

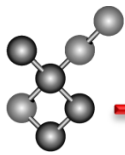
2010 Wisconsin Banking Performance

Chris Gill
Director, Community Bank Business Development
SNL Financial

March 16, 2011

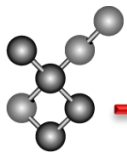
COMPANY CONFIDENTIAL – NOT FOR REDISTRIBUTION





SNL Financial – Company Overview

- Company founded in 1987
- Headquartered in Charlottesville, VA
- More than 1,500 employees worldwide
- Leading provider of financial data and analytical tools on the financial services industry
 - Coverage of more than 20,000 commercial banks, savings banks and credit unions
- Client base includes all of the top 50 banks, as well as more than 500 community banks
- Subscription-based product
 - Enterprise-wide license with unlimited number of users
- Company tenets focused on data accuracy, timeliness, comprehensiveness and relevance
- Community bank solutions focused on:
 - Balance Sheet Analysis
 - Revenue and Expense Analysis
 - Market Assessment and Branch Footprint Analysis
 - Mergers and Acquisitions Analysis
 - Reporting for Key Stakeholders (e.g., investors, regulators)
 - Investor Relations
- Center for Financial Education affiliate offers executive programs and professional development on topics of interest (e.g., M&A, valuation) to bank executives both live and on demand



Agenda

I. Overview

II. Profitability

III. Loans and Deposits

IV. Capital Adequacy

V. Asset Quality

VI. Income Statement Analysis

VII. Questions

Overview

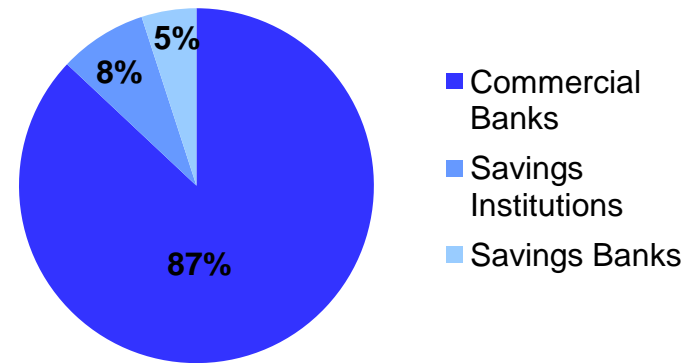
As of year-end 2010, there were 273 commercial banks, savings banks and savings institutions in Wisconsin with \$77 billion in assets

Wisconsin Banking Industry Overview

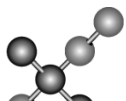
**Wisconsin Financial Institutions*
By Asset Size**

Asset Range	# Institutions	Total Assets 2010Q4 (\$B)	% total
\$1 –5B	10	21.5	28
\$500M - \$1B	28	19.2	25
\$250-\$500M	42	14.2	18
\$100-\$250M	98	16.3	21
<\$100M	95	5.9	8
Total	273	77.1	

**Wisconsin Financial Institutions*
By Company Type**



*Note: Analysis excludes banks with >\$20 billion in assets and those that operate in Wisconsin, but are headquartered in other states
Source: SNL Financial



The number of institutions in Wisconsin declined by four in 2010 due to two failures and two acquisitions

Wisconsin Banking Industry Overview

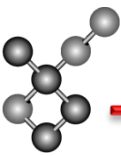
Bank Failures – 2010* Wisconsin

Date	Failed Bank	Buyer
11/19/10	First Banking Center	First Michigan Bancorp
9/17/10	Maritime Savings Bank	North Shore Bank FSB

Acquisitions - 2010 Wisconsin

Completion Date	Seller	Buyer
12/28/10	Woodhouse & Bartley Bank	Peoples State Bank
5/7/10	Black Earth State Bank	State Bank of Cross Plains

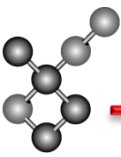
*In addition, three banks in Wisconsin have failed in 2011 as of March 11th
Source: SNL Financial



Throughout this presentation, performance in 2010 was analyzed in five different regions of Wisconsin, based on where institutions are headquartered



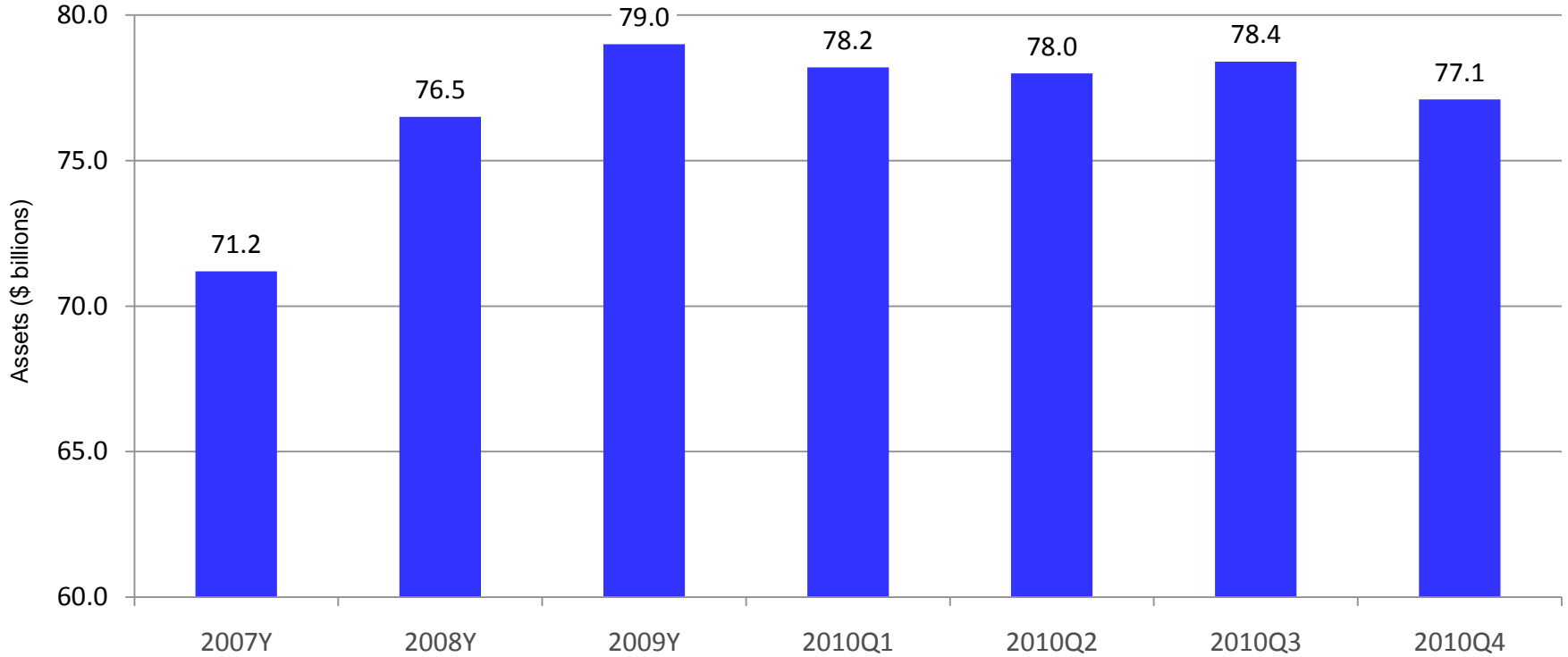
Source: Community Bankers of Wisconsin



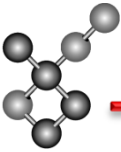
The banking industry in Wisconsin contracted by more than two percent in 2010 in terms of assets

