

cbw banconomicsSM report

WISCONSIN BANK AND ECONOMIC TRENDS APRIL 30, 2008

Wisconsin Banks Record \$152.3 Billion in Assets

Wisconsin banks overall reported an increase in total assets of \$10.7 billion in 2007 according to the Federal Deposit Insurance Corporation (FDIC) figures. Wisconsin bank assets totaled \$152.3 billion at year-end, compared to \$141.6 billion on Dec. 31, 2006.

Net income for all Wisconsin banks was \$1.3 billion in 2007, compared to \$1.5 billion in 2006, or an income decline of about 11.5 percent. The decline in income follows the national weakness in the housing sector, however, the income decline reported by Wisconsin banks is less than half the income decline reported by banks nationally. Across the U.S., banks reported a total decline in income of \$39.8 billion (27.4 percent).

In Wisconsin noncurrent loans increased to 1.45 percent in 2007, compared to 0.87 percent a year earlier. Net charge-offs in the state rose from 0.12 percent to 0.35 percent in the same period. Nationally, net charge-offs increased from 0.39 percent to 0.59 percent during 2007. Still, more than 98 percent of loans are current.

Moreover, most Wisconsin banks (92.9 percent) were profitable in 2007 (see map on p. 2).

Other FDIC bank-related findings for 2007:

Employment in Wisconsin banks increased 9.5 percent during the year, to a total 31,236 employees.

Wisconsin banks reported a decline in return on assets of 18.9 percent, compared to a decline of 32.8 percent nationally.

Wisconsin banks reported a decline in return on equity of 20.3 percent, compared to a decline of 33.6 percent nationally.

Wisconsin bank deposits rose 4.4 percent to \$108.2 billion.

Net loans and leases at Wisconsin banks increased 7.2 percent to \$114.5 billion.

The FDIC also gathers information from other federal agencies about the nation's overall economy on a state-by-state basis. It reports a 25 percent drop in new housing in 2007 compared to a year earlier, yet unemployment remained modest at 4.8 percent of the total labor force. Almost two thirds (64 percent) of Wisconsin employees work in private product or service companies. Less than one fifth (17 percent) work in manufacturing, and 14 percent are employed by various government agencies. A total of 4 percent work in non-manufacturing, goods-producing firms.



Wisconsin Banconomics Benchmarks

CHANGE FROM PRIOR YEAR	2007 (as of 12/31/07) \$ in 000's	2006 (as of 12/31/06) \$ in 000's	Difference	%Chg	Trend
Wisconsin Banking Indicators					
	Total (Sum)	Total (Sum)			
Number of Banks	296	302	-6	-2.0%	▼
Number of Employees	31,236	28,538	2,698	9.5%	▲
Total Assets	\$152,311,651	\$141,610,494	\$10,701,157	7.6%	▲
Average Assets	\$146,622,786	\$135,500,766	\$11,122,020	8.2%	▲
Total Deposits	\$108,210,620	\$103,613,486	\$4,597,134	4.4%	▲
Net Loans & Leases	\$114,482,117	\$106,818,427	\$7,663,690	7.2%	▲
Net Income (Year-to-date)	\$1,326,653	\$1,498,653	-\$172,000	-11.5%	▼
Wisconsin Banking Performance Ratios (YTD)					
	%	%	Difference	%	
Profitable Banks	92.9	94.7	-1.8	-1.9%	▼
Banks with Earnings Gains	54.0	41.1	13.0	31.6%	▲
Net Interest Margin	3.4	3.5	-0.2	-4.2%	▼
Noncurrent loans to loans	1.5	0.9	0.6	66.7%	▲
Net charge-offs to loans	0.4	0.1	0.2	191.7%	▲
Return on Assets	0.9	1.1	-0.2	-18.9%	▼
Return on Equity	9.0	11.3	-2.3	-20.3%	▼
Equity Capital to assets	10.1	9.9	0.2	1.5%	▲
TOTAL: 9 Positive Banconomic Benchmarks, 6 Negative Banconomic Benchmarks, 0 Neutral					

