

cbw banconomics report

WISCONSIN BANK AND ECONOMIC TRENDS MARCH 31, 2007

Wisconsin Banconomics Benchmarks: Mixed at Year-End

How do Wisconsin banks stack up against their counterparts across the state border and nationwide? How successful are they compared to previous years?

This issue of Banconomics looks at various statistics reported by the Federal Deposit Insurance Corporation as of Dec. 31, 2006, to answer 14 questions:

1. Is the number of banks growing, declining?
2. Is the number of bank employees growing, declining?
3. Are total assets up or down?
4. Are average assets up or down?
5. Are total deposits increasing, decreasing?
6. Are net bank loans and leases increasing, decreasing?
7. Is net income up or down?
8. How many banks earn a profit?
9. How many banks have had earnings gains?
10. Is the net interest margin increasing, decreasing?
11. What about the number of non-current loans?
12. How about the number of loan charge-offs?
13. Is return on equity increasing, decreasing?
14. What about equity capital to assets?

Answers to these questions can provide a yardstick to past performance and future measurements. Compared to year-end 2005, Wisconsin banks added employees, increased assets, grew deposits and loans, reported fewer non-problematic loans (more non-current loans), and recorded fewer loan charge-offs. They also reported lower net income, lower net interest margin, lower return on equity, and fewer profitable institutions.

Overall at year-end 2006, Wisconsin banks reported gains in seven of the 14 factors and recorded declines six factors, with the number of banks remaining unchanged.

This format of recording positive and negative changes was suggested by the example of Benchmarks for a Competitive Wisconsin, Inc., a consortium of state leaders, and the Wisconsin Taxpayers Alliance. The Benchmarks for a Competitive Wisconsin report examines income, unemployment, and other economic factors.

Wisconsin Banconomics Benchmarks

Wisconsin Banking Indicators	2006 (as of 12/31/06) \$ in 000's	2005 (as of 12/31/05) \$ in 000's	% Chg
Number of Banks	302	302	0.0
Number of Employees	28,538	27,774	2.7 ▲
Total Assets	\$141,612,217	\$128,289,181	10.3 ▲
Average Assets	\$135,501,111	\$122,498,195	10.6 ▲
Total Deposits	\$103,613,486	\$92,445,280	12.1 ▲
Net Loans & Leases	\$106,820,839	\$95,214,885	12.1 ▲
Net Income	\$1,501,039	\$1,531,626	-1.9 ▼
Wisconsin Banking Performance Ratios	%	%	%
Profitable Banks	95.40	98.0	-2.6 ▼
Banks with Earnings Gains	41.70	63.90	-34.7 ▼
Net Interest Margin	3.54	3.68	-3.8 ▼
Noncurrent loans to loans	0.87	0.60	45.0 ▲
Net charge-offs to loans	0.12	0.13	-7.6 ▼
Return on Equity	11.27	13.04	-13.5 ▼
Equity Capital to assets	9.92	9.67	2.5 ▲

TOTAL: 7 Positive Banconomic Benchmarks; 6 Negative Banconomic Benchmarks; 1 Neutral

continued on page 2

FDIC Quarterly Reports Form Foundation for 'Banconomics'

Daryll Lund, CAE, President and CEO,
Community Bankers of Wisconsin

Welcome to the third issue of The Banconomics Report, a quarterly update on financial and economic trends impacting bankers, policymakers, and consumers in the Badger State. In order to develop a more consistent state profile over time, beginning with this issue we will be reporting primarily data published by the Federal Deposit Insurance Corporation (FDIC). We will select statistics related to banking in Wisconsin, Illinois, Iowa, Michigan, and Minnesota, and compare these to U.S. figures, as well as to historical data. We hope that this report will become a practical tool to track Wisconsin bank performance in comparison to neighboring states and over time.