Wisconsin Banking Industry Overview

Total Assets Wisconsin Financial Institutions*



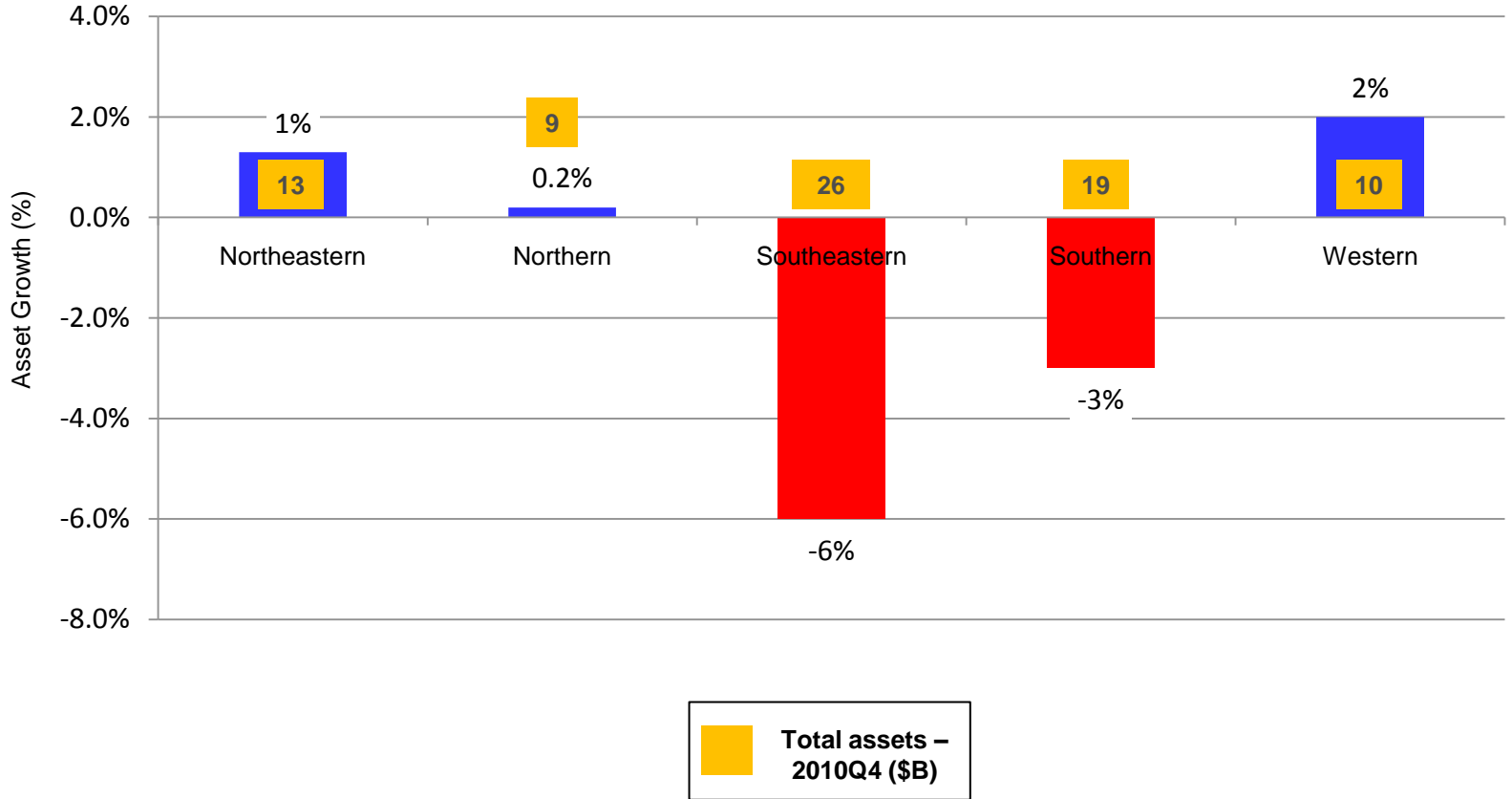
*Includes all commercial banks, savings banks and savings institutions headquartered in Wisconsin with <\$20 billion in assets
Source: SNL Financial



The biggest asset declines were in the Southeastern and Southern regions of the state

Wisconsin Banking Industry Overview

Asset Growth 2009Q4 – 2010Q4 Wisconsin – By Region

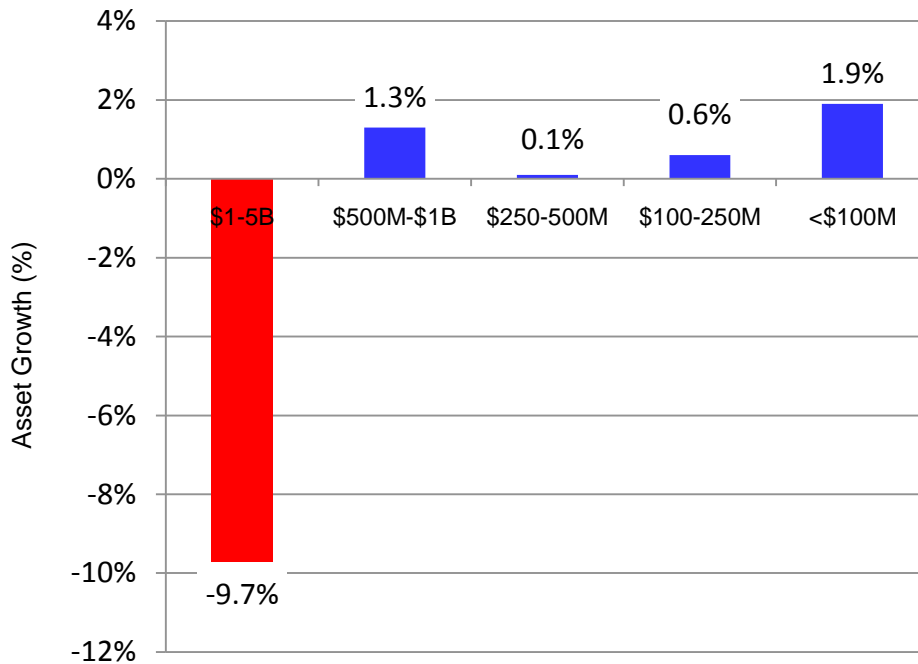


Source: SNL Financial

Institutions with \$1-5 billion in assets shrank their asset base by almost ten percent in 2010

Wisconsin Banking Industry Overview

**Asset Growth by Company Size
Wisconsin Financial Institutions*
2009Q4 – 2010Q4**



**Asset Growth: 2009Q4 – 2010Q4
Top Performers by Asset Size Range
Wisconsin Financial Institutions**

Asset Range	Institution	2010Q4 Assets (\$M)	2009 – 2010 Asset Growth
\$1-5B	National Exchange Bank and Trust	1,373	9.0%
\$500M - \$1B	State Bank of Cross Plains ¹	798	10.5%
\$250 – 500M	Bankers' Bank	495	40.0%
\$100 – 250M	Spring Bank ²	114	64.7%
<\$100M	Hiawatha National Bank ³	80	62.9%

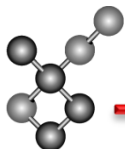
*Includes all commercial banks, savings banks and savings institutions headquartered in Wisconsin