National Banconomics Benchmarks

CHANGE FROM PRIOR YEAR	2007 (as of 12/31/07) \$ in 000's	2006 (as of 12/31/06) \$ in 000's	Difference	%Chg	Trend
National Banking Indicators					
	Total (Sum)	Total (Sum)			
Number of Banks	8533	8680	-147	-1.7%	▼
Number of Employees	2,214,621	2,206,656	7,965	0.4%	▲
Total Assets	\$13,038,765,460	\$11,860,041,601	\$1,178,723,859	9.9%	▲
Average Assets	\$12,311,740,554	\$11,357,790,074	\$953,950,480	8.4%	▲
Total Deposits	\$8,414,355,729	\$7,825,219,158	\$589,136,571	7.5%	▲
Net Loans & Leases	\$7,804,642,516	\$7,155,662,886	\$648,979,630	9.1%	▲
Net Income (Year-to-date)	\$105,470,320	\$145,241,501	-\$39,771,181	-27.4%	▼
National Banking Performance Ratios (YTD)					
	%	%	Difference	%	
Profitable Banks	88.44	92.07	-3.63	-3.9%	▼
Banks with Earnings Gains	49.19	55.44	-6.25	-11.3%	▼
Net Interest Margin	3.29	3.31	-0.02	-0.6%	▼
Noncurrent loans to loans	1.39	0.79	0.60	75.9%	▲
Net charge-offs to loans	0.59	0.39	0.20	51.3%	▲
Return on Assets	0.86	1.28	-0.42	-32.8%	▼
Return on Equity	8.17	12.30	-4.13	-33.6%	▼
Equity Capital to assets	10.37	10.52	-0.15	-1.4%	▼
TOTAL: 7 Positive Banconomic Benchmarks, 0 Negative Banconomic Benchmarks, 0 Neutral					

Wisconsin Banking Benchmarks: Glass More Than Half Full

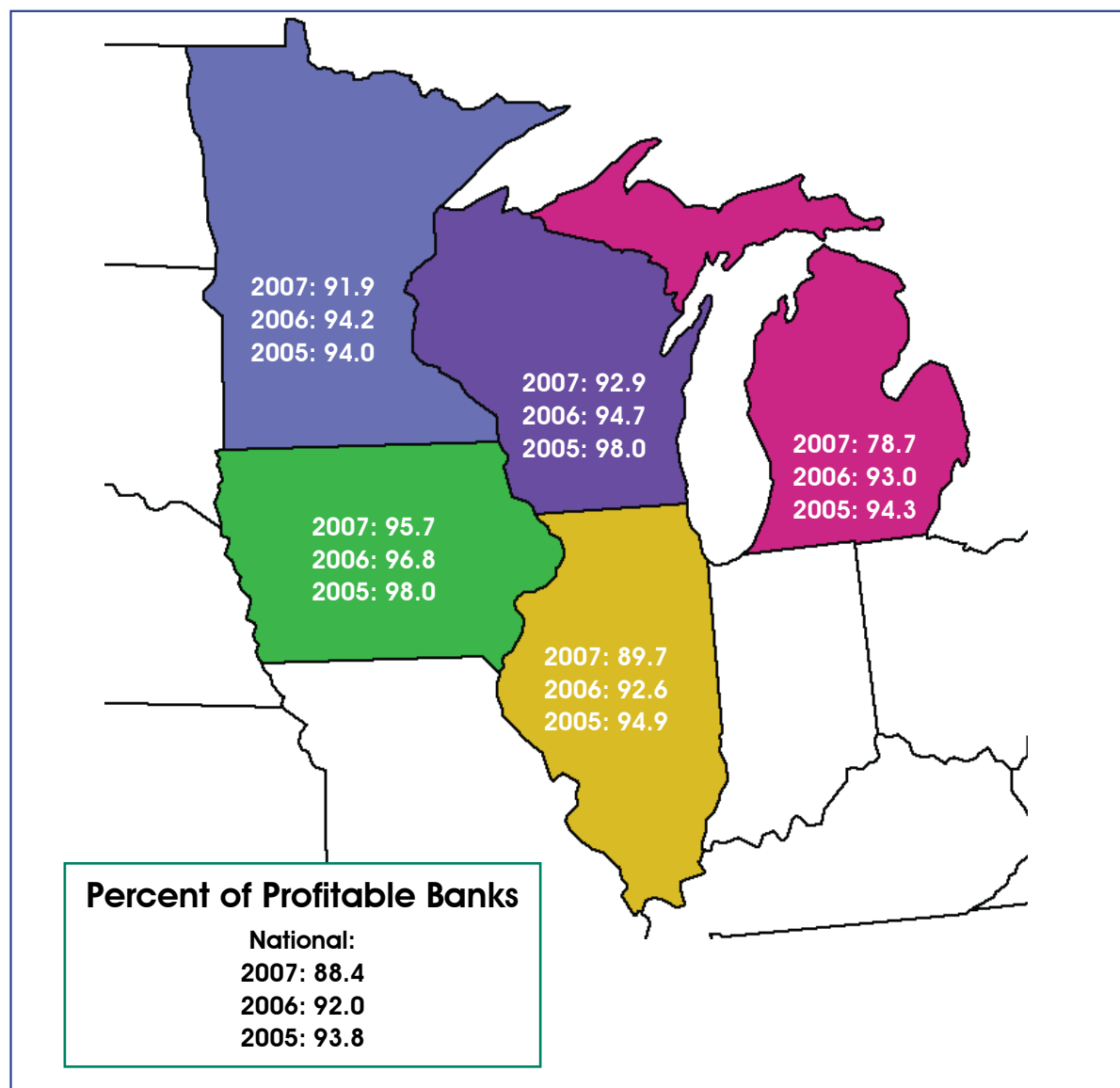
Daryll Lund, CAE, President and CEO, Community Bankers of Wisconsin

