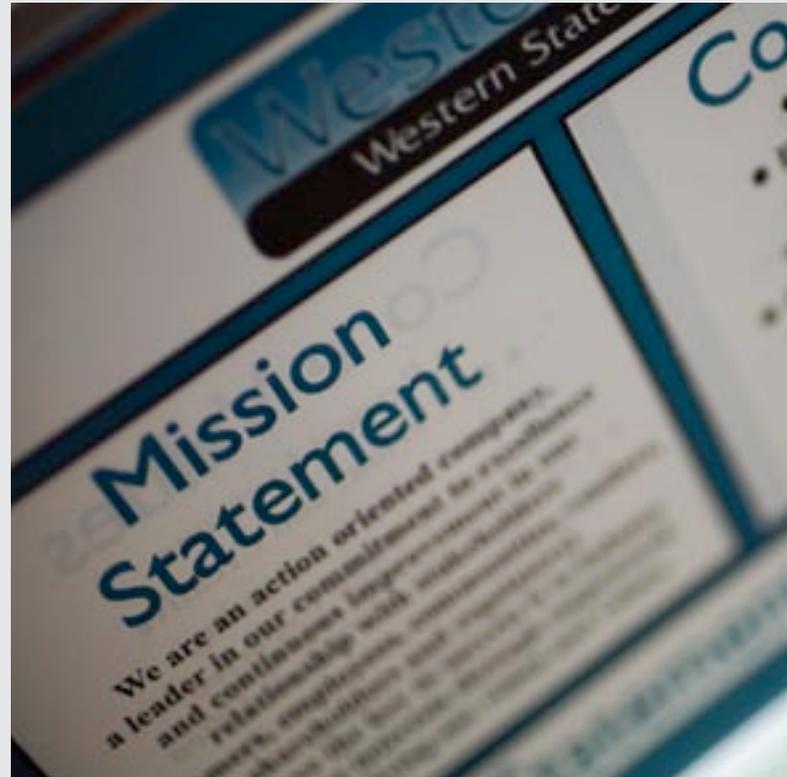
Vision, Values, & Mission Statement

Vision:

Making Your Dreams Come True

Values:

- Respect everyone
- Be curious and creative
- Listening is learning
- Do more than expected
- Communicate openly & often
- Improve someone's life
- Be a team player
- If something's wrong, make it right



Deb Olson, Personal Banking Officer,
West Fargo

Mission Statement

We are an action oriented company, a leader in our commitment to excellence and continuous improvement in our relationship with stakeholders (customers, employees, communities, vendors, shareholders and regulators). We believe the key to success is to balance stakeholder interests through empowered employees living our vision and values.

The Western Way

Almost every company has a mission statement and core values, but how many truly live them? At Western, it is not optional! Our employees live our core values every day. Our employees understand the need to operate with a sense of urgency and are empowered to make decisions. We know our operating philosophy is not unique, but our ability to execute it every day is unmatched!



Rachelle Williams & Rita Stolach, Western Insurance Agents, Minnewaukan

Employee Ownership

At Western, customers have the advantage to not only work with knowledgeable, and dedicated employees, they work directly with owners of the company. Western implemented an employee stock ownership plan (ESOP) in 2001. The ESOP program has proven to be a benefit employees take pride in as they help contribute to the company's bottom line.

"As employees, the Employee Stock Ownership Program gives us the opportunity to share in the growth of the company and enjoy the benefits of ownership. I take great pride in knowing I am an owner of Western State Bank and have a vested interest in the success of our company."

Patty Bye, Vice President/Retail Banking Manager, Devils Lake



Eric Rogne, Western Finance & Lease Regional
Sales Manager, West Fargo;
Don Chase, Owner of Chase Steel Services, West Fargo;
Brent Wersinger, Business Banking Officer, West Fargo