¹Reflects acquisition of Black Earth State Bank

²De novo bank opened in 2008

³Reflects branch acquisition from Citizens State Bank

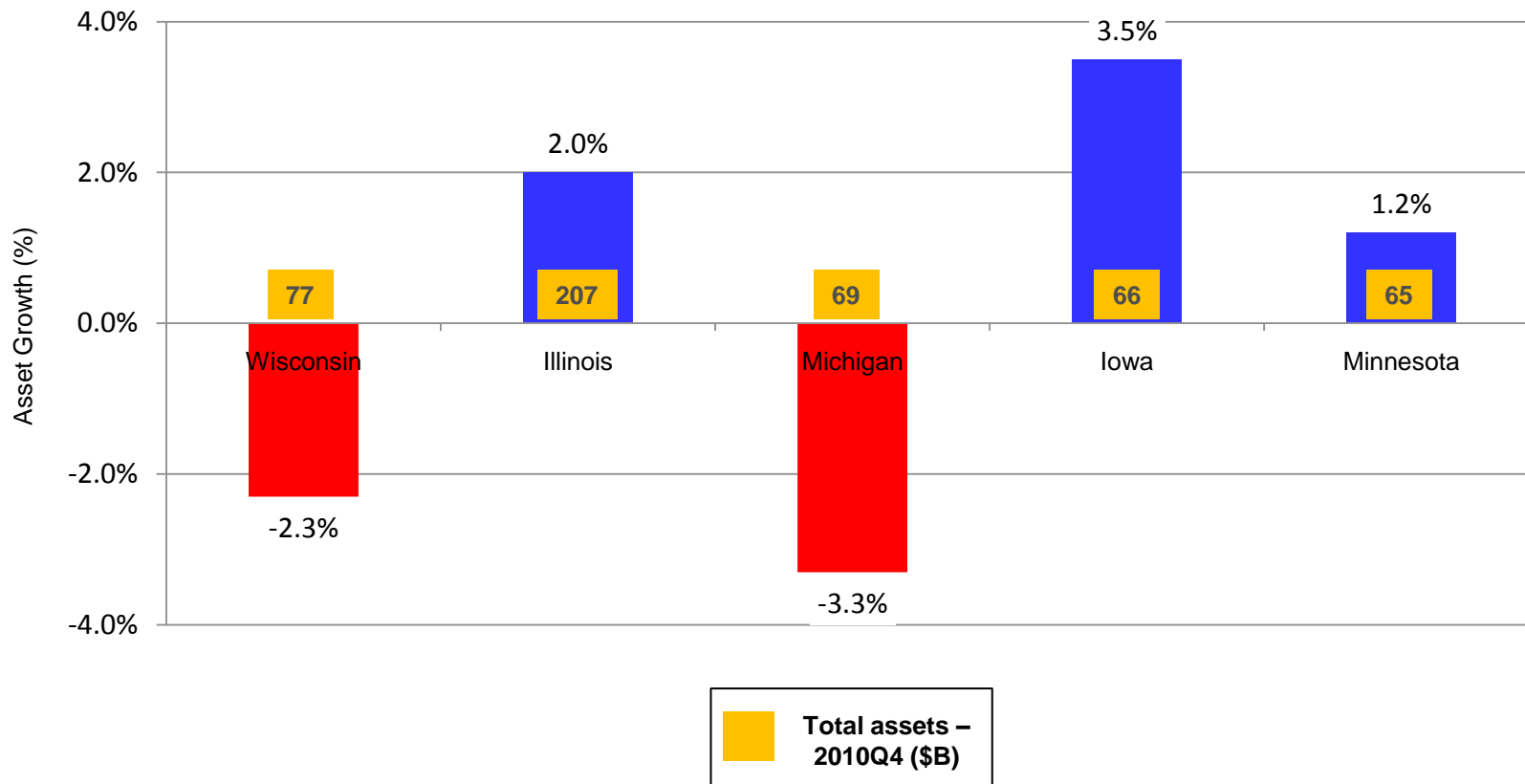
Source: SNL Financial



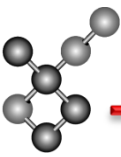
Banks in Iowa experienced the greatest asset growth in the region in 2010

Wisconsin Banking Industry Overview

Asset Growth 2009Q4 – 2010Q4 Wisconsin and Neighboring States*

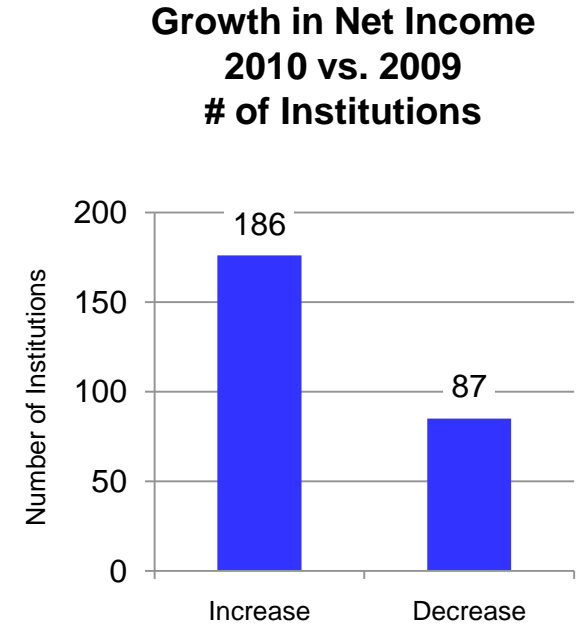
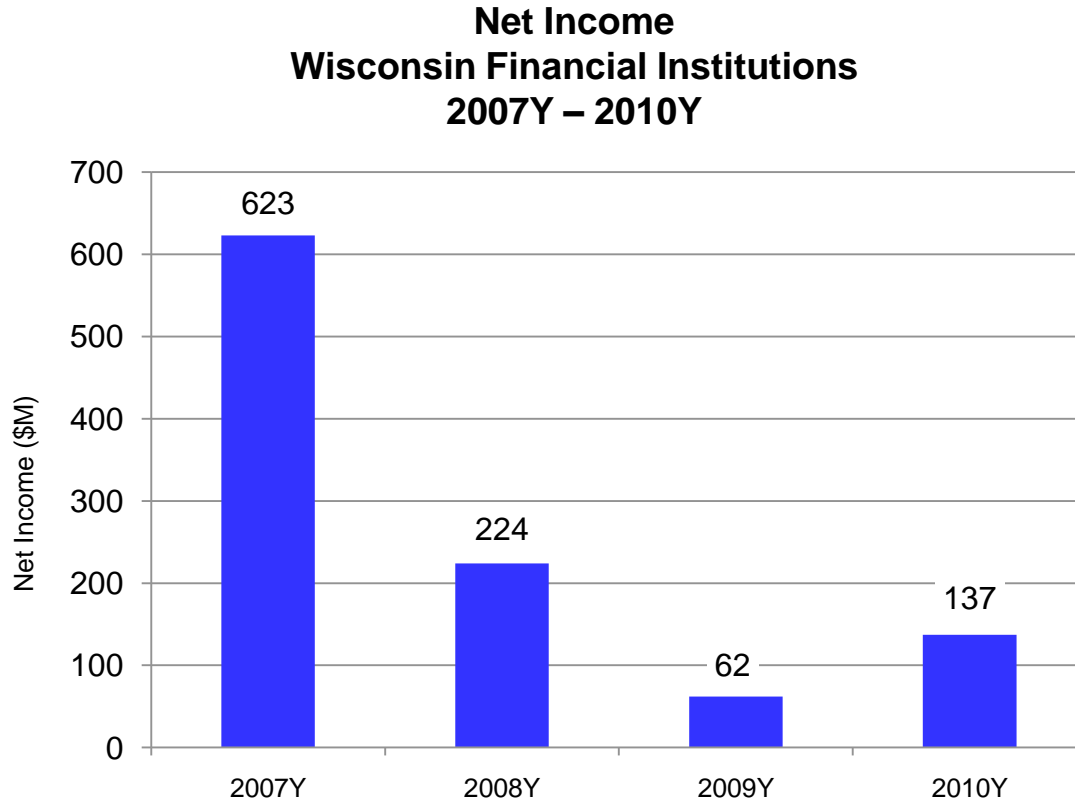


Profitability

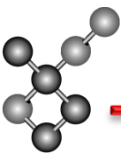


Earnings of banking institutions in Wisconsin increased by more than 120 percent in 2010, although profitability remains significantly below historical levels