Each spring issue of *CBW Banconomics Report* provides regional comparisons of banking benchmarks in Upper Midwest states. Except for Michigan, these states all exceeded the national bank profitability rate of 88.4 percent in 2007. Almost 93 percent of Wisconsin banks were profitable in 2007.



While banks across the U.S. reported a total decline in income of \$39.8 billion (27.4 percent), the income of Wisconsin banks declined less than half that amount. This decline is not surprising given the weakness in the housing sector, but neither is it the full picture. The vast majority of mortgage holders remain current on their loans. More than 98 percent of loans are current, and most borrowers continue to make timely payments on mortgage and other loans.

While a small percentage of borrowers have experienced increased financial challenges, most Wisconsin consumers are coping in the slower economy. For those citizens who have become mired in subprime mortgages that are no longer affordable, community banks seek to assist whenever feasible. Both community banks and local consumers depend on the health of all aspects of the local economy in order to thrive.



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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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Illinois Banconomics Benchmarks

CHANGE FROM PRIOR YEAR	2007 (as of 12/31/07) \$ in 000's	2006 (as of 12/31/06) \$ in 000's	Difference	%Chg	Trend
Illinois Banking Indicators					
Number of Banks	670	685	-15	-2.2%	▼
Number of Employees	64,791	64,407	384	0.6%	▲
Total Assets	\$395,569,089	\$380,882,613	\$14,686,476	3.9%	▲
Average Assets	\$384,178,051	\$363,449,471	\$20,728,580	5.7%	▲
Total Deposits	\$288,771,517	\$284,000,635	\$4,770,882	1.7%	▲
Net Loans & Leases	\$235,510,093	\$224,688,279	\$10,821,814	4.8%	▲
Net Income (Year-to-date)	\$2,570,772	\$3,957,681	-\$1,386,909	-35.0%	▼
Illinois Banking Performance Ratios (YTD)					
Profitable Banks	89.7	92.6	-2.9	-3.1%	▼
Banks with Earnings Gains	51.3	42.6	8.7	20.4%	▲
Net Interest Margin	2.5	3.0	-0.6	-19.6%	▼
Noncurrent loans to loans	1.3	0.8	0.5	71.1%	▲
Net charge-offs to loans	0.2	0.1	0.1	61.5%	▲
Return on Assets	0.7	1.1	-0.4	-38.5%	▼
Return on Equity	6.8	12.1	-5.4	-44.2%	▼
Equity Capital to assets	11.6	9.3	2.3	24.9%	▲
TOTAL: 9 Positive Banconomic Benchmarks, 6 Negative Banconomic Benchmarks					

Iowa Banconomics Benchmarks

CHANGE FROM PRIOR YEAR	2007 (as of 12/31/07) \$ in 000's	2006 (as of 12/31/06) \$ in 000's	Difference	%Chg	Trend
Iowa Banking Indicators					
	Total (Sum)	Total (Sum)			
Number of Banks	391	401	-10	-2.5%	▼
Number of Employees	14,642	14,587	55	0.4%	▲
Total Assets	\$59,620,875	\$56,560,094	\$3,060,781	5.4%	▲
Average Assets	\$57,281,136	\$54,438,246	\$2,842,890	5.2%	▲
Total Deposits	\$46,720,881	\$44,845,878	\$1,875,003	4.2%	▲
Net Loans & Leases	\$42,174,034	\$39,716,409	\$2,457,625	6.2%	▲
Net Income (Year-to-date)	\$578,388	\$577,719	\$669	0.1%	▲
Iowa Banking Performance Ratios (YTD)					
	%	%	Difference	%	
Profitable Banks	95.65	96.76	-1.11	-1.1%	▼
Banks with Earnings Gains	59.08	45.64	13.44	29.4%	▲
Net Interest Margin	3.38	3.46	-0.08	-2.3%	▼
Noncurrent loans to loans	1.07	0.69	0.38	55.1%	▲
Net charge-offs to loans	0.20	0.14	0.06	42.9%	▲
Return on Assets	1.01	1.06	-0.05	-4.7%	▼
Return on Equity	10.48	11.02	-0.54	-4.9%	▼
Equity Capital to assets	9.62	9.64	-0.02	-0.2%	▼
TOTAL: 9 Positive Banconomic Benchmarks, 6 Negative Banconomic Benchmarks					