Experience



Brett Johnston, Vice President/Manager, Fargo

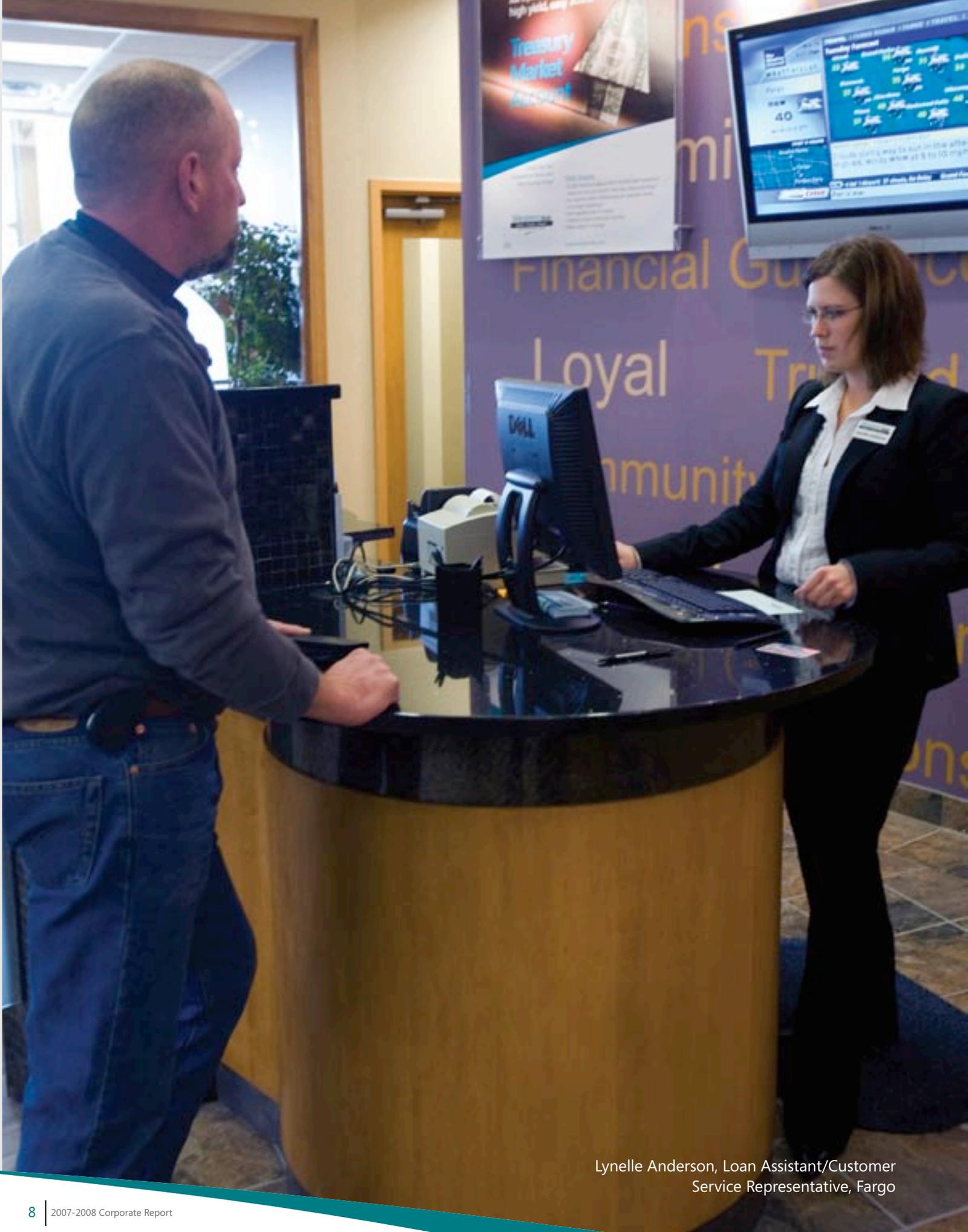


Al Jevning, Western Insurance Manager, Devils Lake; Dan Webster, Farmer, near Devils Lake; Barb Labarre, Vice President of Agricultural Loans/DL Senior Credit Officer, Devils Lake

We all know the world is a very competitive place and there have been millions of very successful businesses and even more unsuccessful ones. Western State Bank was started in 1902 and, at over 100 years old, it is one of the oldest banks in the upper Midwest. Our team of experienced professionals is here to guide you through good times and bad times.

"You can get money at any bank, but all banks don't have great service, competitive rates, and great personnel. They are very personable to work with. I feel at home at my Hometown Bank."