Net Income

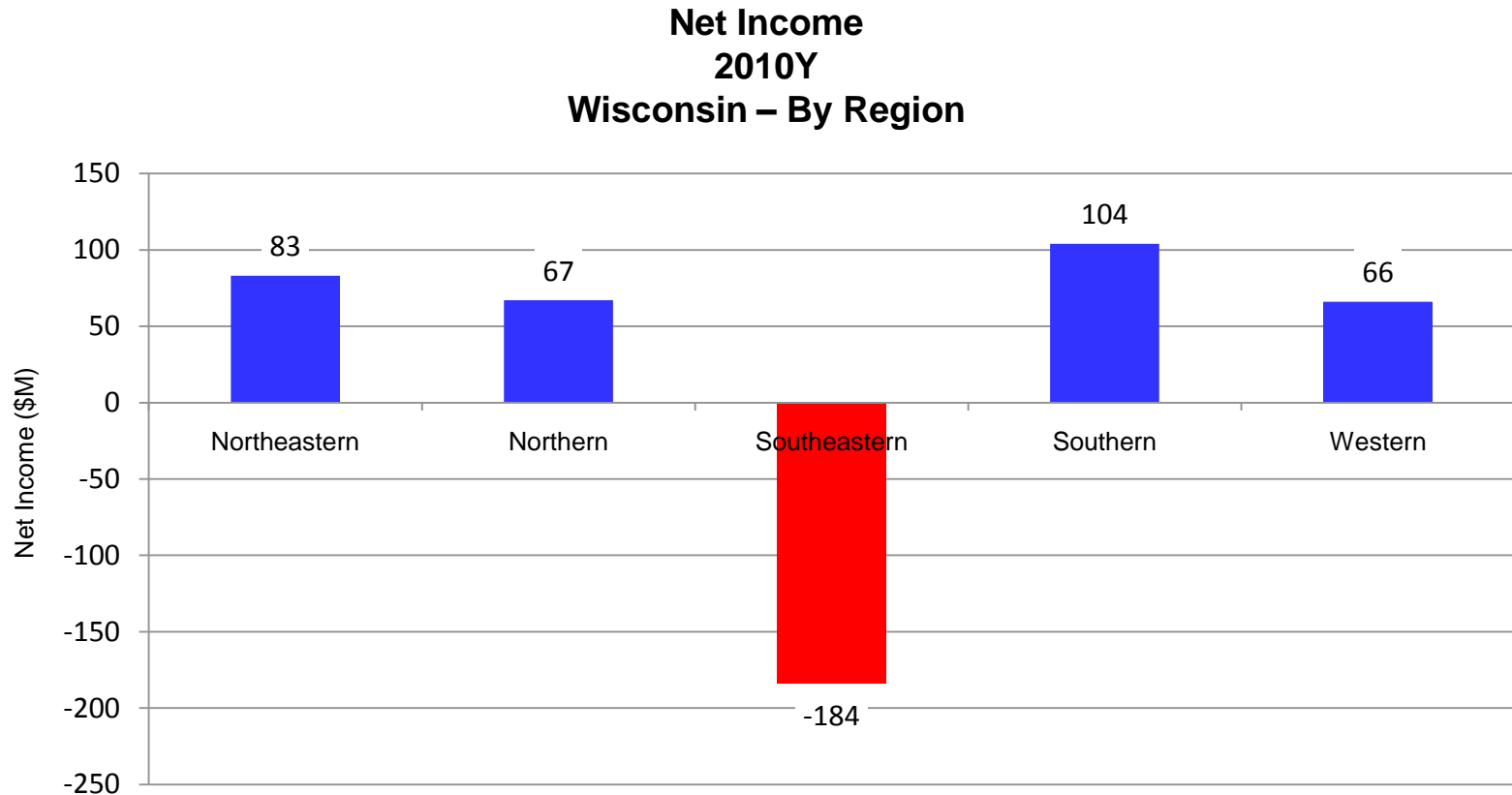


Source: SNL Financial



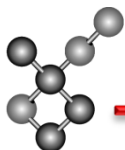
Earnings grew more than 50 percent in both the Northeastern and Northern regions

Net Income



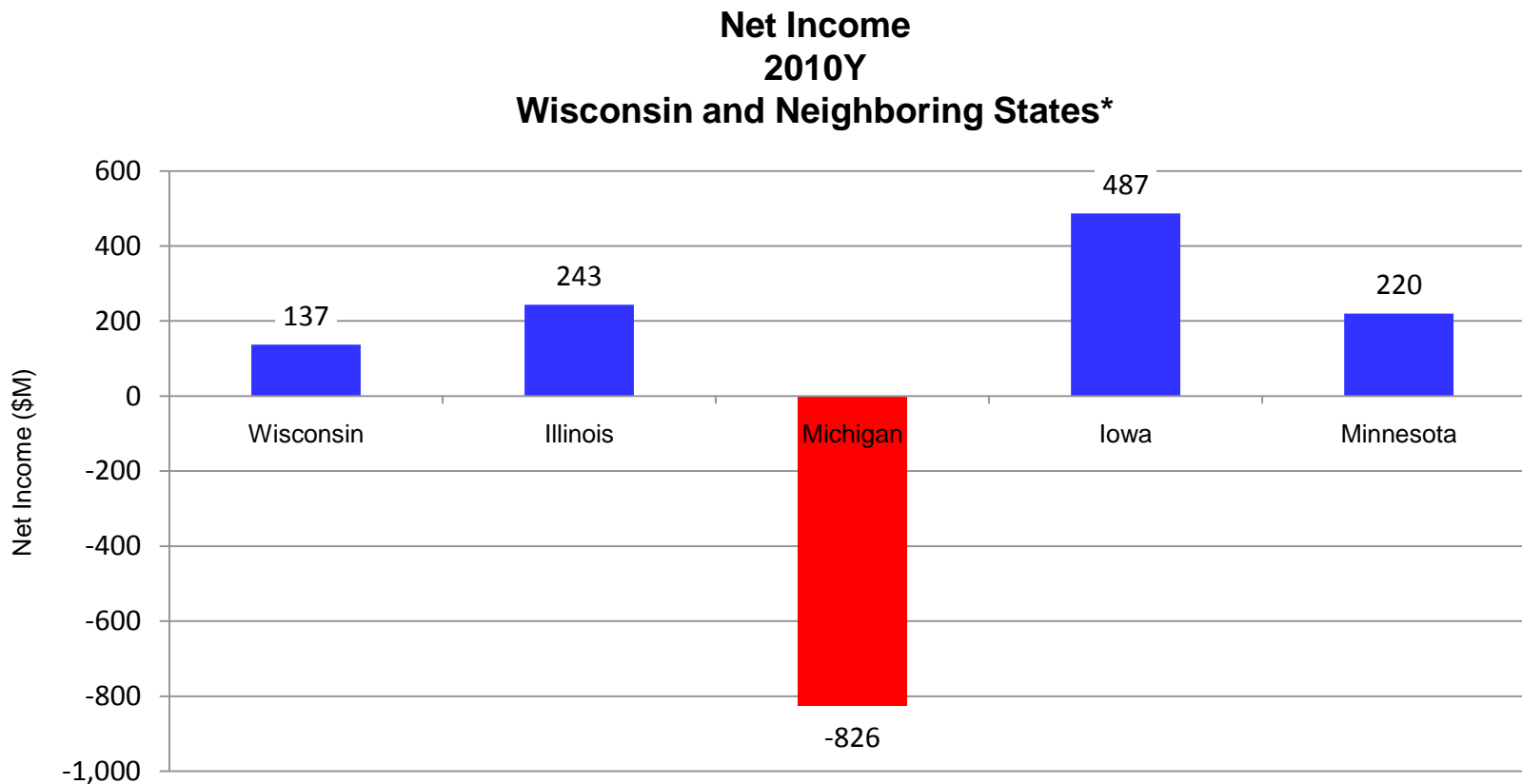
2009 – 2010 % Change	Northeastern	Northern	Southeastern	Southern	Western
	51%	59%	N.A.*	N.A.*	44%

*Net income in 2009 was negative
Source: SNL Financial



Earnings improved in all states in the region, with the greatest dollar improvement in Illinois and Michigan

Net Income

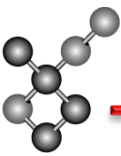


2009 – 2010 % Change	121%	N.A.**	N.A.**	21%	117%
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*Excludes institutions with >\$20B assets

**Net income in 2009 was negative; earnings improved by \$809 million in Illinois and \$659 million in Michigan

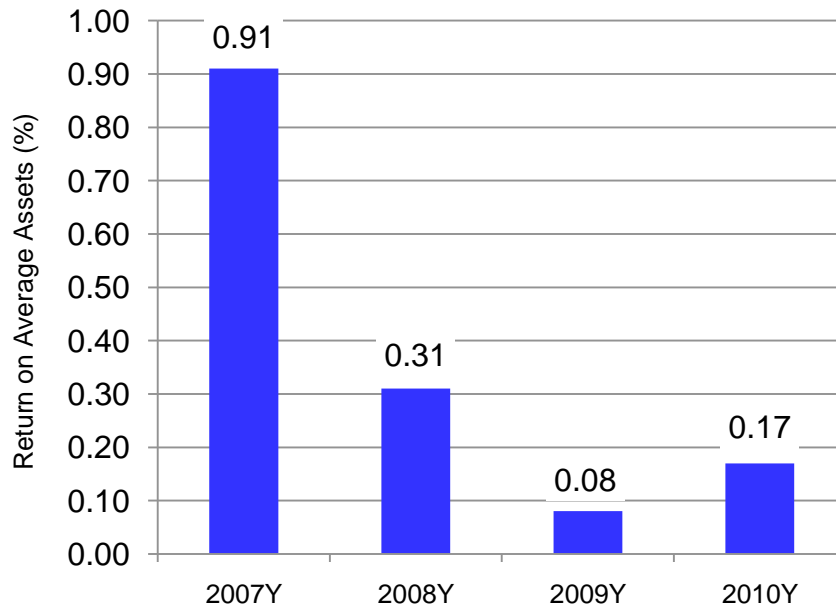
Source: SNL Financial



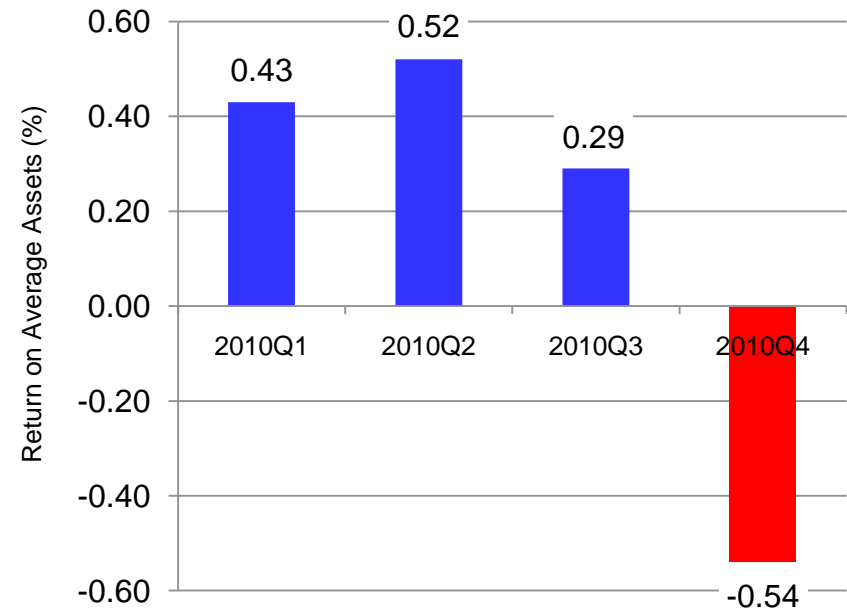
Return on assets for banks in Wisconsin more than doubled in 2010 compared to 2009, although it decreased sharply in the most recent quarter