While publicly accessible, finding and comparing information specific to the Upper Midwest from

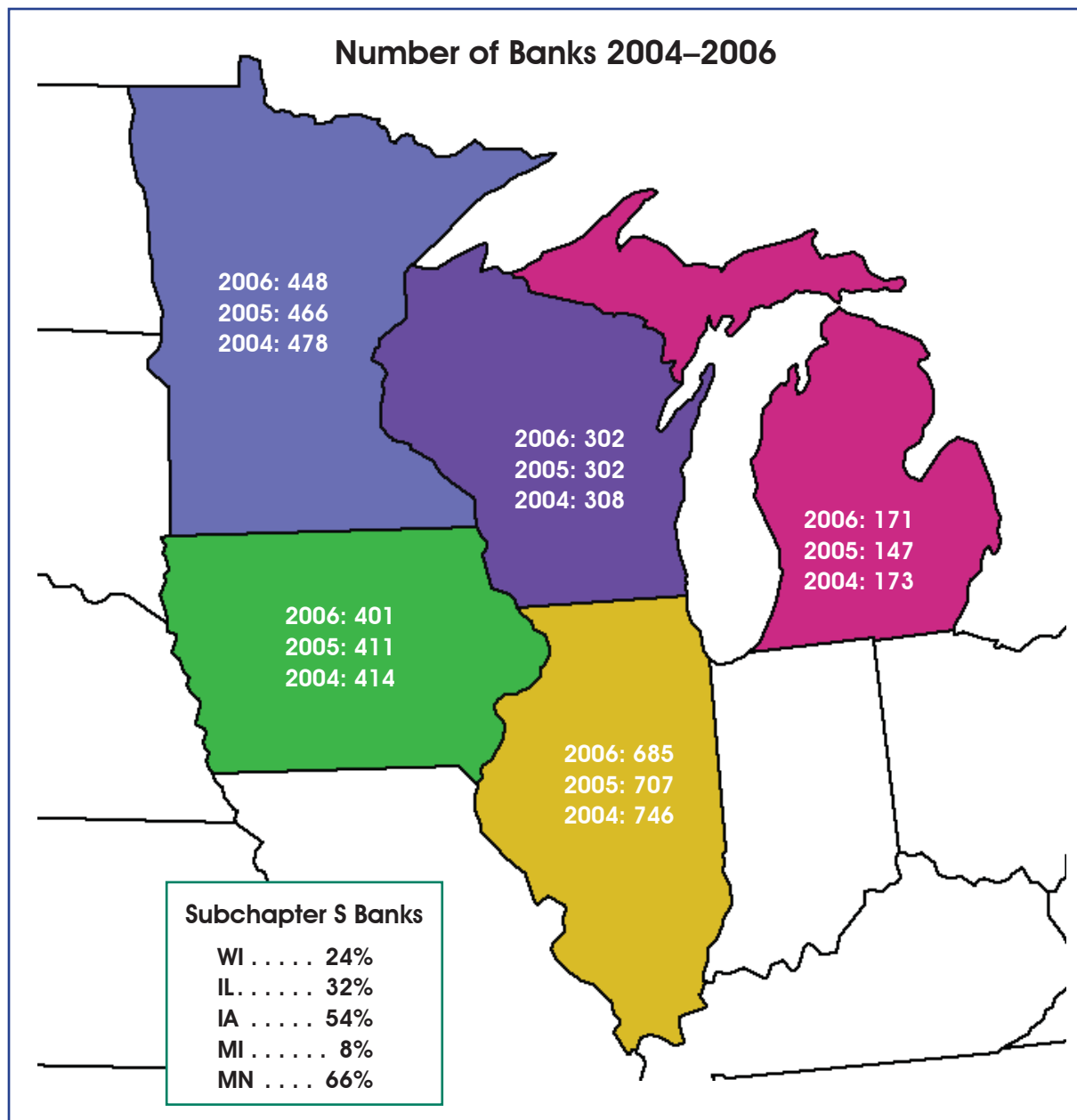
the many, detailed national reports available can be cumbersome and time-consuming. We hope that Banconomics will be a useful tool for Wisconsin citizens seeking to understand how their financial institutions fit into the regional and national economic picture.