Dan Webster, Farmer, near Devils Lake



Lynelle Anderson, Loan Assistant/Customer Service Representative, Fargo

Customized Solutions



John and Maria Erickstad, Owners of Lakeview Lodge, near Devils Lake

“One size doesn’t fit all.” We believe it is necessary to first understand each customer’s individual goals and then work with our team to put a plan together to achieve them. By offering retail banking, real estate lending, business banking, insurance, investments, and commercial leasing, we can provide expert advice to meet our customers’ every need. We are creative and flexible when preparing individual financial solutions.



Stop-n-Go Center, Roers' Construction, Inc., Fargo



Andy Strand, Vice President/Business Banking Manager, West Fargo;
Phil Keller, Site Superintendent; Jim Roers, President;
Shane Roers, Project Manager, Roers' Development, Inc.

Relationships



Brad Jacobson, West Fargo & Fargo President; Rob Jordahl, President/Owner of Jordahl Custom Homes, Inc., Fargo



Jason and Sara Daub, Owners of UPS Store, Fargo; Brent Wersinger, Business Banking Officer, West Fargo

Our employees take a genuine interest in our customers and want to establish long term relationships. Each customer's financial goals are unique and having a banker that knows you as more than a number is critical. It can be costly and frustrating dealing with a banker that does not know you. We pride ourselves on knowing our customers and being trusted advisors to them.

"The relationship I have with my banker is more important than the interest rate I pay on loans or receive on deposits. Western understands my business and has helped by providing innovative products and customized solutions. To be successful, you must have a great relationship with your bank!"

Rob Jordahl, President/Owner of Jordahl Custom Homes, Inc., Fargo



Gary Lochow, Devils Lake President/
Chief Operating Officer

Teamwork



Dr. Mark Moen & Dr. Kyle Krein, Owners of
The Eye Clinic, Devils Lake

Lee Ann Johnston, Owner of Dairy Queen, Devils Lake

Finding the right employees to provide superior customer service and truly understanding the “Western Way” is something we take very seriously. In 1990, Western had 21 employees. Over the last two decades, as Western grew, so did the need for additional employee support. In 2007, Western employed a team of 151 employees. Being a team player is a must at Western. Our success depends on the involvement of all employees to meet the needs of our customers and provide sound financial advice.

"The ag and construction customers we work with for leasing solutions can enjoy the broad services offered by the bank, insurance and investment departments which sets us apart from other leasing companies. The expertise and leadership we can provide for an all-in-one relationship at Western, is a huge benefit for our customers."

Eric Rogne, Western Finance & Lease
Regional Sales Manager, West Fargo



Jason Sjostrom, Sales Director, Custom Marketing Company,
West Fargo; Eric Rogne, Western Finance & Lease
Regional Sales Manager, West Fargo



Jim Eversvik, Owner of Jemstone
Auto Glass, Devils Lake



Al Jevning, Western Insurance Manager, Devils Lake; Ken Paulson,
Partner of Paulson Brothers, Devils Lake; Barb Labarre, Vice President
of Agricultural Loans/DL Senior Credit Officer, Devils Lake