Return on Average Assets

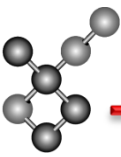
Return on Average Assets Wisconsin Financial Institutions* 2007Y - 2010Y



Return on Average Assets Wisconsin Financial Institutions* 2010Y



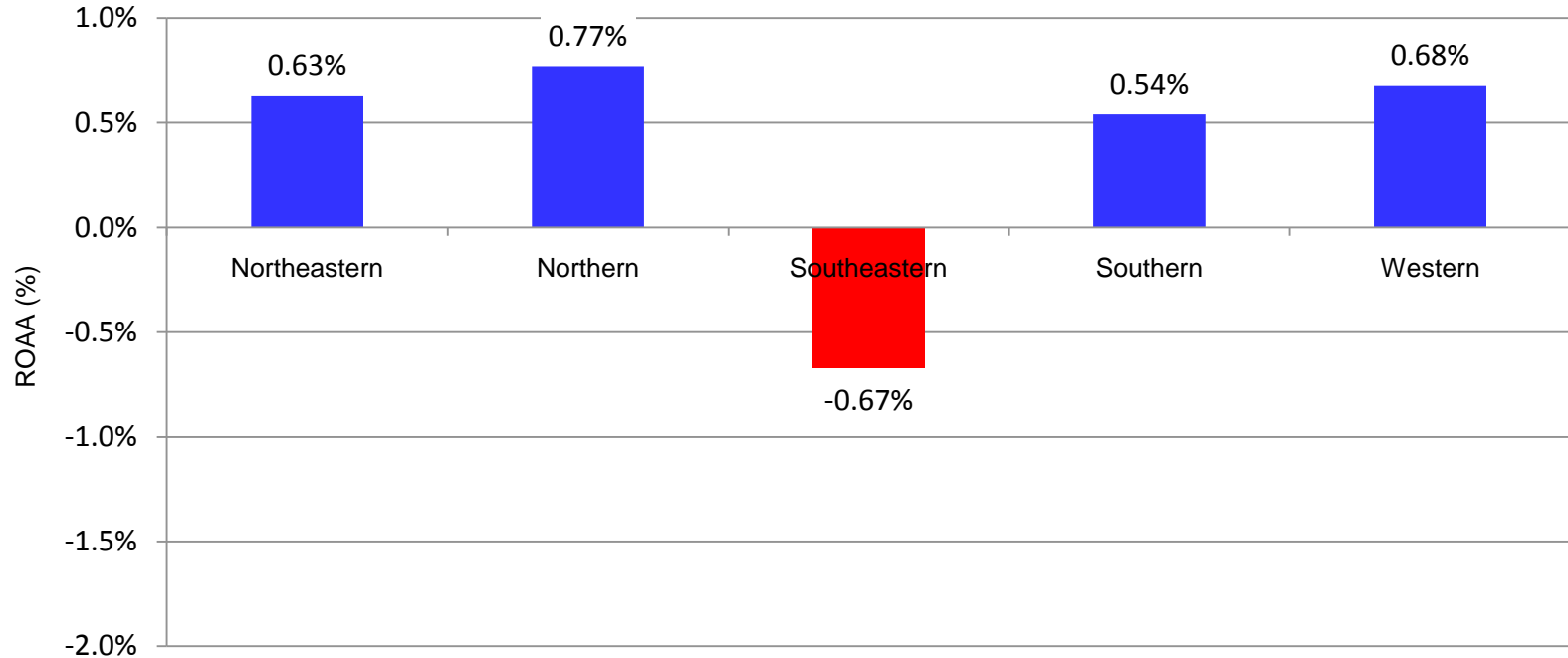
*Includes all commercial banks, savings banks and savings institutions headquartered in Wisconsin
Source: SNL Financial



Return on assets increased most significantly in the Southern region from 2009 to 2010

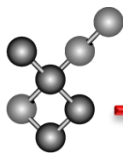
Return on Average Assets

Return on Average Assets Wisconsin – By Region* 2010Y



ROAA 2009Y	2009 ROAA (%)	2010 ROAA (%)	Change (%)
Northeastern	0.43%	0.63%	0.20%
Northern	0.50%	0.77%	0.27%
Southeastern	-0.03%	-0.67%	-0.64%
Southern	-0.46%	0.54%	1.00%
Western	0.49%	0.68%	0.19%

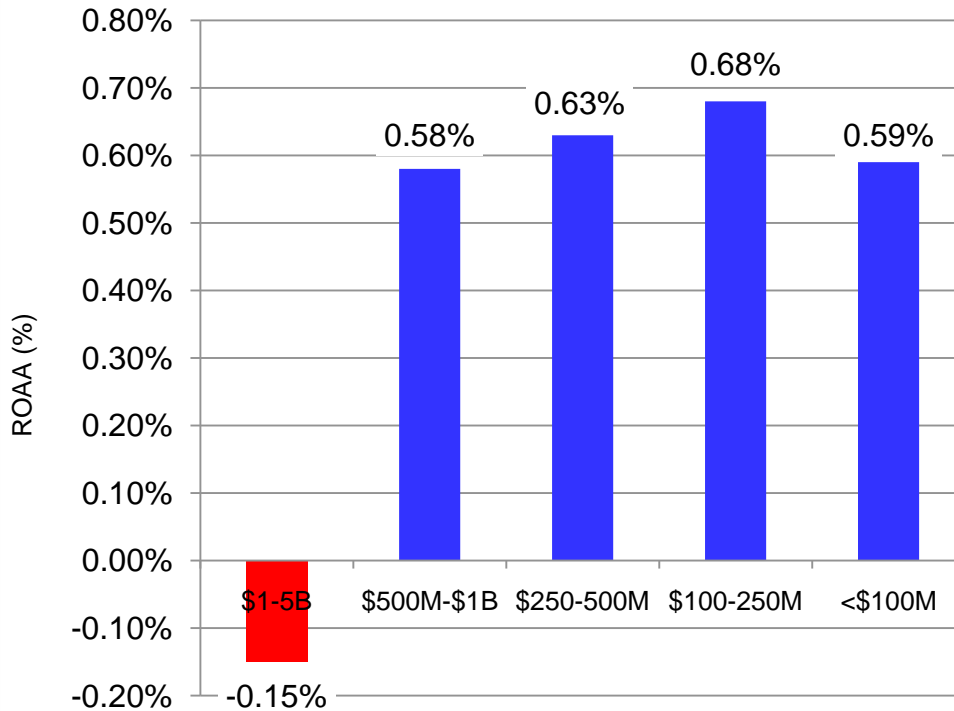
*Weighted average of institutions in each region
Source: SNL Financial



The largest banks in the state reported the lowest return on assets in 2010

Return on Average Assets

**Return on Average Assets*
Wisconsin – By Asset Size
2010Y**



**Return on Average Assets
Top Performers by Asset Category**
Wisconsin Financial Institutions**

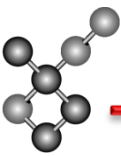
Asset Range	Institution	2010Q4 Assets (\$M)	2010Y ROAA
\$1-5B	FPC Financial FSB ¹	1,895	3.51%
\$500M - \$1B	First National Bank	748	1.83%
\$250 – 500M	WoodTrust Bank	323	2.16%
\$100 – 250M	Bank of Mauston	237	2.44%
<\$100M	Citizens State Bank of Clayton	97	3.01%

*Median ROAA of banks in each asset category

**Excludes trust banks and similar types of institutions

¹Subsidiary of John Deere Capital Corporation; next highest ROAA was Tri City National Bank with a 1.33% ROAA in 2010Y