The statistics may not always be rosy, but they will be accurate and provide solid information for consumers and policymakers to use as they weigh their personal and professional decisions. In this issue, you will find both pluses and minuses in the Wisconsin numbers, as well as positive and negative trends across the Midwest.

I hope you find this information useful, and I welcome your suggestions for future issues. 🇺🇸



Number of Banks 2004–2006



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CBW Mission: Exclusively serving Wisconsin community banks to help them meet the needs of their customers, employees, shareholders and communities.



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Number of Wisconsin Banks Unchanged

New banks have appeared on the Wisconsin landscape in the past few years. Commerce State Bank in West Bend, Integrity First Bank in Wausau, and Choice Bank in Oshkosh all opened in 2005. While the number of Wisconsin banks remained unchanged in 2006, the overall number of financial institutions continued to slowly drop in the region and nationally.

Compared to other states in the Upper Midwest, Wisconsin has fewer banks than Illinois, Iowa, and Minnesota, yet more than Michigan, home to more big banks. Population is clearly not the only determinant of the number of banks a region needs and can support.

Nationally, the number of FDIC-insured banks reporting at year-end 2006 totaled 8,681, down from 8,833 in 2005, which was down from 8,976 in 2004. In other words, the number of U.S. banks has declined 3.3 percent since 2004.

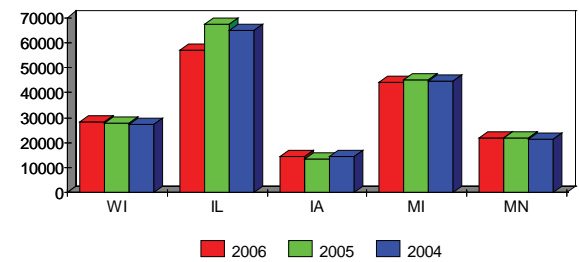
Wisconsin Banks Add Employees

During 2006, Wisconsin banks added 764 employees (2.7 percent) for a total count of full-time-equivalent employees of 28,538 on Dec. 31, 2006. Year-end employment in 2005 stood at 27,774 up 1.3 percent from 27,405 the previous year.

Overall, other Upper Midwestern states lost more employees than they gained. Illinois lost the most employees, 10,492 (15.6 percent) in 2006. Michigan lost 1,111 bank employees (2.5 percent), while Iowa added 1,288 bank jobs and Minnesota banks picked up 213 employees in the same period.

U.S. bank employees numbered 2,206,696 at the end of 2006, compared to 2,150,741 at the end of 2005 and 2,097,165 in 2004. Nationally, the number of bank employees grew 5.2 percent in the last two years, compared to a 4.1-percent employee growth rate in Wisconsin during the same period.

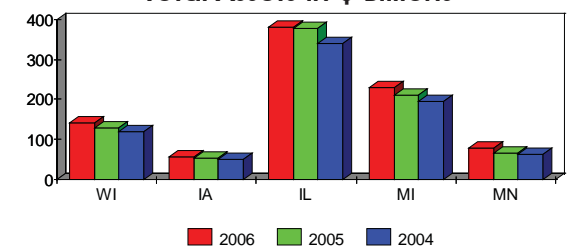
FTE Employees on Dec. 31



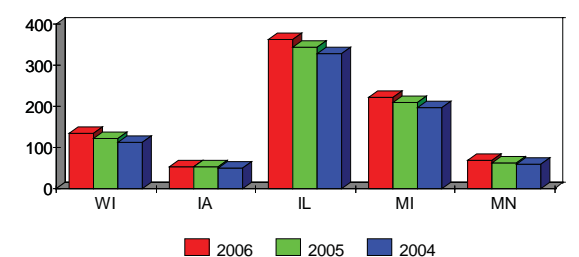
Assets Increase

Though remaining almost flat in Iowa, assets have generally risen in Upper Midwest financial institutions from 2004 through 2006.