Team in Devils Lake, North Dakota



Left to Right: Front row – Karissa Harper, Danielle Ness, Leigh Bieber, Marla Soper, Marianne Sears, Ashley Rainsberry, Laurie Walski, Janet Idland, Sheila Windjue, Lindsey Birkeland, Barb LaBarre, Audrey Myklebust. Second Row – Kris Thompson, Elizabeth Beck, Lisa Uhlenkamp, Pat Eidsness, Kytte Estenson, Marylin Aune, Kristy Laber, Kelli Heilman, Kasey Eversvik, Jo Anne Musolf. Third Row – Tara Rogness, Jennifer Guderjahn, Michelle Harkness, Tracie Tweten, Angie Ziegler, Kristina Kitchens, Breanne Duhamel, Joan Mack, Dena Armstrong, Lori Stubbe. Fourth Row – Lance Hawkins, Kyle Nelsen, Gary Lochow, Nikki Johnson, LeeAnn Doll, Brandy Hanson, Missy Abrahamson, Jody Roseen, Patty Bye, Joan Nelson-Belgarde. Fifth Row – Michelle Fisk, Lindell Longie, Jackie Jaeger, Karen Swanson, Dennis Lassig. Sixth Row – Herb Kleinsasser, Eric Berg, Rita Staloch, Rachelle Williams. Seventh Row – Sarah Knutson, Krista Sundeen, Chad Palmer, Neomi Hammond. Eighth Row – Roxanne Barendt, Angie Ruud, Rachel Besse, DuWayne Miller. Ninth Row – Margaret Hageness, Al Jevning, Todd Heilman, Gerald Johnson. Tenth Row – Kelly Fischer, Jeff Brenamen, Steve Burtness, Rick Follman. Not Pictured – Karen Haugen, Cathy Henke, Mary Bellmore, Colleen Schuler, Betsey Tabert, Alisha Ehnert, Sara Hoffner, Tony Shomento, Jason Tracy, Michelle Anderson, Robin Steffan, Marilyn Knutson, Mindy Swenson Jennifer Schwab, Jennifer Sieler, Cindy Swanson, Shannon Drury, Jessica Weigel



Alan Mathern, Towner President

Commitment

Western provides an empowering, team-oriented atmosphere for our employees to grow and build long-term relationships. We are devoted to providing the highest level of customer service to our customers and visitors to our banks.

We provide cutting edge technology and services that help our customers. We invest in the communities we serve. We are committed to be a leading community bank.



Loretta & Pat Schaff, Owners of P & L Foods, Towner



Keith Medalen, Rancher, near Towner

"Over the years of banking with Western, I have been completely satisfied in the customer service I receive. The products and services the bank offers are exceptional and the personal attention from the staff is what I expect from a local bank. We are grateful to have such a dedicated company in our community."

Bob Gardner, Part Owner of Hardware Hank, Towner

"Western State Bank is committed to meeting the needs of our customers. We continually research and implement new technology and services to improve operational efficiencies and enhance customer service. It is our goal to aggressively pursue and provide solutions that will enhance our responsiveness to customer's changing business needs."

Karen Haugen, Vice President/
Operations Manager, Devils Lake



Keith Dibble, Manager of Cenex, Towner



Bob Gardner, Hardware Hank, Towner



Leann Rosencrans, Owner of Big T Diner, Towner

Team in Towner, North Dakota



Left to Right: First Row – Earlene Johnson, Charlyn Hamel. Second Row – Sandra Stockdill, Connie Jungberg, Molly Petersen, Audrey Fosness, Susan Petersen. Third Row – Helen Lehmann, Curt Broe, Alan Mathern, Beth Hanretty, Rhonda Brandt, Chuck Keller. Not pictured – Myrtice Bailey.

"I've worked at Western for almost 32 years. Everyone is very friendly and other team members are always available to help when needed. We offer a wide selection of products which customers appreciate. I really enjoy assisting customers and helping them with their financial needs."

Myrtice Bailey, Assistant Cashier, Towner



Brad Jacobson, West Fargo & Fargo President

Innovation

We are constantly searching for innovative products and services to help our customers. We were one of the first banks in North Dakota to offer Remote Deposit to business customers. The service helps business customers save time and money by being able to deposit checks anytime from the comfort of their office. We are committed to dedicating the necessary resources to provide our customers with latest the banking products and services.



Brad Jacobson, West Fargo & Fargo President; Ray Haider, Vice President of Greenstar & Della Haider, President of Greenstar, Fargo; Angie Scoville, Cash Management Officer, West Fargo



Bill Swangler, Owner of All Seasons Mechanical, Inc., Fargo

"We have saved time and money with Remote Deposit. We don't have to leave the office to make deposits and can now deposit checks any time of the day. I recommend other businesses to Western State Bank because of the versatility and personal service of the staff."

Bill Swangler, Owner of All Seasons Mechanical, Inc., Fargo



Western Business Summit

The Western team recognized the need to bring business owners and managers together to provide information on issues they face everyday. Thus, we created the Western Business Summit held on October 23, 2007. Our keynote speaker, President Joseph A. Chapman, President of North Dakota State University, and a panel of industry experts provided the 100+ attendees with valuable information on insurance, taxes, and our local economy.