Michigan Banconomics Benchmarks

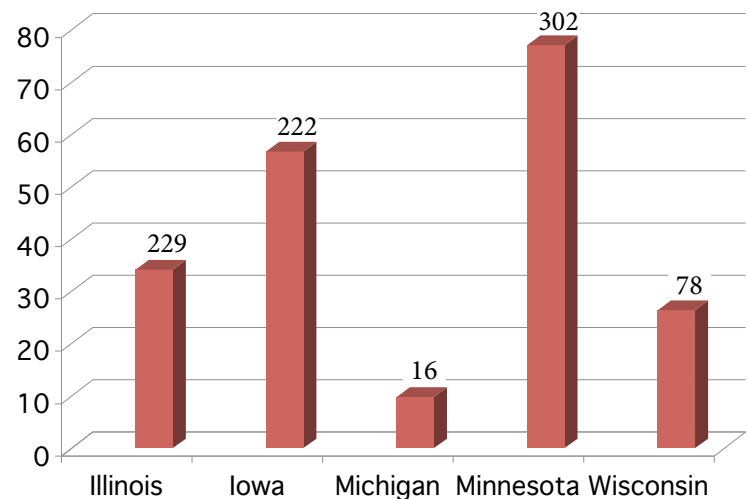
CHANGE FROM PRIOR YEAR	2007 (as of 12/31/07) \$ in 000's	2006 (as of 12/31/06) \$ in 000's	Difference	%Chg	Trend
Michigan Banking Indicators					
Number of Banks	164	171	-7	-4.1%	▼
Number of Employees	31,900	44,108	-12208	-27.7%	▼
Total Assets	\$165,831,725	\$231,479,462	-\$65,647,737	-28.4%	▼
Average Assets	\$164,816,738	\$223,041,708	-\$58,224,970	-26.1%	▼
Total Deposits	\$118,168,211	\$163,072,007	-\$44,903,796	-27.5%	▼
Net Loans & Leases	\$117,828,883	\$160,156,752	-\$42,327,869	-26.4%	▼
Net Income (Year-to-date)	\$909,631	\$2,310,721	-\$1,401,090	-60.6%	▼
Michigan Banking Performance Ratios (YTD)					
	%	%	Difference	%	
Profitable Banks	78.66	92.98	-14.32	-15.4%	▼
Banks with Earnings Gains	28.66	46.20	-17.54	-38.0%	▼
Net Interest Margin	3.00	3.46	-0.46	-13.3%	▼
Noncurrent loans to loans	2.28	0.94	1.34	142.6%	▲
Net charge-offs to loans	0.48	0.22	0.26	118.2%	▲
Return on Assets	0.55	1.04	-0.49	-47.1%	▼
Return on Equity	4.70	9.31	-4.61	-49.5%	▼
Equity Capital to assets	11.56	10.95	0.61	5.6%	▲
TOTAL: 3 Positive Banconomic Benchmarks, 12 Negative Banconomic Benchmarks					