Total Assets in \$ Billions



Average Assets in \$ Billions



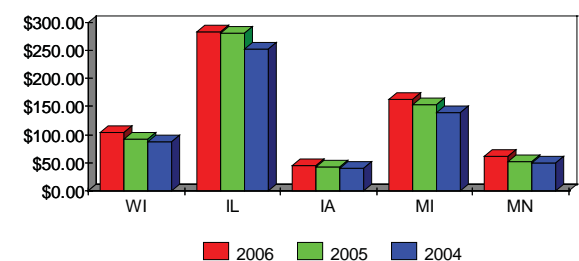
Deposits Up

Deposits in Wisconsin banks grew to \$103.62 billion, up \$11.18 billion (12.1 percent) in 2006, compared to deposit growth of \$4.46 billion (5 percent) the previous year.

Except for Minnesota, banks in other Upper Midwest states reported slower growth in deposits. Illinois reported a 1.2 percent increase in deposits in 2006, while Iowa banks recorded a 5.7 percent increase. Michigan banks experienced a 7.0 percent increase in deposits, while Minnesota banks recorded an impressive 15.7 percent growth in deposits last year.

Nationally, all insured institutions reported a 9.6 increase in deposits at year-end 2006. By this measure, Wisconsin showed good growth, though less than Minnesota.

Total Deposits on Dec. 31 (billions)

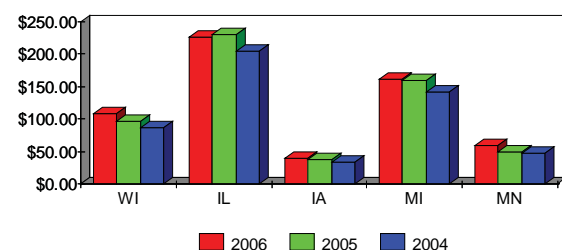


Loans Up, Too

Loans in Wisconsin banks totaled \$107.95 billion at year-end 2006, up \$11.7 billion (12.2 percent) from one year earlier. Across the Mississippi River in Minnesota, total loans grew to \$59.03 billion, a 20 percent increase from year-end 2005. Iowa banks recorded a 7.3 percent increase in loans during 2006, while Michigan banks reported only a 1.2 percent increase in total loans. At Illinois banks, the amount of total loans actually shrank, by 1.1 percent since year-end 2005.

Nationally, total loans for all insured institutions grew 7.7 percent in 2006.

Total Loans on Dec. 31 (billions)

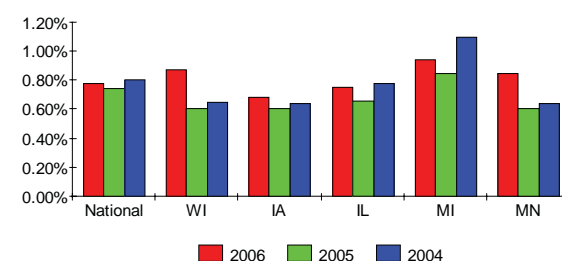


Number of Non-Current Loans Edges Up in 2006

Wisconsin banks had a higher percentage of loans that were non-current (more than 90 days past due) compared to the national average of 0.78 percent for all FDIC-insured institutions on Dec. 31, 2006. Almost 0.9 percent (0.87 percent) of Wisconsin banks' total loans were non-current. Within the Upper Midwest, only Michigan posted a higher non-current loan rate of 0.94 percent. Iowa posted the lowest rate of 0.68 percent. Illinois also beat the national average with a non-current loan rate of 0.75 percent. Like Wisconsin, Minnesota exceeded the national average, with a non-current loan rate of 0.85 percent.

In all these states, 2006 figures were higher than 2005 figures, while 2005 figures were somewhat lower than 2004 figures. These trends reflected national rates.