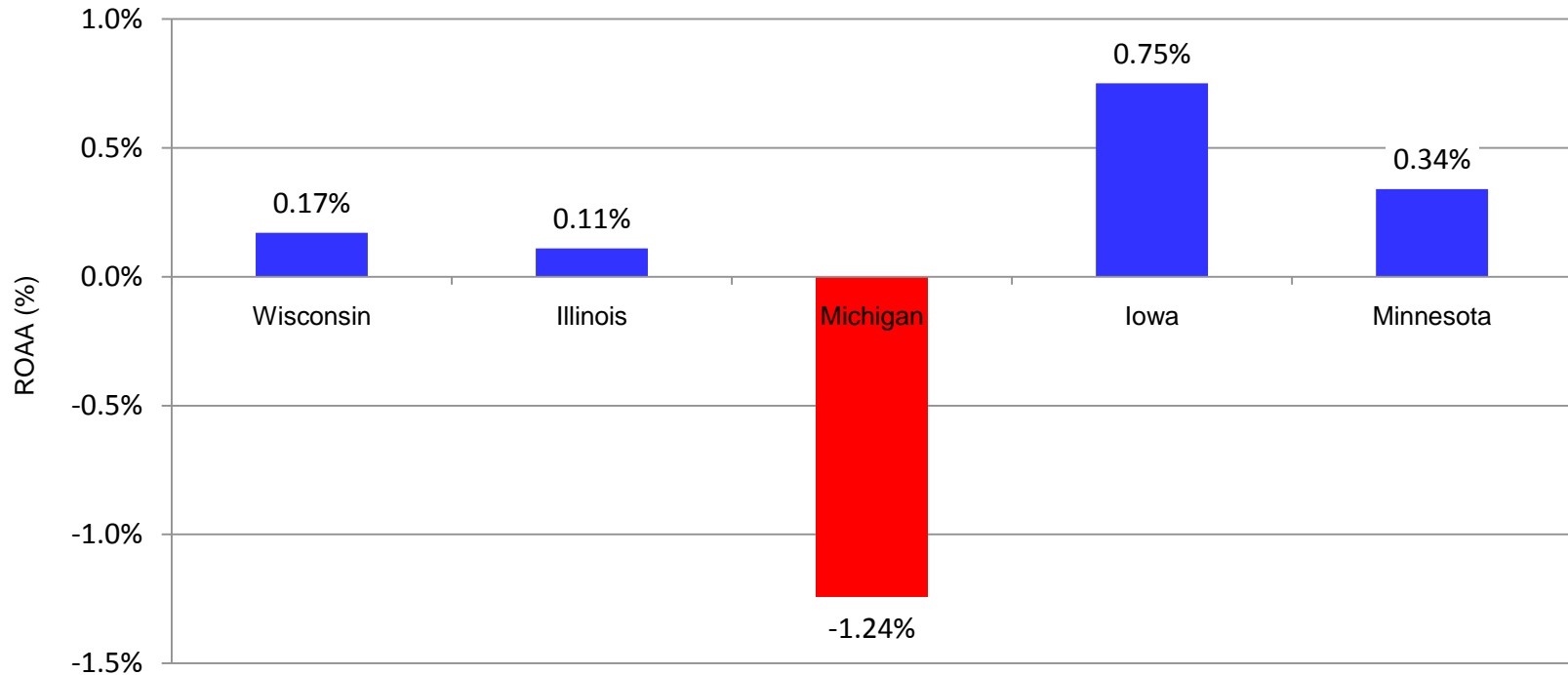
Source: SNL Financial



Michigan saw the biggest improvement in ROAA, although earnings statewide are still negative

Return on Average Assets

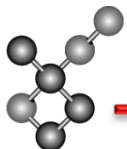
Return on Average Assets Wisconsin and Neighboring States* 2010Y



ROAA 2009Y	0.08%	-0.28%	-2.01%	0.64%	0.17%
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*Excludes institutions with greater than \$20 billion in assets
Source: SNL Financial

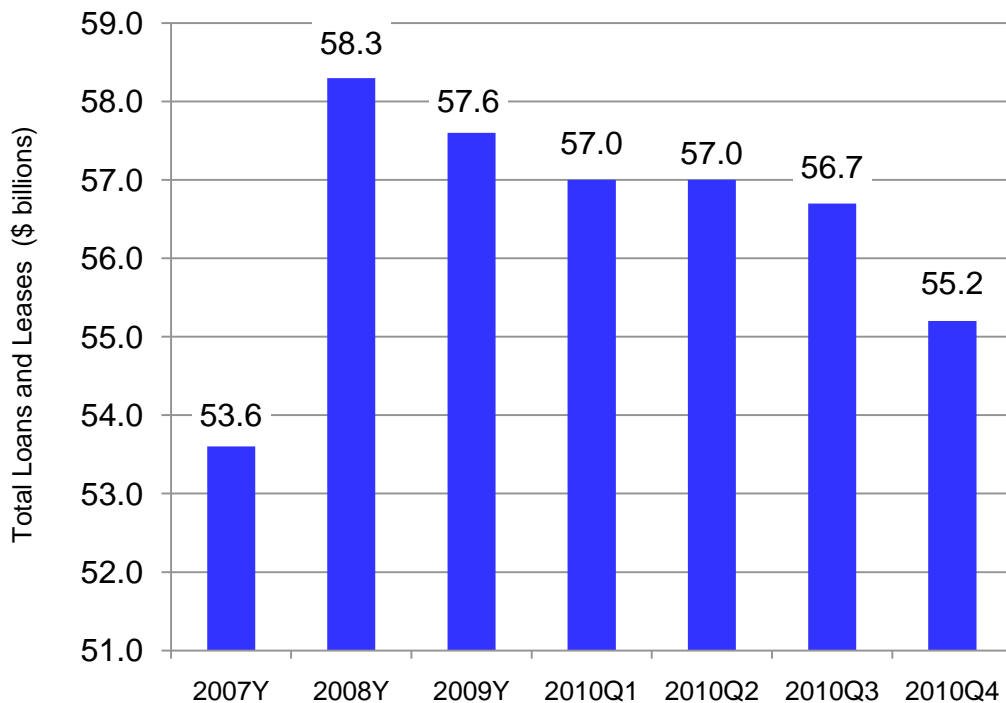
Loans and Deposits



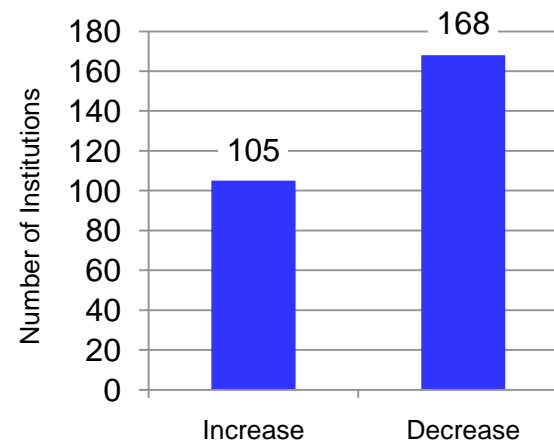
Loans and leases in Wisconsin declined by more than four percent in 2010...

Total Loans and Leases

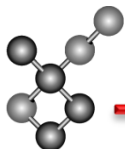
Total Loans and Leases Wisconsin Financial Institutions*