Minnesota Banconomics Benchmarks

CHANGE FROM PRIOR YEAR	2007 (as of 12/31/07) \$ in 000's	2006 (as of 12/31/06) \$ in 000's	Difference	%Chg	Trend
Minnesota Banking Indicators					
Number of Banks	444	448	-4	-0.9%	▼
Number of Employees	22,088	22,073	15	0.1%	▲
Total Assets	\$106,733,819	\$80,038,679	\$26,695,140	33.4%	▲
Average Assets	\$93,852,170	\$70,069,859	\$23,782,311	33.9%	▲
Total Deposits	\$65,073,192	\$60,558,772	\$4,514,420	7.5%	▲
Net Loans & Leases	\$85,574,894	\$58,393,571	\$27,181,323	46.5%	▲
Net Income (Year-to-date)	\$1,265,400	\$1,027,876	\$237,524	23.1%	▲
Minnesota Banking Performance Ratios (YTD)					
	%	%	Difference	%	
Profitable Banks	91.89	94.20	-2.31	-2.5%	▼
Banks with Earnings Gains	43.69	48.21	-4.52	-9.4%	▼
Net Interest Margin	4.03	4.31	-0.28	-6.5%	▼
Noncurrent loans to loans	1.17	0.85	0.32	37.6%	▲
Net charge-offs to loans	0.30	0.19	0.11	57.9%	▲
Return on Assets	1.35	1.47	-0.12	-8.2%	▼
Return on Equity	15.33	16.03	-0.70	-4.4%	▼
Equity Capital to assets	8.39	8.72	-0.33	-3.8%	▼
TOTAL: 8 Positive Banconomic Benchmarks, 7 Negative Banconomic Benchmarks					

Subchapter S Banks	2007 (as of 12/31/07)	Sub S Banks as a % of All Banks	2006 (as of 12/31/06)	Difference	%Chg	Trend
Wisconsin	78	26.4%	73	5	6.8%	▲
Illinois	229	34.2%	224	5	2.2%	▲
Iowa	222	56.8%	219	3	1.4%	▲
Minnesota	302	77.2%	296	6	2.0%	▲
Michigan	16	9.8%	15	1	6.7%	▲
National - All Banks	2430	28.5%	2356	74	3.1%	▲

Percent of Subchapter S Banks



The Economy, Net Loans and Leases Across the Upper Midwest

Wisconsin banks reported an increase of \$7.6 billion (7.2 percent) in net loans and leases on Dec. 31, 2007, compared to Dec. 31, 2006. This rate is slightly below the U.S. average of a 9.1 percent increase in net loans and leases during the same period.

Across the Upper Midwest, states differed widely on this indicator, according to the FDIC, from an increase during 2007 of \$27.2 billion (46.5 percent) in Minnesota to a decrease of \$42.3 billion (26.4 percent) in Michigan. The economy of the key U.S. automobile manufacturing state, of course, has been hit hard by bad news from U.S.-based automakers, as well as by the subprime mortgage crisis. Minnesota on the other hand has experienced several years of a thriving economy, a trend that continued in 2007.

Similarly—though much less dramatically—Illinois and Iowa reported increases in net loans and leases during 2007, though, like Wisconsin, somewhat below the national average. The \$10.8 billion increase (4.8 percent) in Illinois is particularly significant, since in 2007 the state succeeded in reversing a small downturn in loans and leases from year-end 2005 to year-end 2006. The 6.2 percent increase in Iowa reflects an additional \$2.5 billion in net loans and leases compared to the prior year.

The Upper Midwest comparison reveals that while slightly below the national average, Wisconsin remains solidly in the middle when it comes to net loan and lease growth. And in the steady middle of any potential boom-bust cycle is not a bad place to be.

A review of noncurrent loans to total loans shows an increase of 66.7 percent in Wisconsin loans more than 90 days past due. This indicator has also edged up in surrounding states, by 71.1 percent in Illinois, 55.1 percent in Iowa, 142.6 percent in Michigan, and 37.6 percent in Minnesota. Nationally, the rate of noncurrent loans to total loans increased by 75.9 percent during 2007. *Still, more than 98 percent of Wisconsin loans — and loans nationally — remain current.* Even in Michigan's hard-hit economy, more than 97 percent of loans remain current.

One primary reason for the sharp declines in Michigan bank figures, including assets and employees, was the relocation of Comerica Bank's headquarters from Detroit, Michigan, to Dallas, Texas in November 2007. Comerica has approximately \$60 billion in assets, over 10,000 employees, and more than 400 branches in Arizona, California, Florida, Michigan, and Texas. It is now the largest bank in Texas.