Non-current/Total Loans

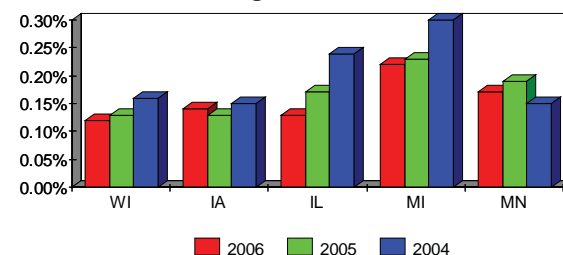


	2006	2005	2004
National	0.78%	0.74%	0.80%
WI	0.87%	0.60%	0.65%
IA	0.68%	0.60%	0.64%
IL	0.75%	0.66%	0.78%
MI	0.94%	0.85%	1.10%
MN	0.85%	0.60%	0.64%

Yet net charge-offs to loans across the Upper Midwest remained well below the national average of 0.38 percent for all insured institutions at the end of 2006. Except for Iowa, which experienced a slight increase in net charge-offs last year, all of the selected states — as well as the nation as a whole — reported slight decreases in charge-offs. Historically, financial

institutions in the Midwest have written off less bad debt than institutions nationwide.

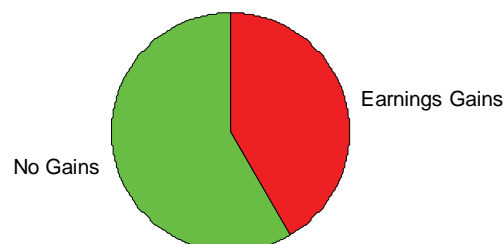
Net Charge-offs to Loans



	2006	2005	2004
National	0.38%	0.50%	0.56%
WI	0.12%	0.13%	0.16%
IA	0.14%	0.13%	0.15%
IL	0.13%	0.17%	0.24%
MI	0.22%	0.23%	0.30%
MN	0.17%	0.19%	0.15%

What About Earnings?

Wis. Banks with Earnings Gains in 2006

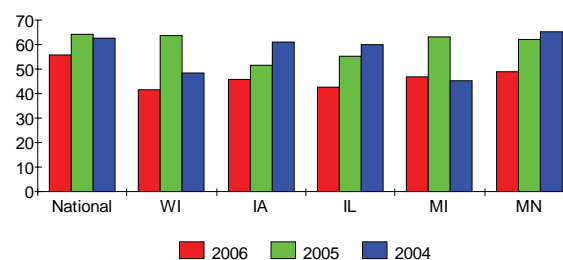


Wis. Banks with Earnings Gains in 2005



Only 41.72 percent of Wisconsin banks reported earning gains at year-end 2006, compared to 64.36 percent at year-end 2005. The 2006 numbers are the lowest among Upper Midwest financial institutions, though the Illinois bank figure of 42.63 is close behind Wisconsin's rate. All are considerably below the U.S. average of 55.86 percent.

Percent of Banks with Earnings Gains



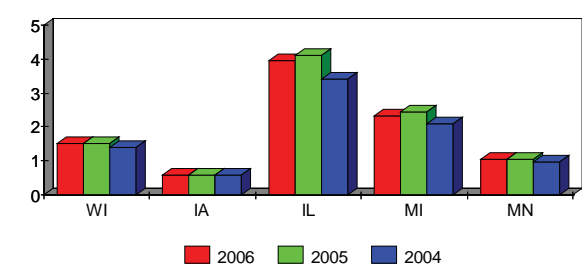
	2006	2005	2004
National	55.86%	64.36%	62.69%
WI	41.72%	63.91%	48.38%
IA	45.89%	51.58%	61.11%
IL	42.63%	55.30%	59.79%
MI	46.78%	63.22%	45.09%
MN	48.88%	62.02%	65.48%

Net Income

At 2006 year-end, Wisconsin banks reported \$1.50 billion in net income, down slightly from \$1.53 billion in 2005. In all Upper Midwest states, bank net income was down or stagnant last year.

Nationally, net income for all FDIC-insured institutions rose \$11.8 billion (8.8 percent) from year-end 2005 to year-end 2006.

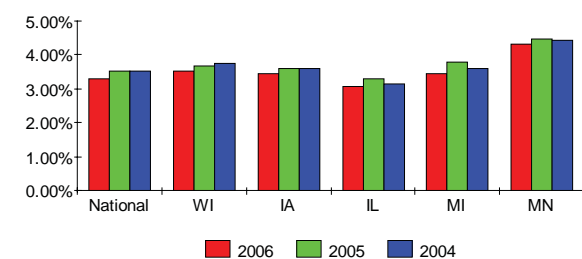
Net Income in \$ Billions



Net Interest Margin

Net interest margin (net interest income as a ratio of earning assets) declined nationally and in the Upper Midwest during 2006. In Wisconsin the net interest margin was 3.54 percent — compared to 3.46 percent in both Iowa and Michigan, 3.06 percent in Illinois, and 4.31 percent in Minnesota.