Loan Growth 2010 vs. 2009 # of Institutions



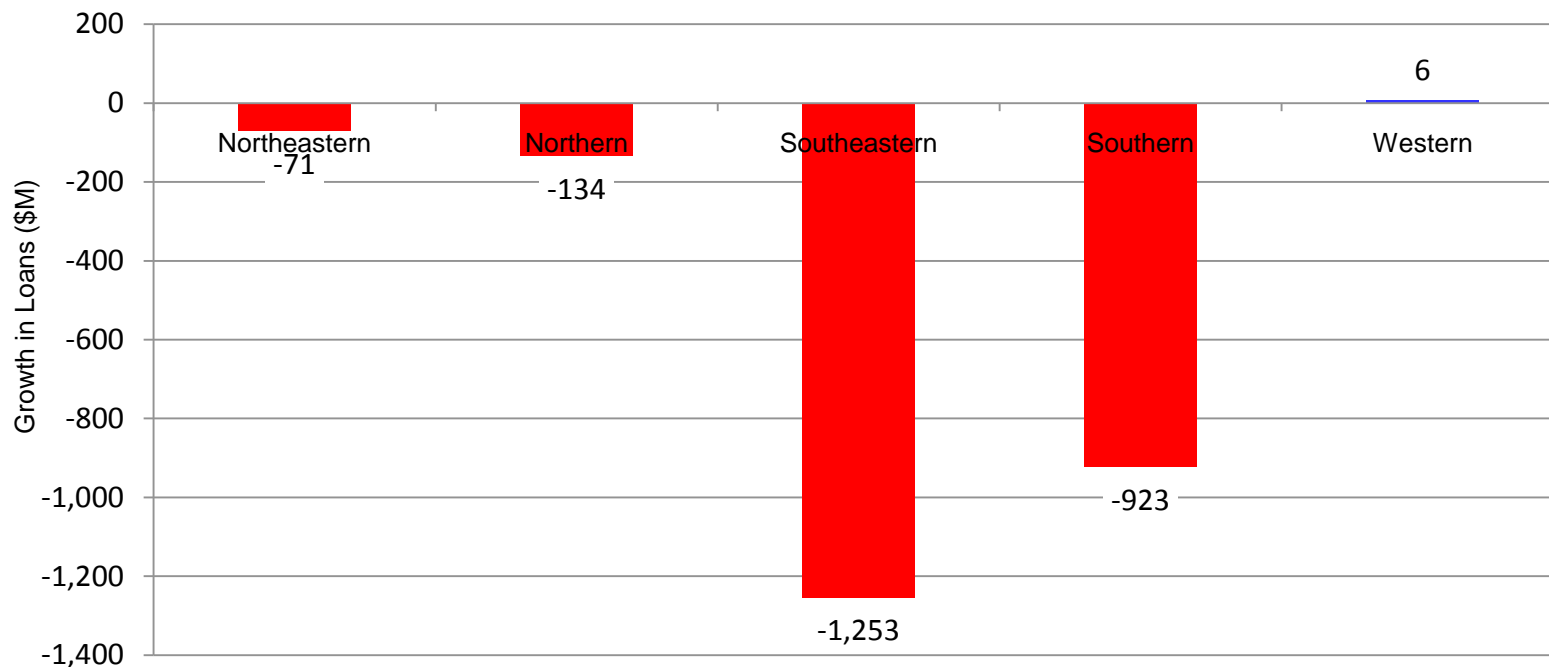
*Includes all commercial banks, savings banks and savings institutions headquartered in Wisconsin
Source: SNL Financial



...with loan outstandings declining in all but the Western region

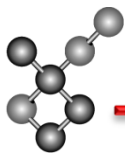
Growth in Loans and Leases

Growth in Loans and Leases
Wisconsin – By Region
2009Q4 – 2010Q4



% Growth 2009Y – 2010Y	Northeastern	Northern	Southeastern	Southern	Western
	-1%	-2%	-6%	-6%	0.1%

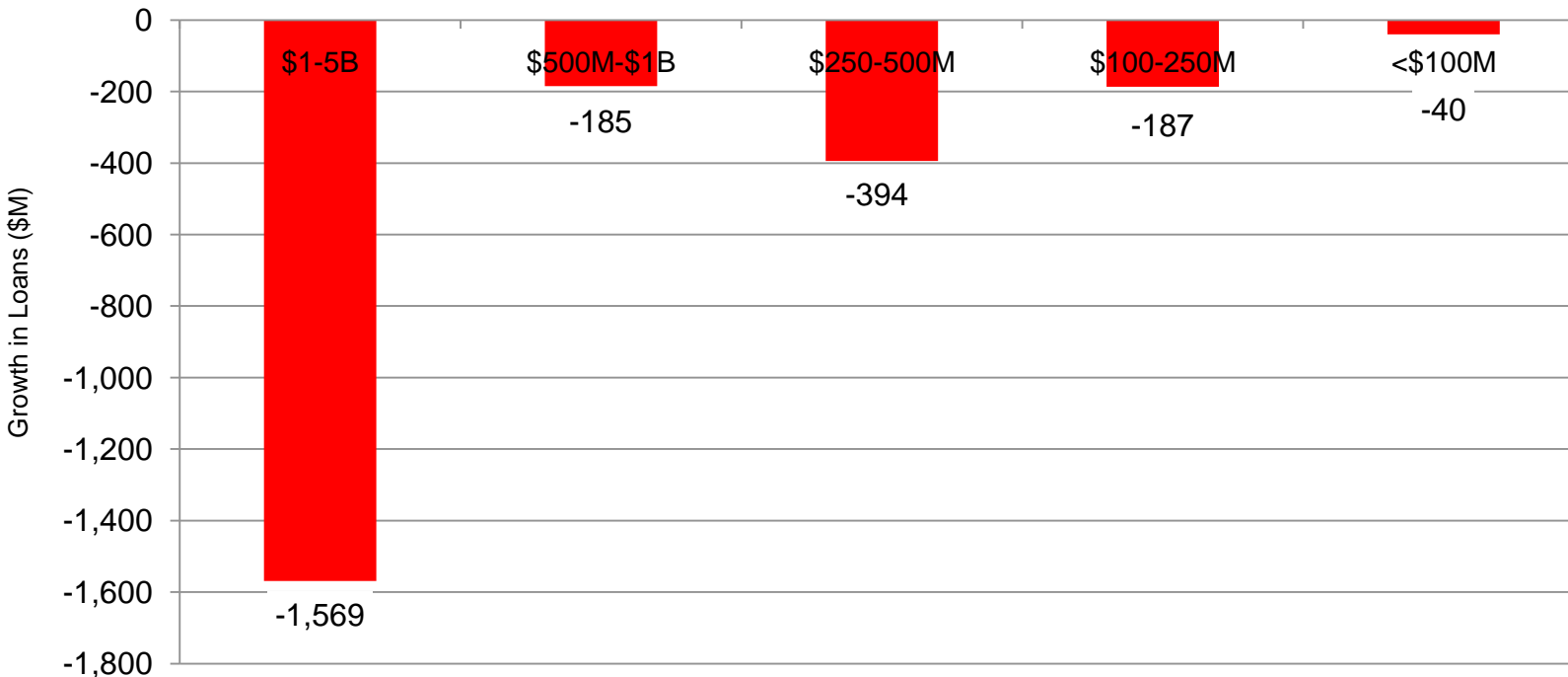
Source: SNL Financial



The largest banks in Wisconsin shrank loan balances by more than \$1.5 billion, or 9%, in 2010