Kent Busek, CPA, Owner of Taxman, Fargo



President Joseph A. Chapman, North Dakota State University, Fargo



Brian Walters, President, Greater Fargo-Moorhead Economic Development Corporation, Fargo/Moorhead



Dave Middaugh, Owner, Middaugh Associates, Fargo

West Fargo/Fargo Business Banking Team



Front Row – Brent Wersinger, Brad Jacobson, Angie Scoville, Lesley Richard. Back Row – Becky Goettle, Mark Jensen, Andy Strand, Dave Roeder, Matt Mueller. Not Pictured – Sheila Foertsch

"The Business Banking Team at Western is great to work with! They are fast, flexible, and creative, while offering exceptional customer service. They also seek out solutions that help make my business more efficient. A few years ago they introduced remote deposit to my company and it has saved us time and money!"

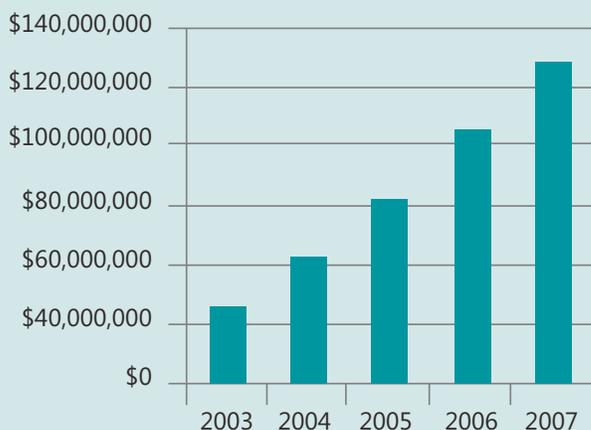
Kent Busek, CPA, Owner of Taxman, Fargo

Building our Communities

Helping build the communities we serve by providing financial solutions and helping customers through the entire process is our commitment. Western works with numerous builders to provide high-quality, affordable housing options to help grow our communities. Throughout the areas we serve, Western provides loans which help fulfill dreams.



West Fargo Total Loans



*Total loans have grown 192% over the last four years.



Team in West Fargo/Fargo, North Dakota



Left to right: Front Row – Brian Houkom, Brad Jacobson. Second Row – Lacey Johnson, Deb Satrom, Corey Hajek, Tammy Hongess, Paula Sebelius, Kristina Kaiser, Lesley Richard, Vickie Tessin, Cassie Tupa, Linda Sample. Third Row – Eric Rogne, Dave Roeder, Mary Jendro, Erica Thomssen, Casey Smith, Lynelle Anderson, Heidi Knutson, Jackie Anderson, Sandy Oldham, Brent Wersinger. Fourth Row – Matt Thomason, Jill Mattson, Cindy Senff, Cindy Holaday, Angie Scoville, Deb Olson, Tyler Marthaler, Lisa Morrison, Jason Gette, Matt Mueller. Back Row – Jeff Paulson, Nate Monson, Tom Jacobson, Justin Wanzek, Tracy Nielson, Andy Strand, Becky Goettle, Mark Jensen, Brett Johnston, Mike Edenborg, Steve Becher. Not Pictured – Shelley Anderson, Adam Montgomery, Cody Neumiller, Dani Stoll, Josh Zikmund, Brianne Lindseth, Sheila Foertsch, Quang Nguyen, Farrah Billing, Tiffany Goldstone, Tyson Lund, Diane Lehmann



Denny Kennedy, Chandler, Arizona Loan
Production Office Manager

Expansion



George Duerr, President, The Castle at Ashley Manor, Chandler; Linda Hartsock, Arizona Loan Production/Marketing Officer, Chandler; Denny Kennedy, Arizona Loan Production Office Manager, Chandler

Western has been doing business in the Greater Phoenix Metro area for nearly four years, and over time we determined this area holds tremendous banking opportunities. Within only five miles of our future bank location in Chandler, there are \$2.7 billion in deposits and 91% of those deposits are at “big” banks. This sounds like community bank “heaven.” We strongly believe our operating philosophy and superior customer service will help differentiate us from the competition.