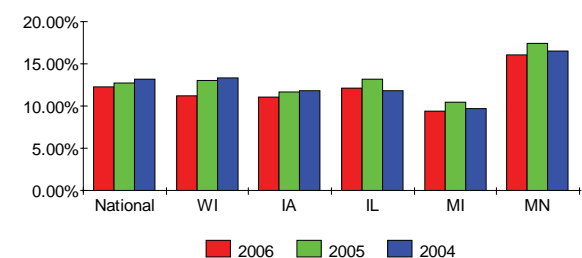
Net Interest Margin



Return on Equity

Overall return on equity (ROE) numbers also declined in Wisconsin in 2006. Other Upper Midwest states reported similar results, as did banks across the nation as a whole.

Financial Institutions Return on Equity

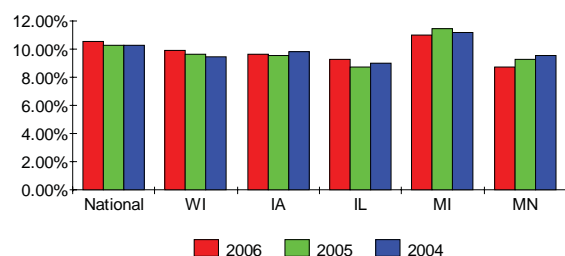


	2006	2005	2004
National	12.34%	12.73%	13.20%
WI	11.27%	13.04%	13.29%
IA	11.07%	11.67%	11.89%
IL	12.13%	13.25%	11.84%
MI	9.33%	10.38%	9.77%
MN	16.13%	17.38%	16.55%

Equity Capital to Assets

Wisconsin reflects the national trend of an increase in equity capital to assets during 2006. In Wisconsin, the equity capital to assets ratio rose from 9.67 percent at year-end 2005 to 9.92 percent at year-end 2006. During the same period, the national equity capital to assets ratio increased from 10.29 percent to 10.52 percent.

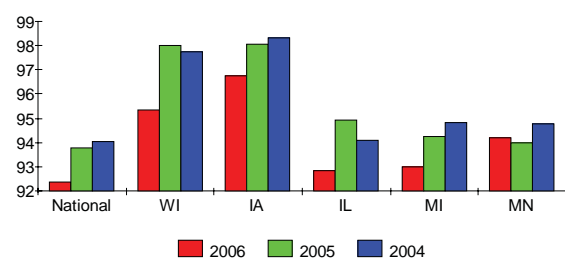
Equity Capital to Assets



Most Wisconsin Banks Are Profitable

More than 95 percent of Wisconsin banks reported a profit at the end of 2006, down from approximately 98 percent in 2005 and 2004. The only Upper Midwest state with a higher number of profitable commercial banks was Iowa, where 96.76 percent of banks recorded a profit last year.

Percent of Profitable Banks



	2006	2005	2004
National	92.4	93.8	94.0
WI	95.4	98.0	97.7
IA	96.8	98.1	98.3
IL	92.9	95.0	94.1
MI	93.0	94.3	94.8
MN	94.2	94.0	94.8