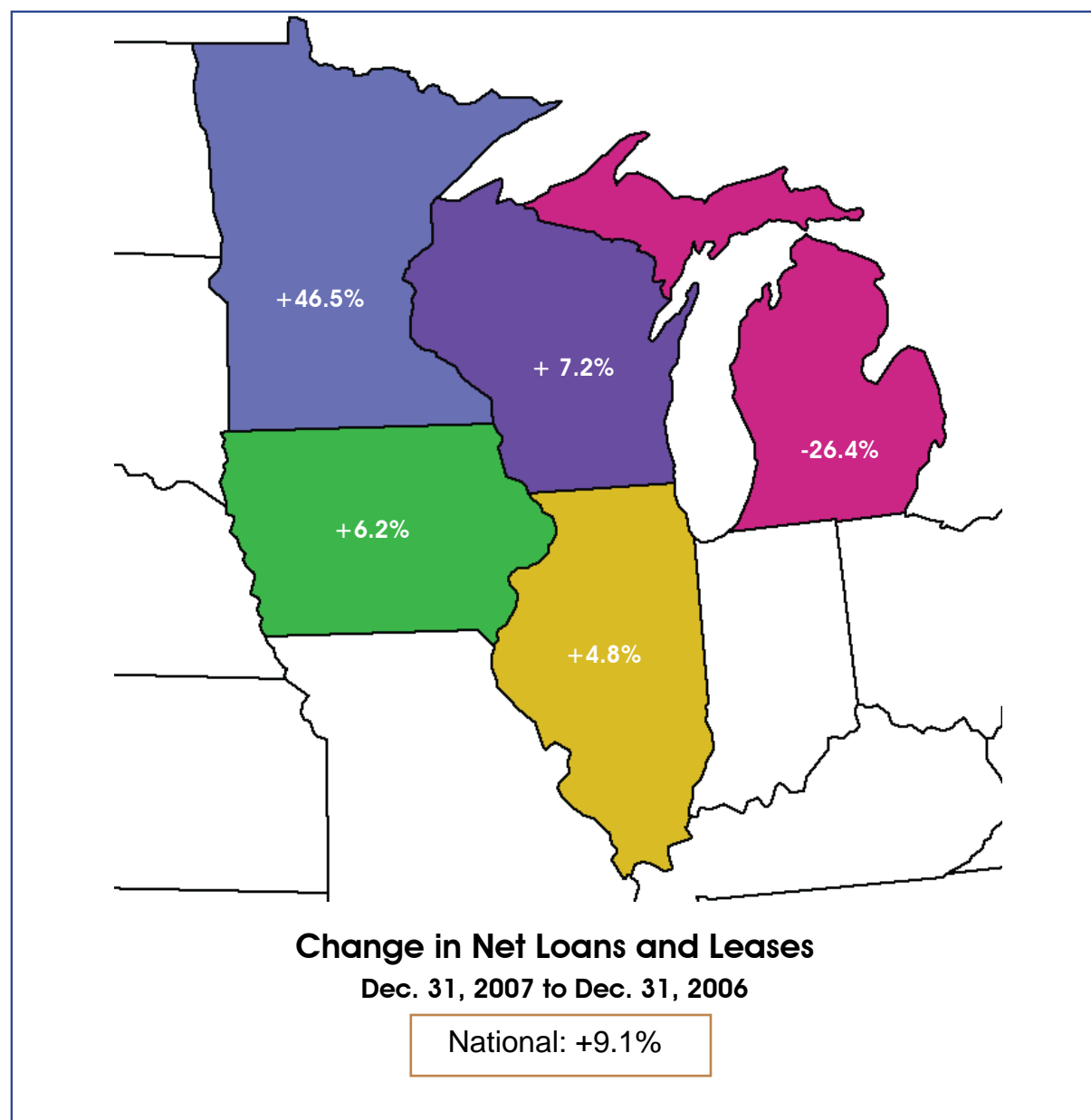
Net charge-offs reveal a similar trend, with an increase of 42.9 percent in Wisconsin and an increase of 51.3 percent nationwide during 2007. *Yet, net charge-offs represent well under 0.01 percent of all loans.*

While fewer permits were issued for new single-family homes in 2007, home prices remained relatively stable in contrast to declining home prices on the East and West coasts.

Home Ownership Factors

	Single-Family Home Permits	Home Price Index
Illinois	-35.4%	2.0%
Iowa	-21.1%	2.7%
Michigan	-36.4%	-4.3%
Minnesota	-41.8%	-1.2%
Wisconsin	-25.0%	1.9%

Other economic indicators, for example, employment rates, also generally show small declines in the Upper Midwest during 2007. Wisconsin's unemployment rate dipped one tenth of 1.0 percent to 4.8 percent, compared to 5.3 percent at year-end in Illinois, 3.8 percent in Iowa, 7.4 percent in Michigan, and 4.6 percent in Minnesota. If the recent past is any indication, Wisconsin will likely weather the current weakening economy reasonable well. ■



Mailing panel

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Focus this issue: Wisconsin Banconomics Benchmarks

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