Future Western State Bank in Chandler, Arizona



Kyle Nelson, Western Finance
& Lease President

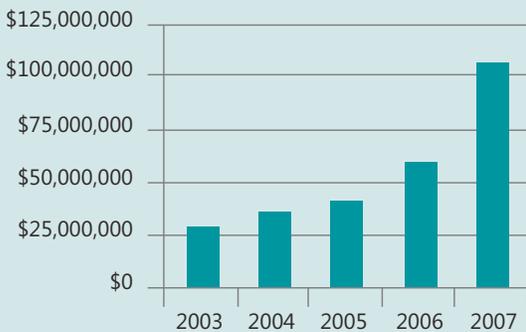
Creative

To meet the needs of business customers above and beyond ordinary banking products, Western Finance & Lease was created in 1990. Innovative financing and leasing programs for the agricultural and commercial equipment industry are customized for the customer. Relationships in all 50 states, for individuals and companies of all sizes, have helped Western become recognized as a leader in the equipment finance industry.



Neal Ackerman, Farmer, near Devils Lake; DuWayne Miller, Western Finance & Lease Regional Sales Manager, Devils Lake

**Western Finance & Lease
New Lease Fundings**



In 2007, Western Finance & Lease grew to a portfolio of nearly \$150 million. The addition of this company to Western has proved that a strong community bank can find a niche when able to offer creative financing to customers.



Steve Becher, Western Insurance Agent, West Fargo

Giving Back

“Your Hometown Bank” is more than a tagline, it is alive within each Western employee. Donating nearly \$68,000 in 2007 to community development, schools, and non-profit organizations, we are proud to provide support to the active organizations that help others and develop our communities. Western has developed a strong commitment to education by awarding scholarships to students in each community served, as well as the Pays for A’s program which awards hard-working high school students for each “A” received on their report card.



Red Hawks Baseball Mascot, “Hawkeye”; Casey Smith, Vice President/Real Estate Manager, West Fargo, at Customer Appreciation Day



Annual Western Days, Devils Lake

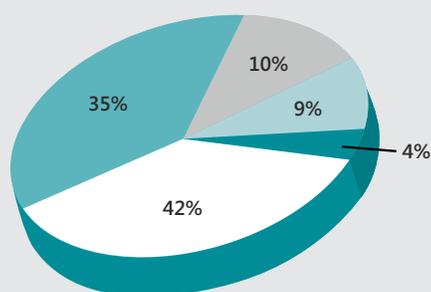
Employees volunteer over 6,000 hours each year to organizations, such as the Relay-for-Life, United Way, churches, civic organizations, schools, and many more. Western is committed to giving back to the community.

Performance

2007

Years Ending 12/31 dollars in thousands	Consolidated	Devils Lake/Western Finance & Lease	Towner	West Fargo/ Fargo
Assets:				
Cash & Due	7,718	3,761	800	3,157
Securities	27,137	13,906	2,856	10,375
Federal Funds	37,500	15,204	22,296	0
Loans & Leases	281,464	136,207	11,965	133,298
Loan Loss Reserve	(6,465)	(4,052)	(275)	(2,138)
Loan & Leases Net	274,999	132,149	11,690	131,160
Bank Premises	6,435	2,681	245	3,509
Other Real Estate Owned	141	19	0	122
Other Assets	7,509	4,569	1,561	1,379
TOTAL ASSETS	361,439	172,289	39,448	149,702
Liabilities:				
Deposits	315,272	143,988	36,056	135,228
Other Liabilities	10,099	7,419	329	2,351
TOTAL LIABILITIES	325,371	151,407	36,385	137,579
Capital:				
Common Stock	900	438	93	369
Surplus	15,100	7,350	1,563	6,187
Undivided Profits	20,068	13,094	1,407	5,567
TOTAL CAPITAL	36,068	20,882	3,063	12,163
TOTAL LIABILITIES & CAPITAL	361,439	172,289	39,448	149,702

Company Loan Mix as of 12/31/07



"Western has grown total assets by 325% over the past 10 years. The relationships we build with our customers and communities have helped us become a leading community bank in the markets we serve. Our financial success over the years has helped our company grow, make investments in the latest technology, and provide the solutions our customers deserve."