Summary

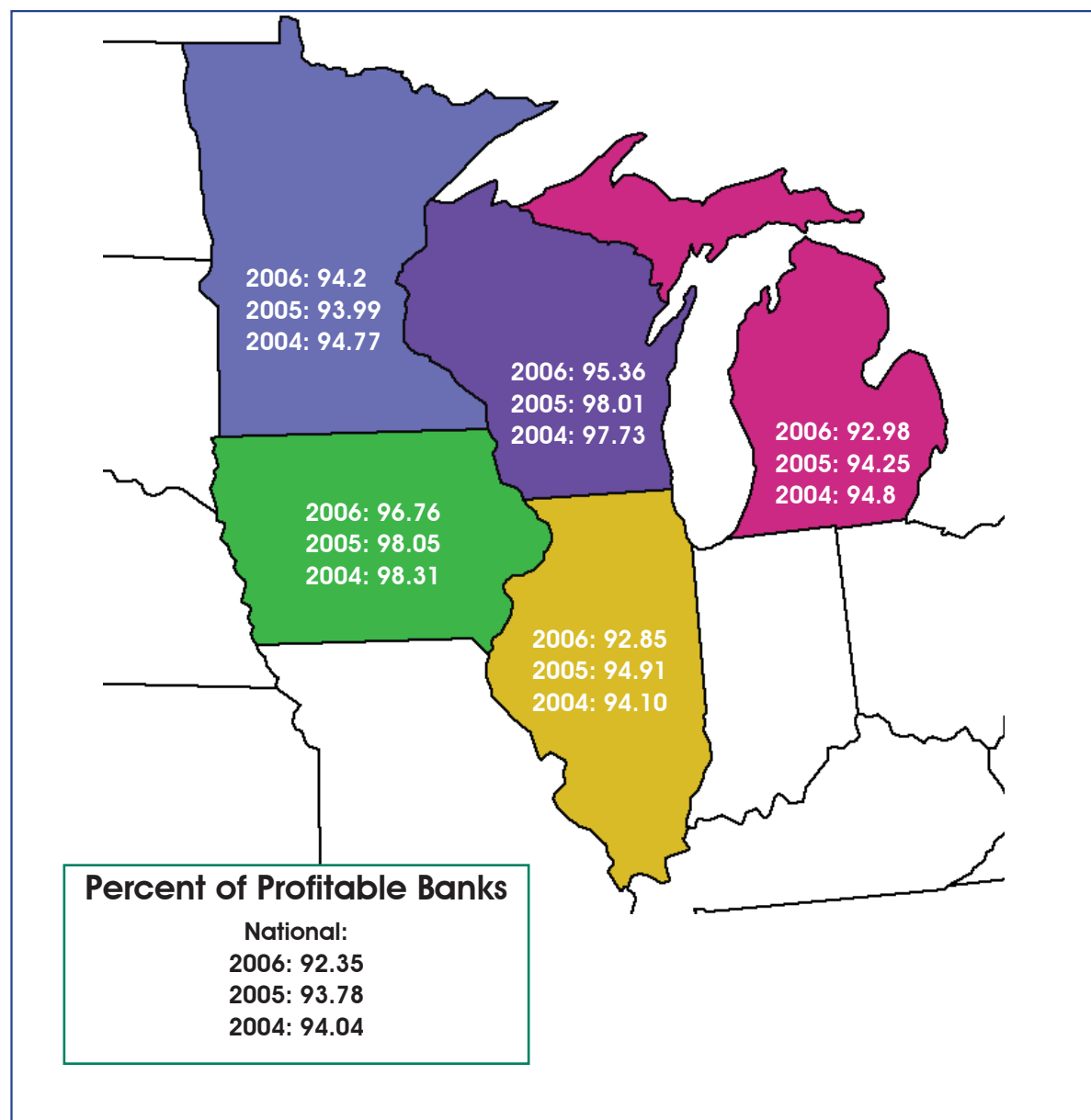
During 2006, the number of Wisconsin banks remained stable at 302 institutions. A review of 13 other benchmarks showed positive trends in:

- Added employees
- Increased deposits
- Increased loans and leases
- Fewer loan charge-offs
- Increased total assets
- Increased average assets
- Increased equity capital to assets

There were negative trends in the following factors last year:

- More non-current loans
- Fewer banks with earnings gains
- Lower return on equity
- Fewer profitable banks
- Lower net income
- Lower net interest margin

Overall, factors trending upward slightly outnumbered those trending downward for Wisconsin banks in 2006.



Mailing panel

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Focus this issue: Wisconsin Banconomics Benchmarks