Todd Heilman, Chief Financial Officer, Devils Lake

	2006	2002	1998
	Consolidated	Consolidated	Consolidated
Assets:			
Cash & Due	6,723	6,938	4,559
Securities	26,879	44,787	19,144
Federal Funds	—	—	—
Loans & Leases	255,797	225,458	125,247
Loan Loss Reserve	(6,840)	(10,061)	(3,372)
Loan & Leases Net	248,957	215,397	121,875
Bank Premises	4,538	5,599	2,017
Other Real Estate Owned	30	22	—
Other Assets	5,870	7,349	2,568
TOTAL ASSETS	292,997	280,092	150,163
Liabilities:			
Deposits	249,384	239,856	131,096
Other Liabilities	12,226	19,012	6,207
TOTAL LIABILITIES	261,610	258,868	137,303
Capital:			
Common Stock	900	900	900
Surplus	15,100	8,540	4,884
Undivided Profits	15,387	11,784	7,076
TOTAL CAPITAL	31,387	21,224	12,860
TOTAL LIABILITIES & CAPITAL	292,997	280,092	150,163

Senior Management

Our Senior Management Team includes seven leaders with responsibilities for the organization's direction and governance. In addition to the Senior Management Team, we have three directors that have been owners and directors for over 40 years – Ray Horne, Paul Lange, and Lee Anderson. This 10-member board meets monthly to make decisions that help guide and lead the organization to achieve its strategic goals.



Brian Houkom, Chief Executive Officer of Western State Bank, joined the organization in 1989. During his tenure, Western State Bank formed its subsidiary, Western Finance & Lease, Inc. in 1990; acquired the State Bank of Towner, Towner, ND in 1994 and entered the West Fargo/Fargo, ND market in 1999. Western State Bank's assets have grown from \$26 million to \$360 million since 1989.



Gary Lochow, Chief Operating Officer of Western State Bank and President of the Devils Lake bank and Senior Credit Officer, joined Western in 1993. Mr. Lochow joined Western after spending nearly 17 years with two regional banks. He has helped guide the bank's credit quality and growth over the past 15 years.



Todd Heilman, Chief Financial Officer of Western State Bank, joined Western in 1997. Mr. Heilman is a Certified Public Accountant and joined Western after spending six years with Brady, Martz & Associates, PC, a regional accounting firm. Todd oversees the accounting, tax, budgeting and finance responsibilities, along with the bank operations and IT.



Brad Jacobson, President of the West Fargo and Fargo banks, joined Western State Bank in March 2002. Mr. Jacobson joined the organization as a Business Banking Officer, and was promoted to President of the West Fargo and Fargo banks in June 2004. He began his banking career in 1996, working for two regional banks prior to joining Western.



Alan Mathern, President of the Towner bank, joined Western in 2001. Mr. Mathern started his banking career in 1990 with Norwest Bank in Mobridge, South Dakota. Mr. Mathern was a self-employed farmer/rancher in southern North Dakota for 15 years prior to starting his banking career in 1990.



Kyle Nelsen joined Western Finance and Lease in April 2001. Western Finance and Lease is a nationwide commercial equipment finance company, which is a wholly-owned subsidiary of Western State Bank. During his tenure, he has served as WFL's Collection Department Manager, Operations Manager, and in 2004 was appointed its President.



James D. (Denny) Kennedy joined Western State Bank in January 2008 as Arizona Loan Production Office Manager. Mr. Kennedy started his banking career in 1970 and has regulatory experience with the FDIC, served as Chief Credit Officer in several commercial banks, and President/Chief Executive Officer of Sunstate Bank in Arizona.

Western

Bank • Invest • Insure

Your Hometown Bank



Devils Lake
110 4th St SE
PO Box 610
Devils Lake, ND 58301
701-662-4936
888-662-4936

Towner
202 Main St S
PO Box 178
Towner, ND 58788
701-537-5441
800-341-5492

West Fargo
755 13th Ave E
PO Box 617
West Fargo, ND 58078
701-277-5003
877-846-9345

Fargo
4302 13th Ave
Suite A
Fargo, ND 58103
701-356-9800
866-356-9800

www.westernbanks.com