Growth in Loans and Leases

Growth in Loans and Leases Wisconsin – By Asset Size 2010Y



2009Q4 – 2010Q4
% Change

-9%

-1%

-4%

-2%

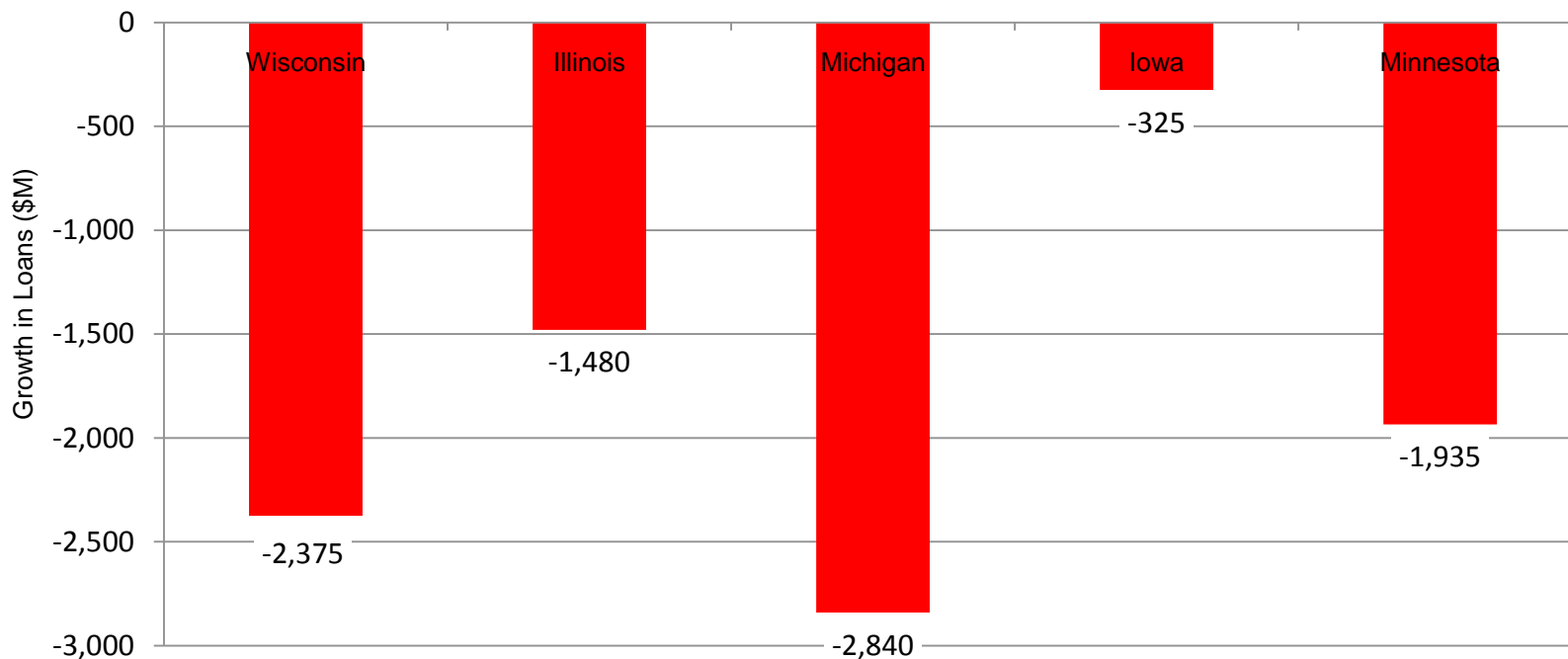
-1%

Source: SNL Financial

Loans and leases declined across the entire region, with the greatest drop in Michigan

Growth in Loans and Leases

Growth in Loans and Leases Wisconsin and Neighboring States* 2010Y



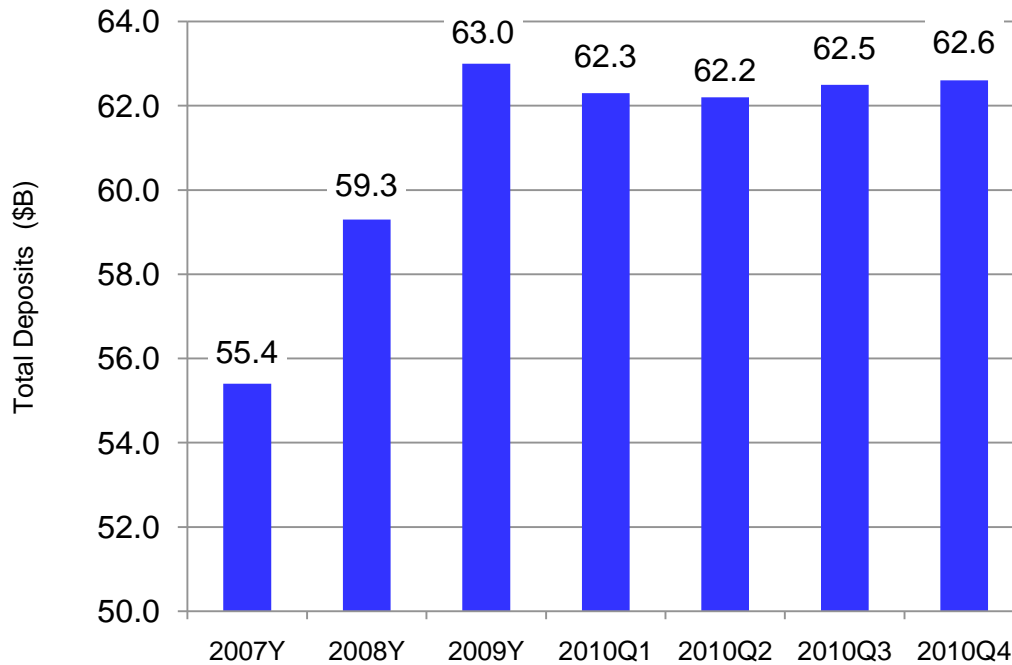
2009 – 2010 % Change	Wisconsin	Illinois	Michigan	Iowa	Minnesota
	-4%	-1%	-6%	-1%	-4%

*Excludes institutions with >\$20B assets
Source: SNL Financial

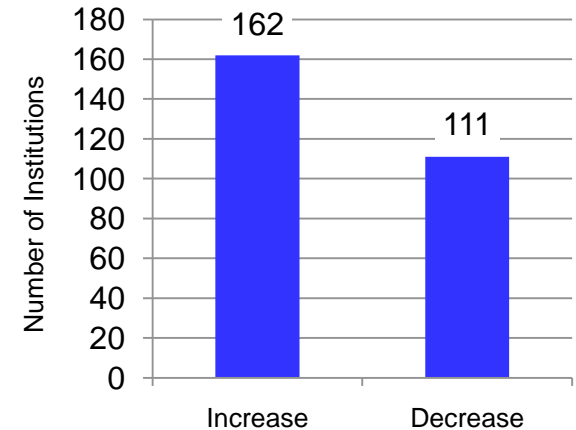
Deposits in Wisconsin declined by \$338 million in 2010, although balances increased slightly in the second half of the year

Total Deposits

Total Deposits Wisconsin Financial Institutions*



Deposit Growth 2010 vs. 2009 # of Institutions

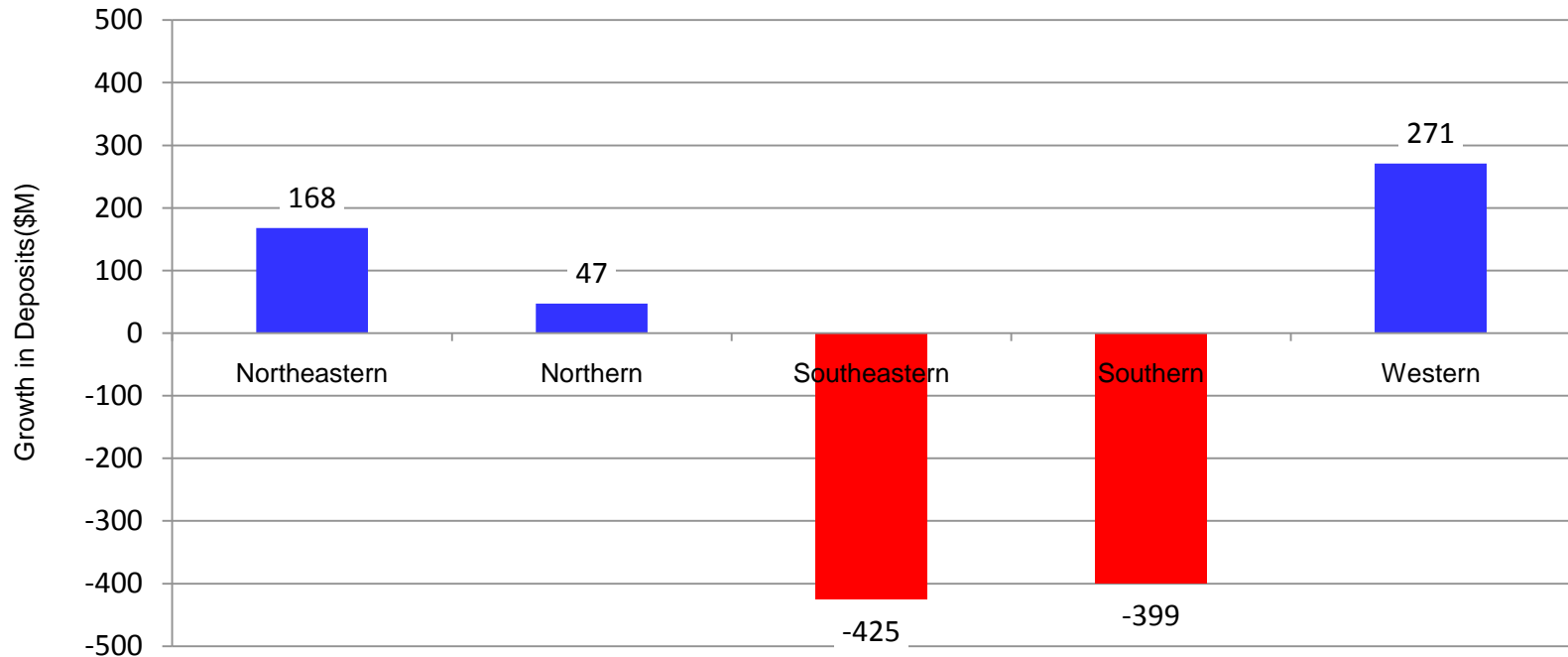


*Includes all commercial banks, savings banks and savings institutions headquartered in Wisconsin
Source: SNL Financial

Deposits declined more than \$800 million in total in the Southeastern and Southern regions

Growth in Deposits

Growth in Deposits
Wisconsin – By Region
2009Q4 – 2010Q4



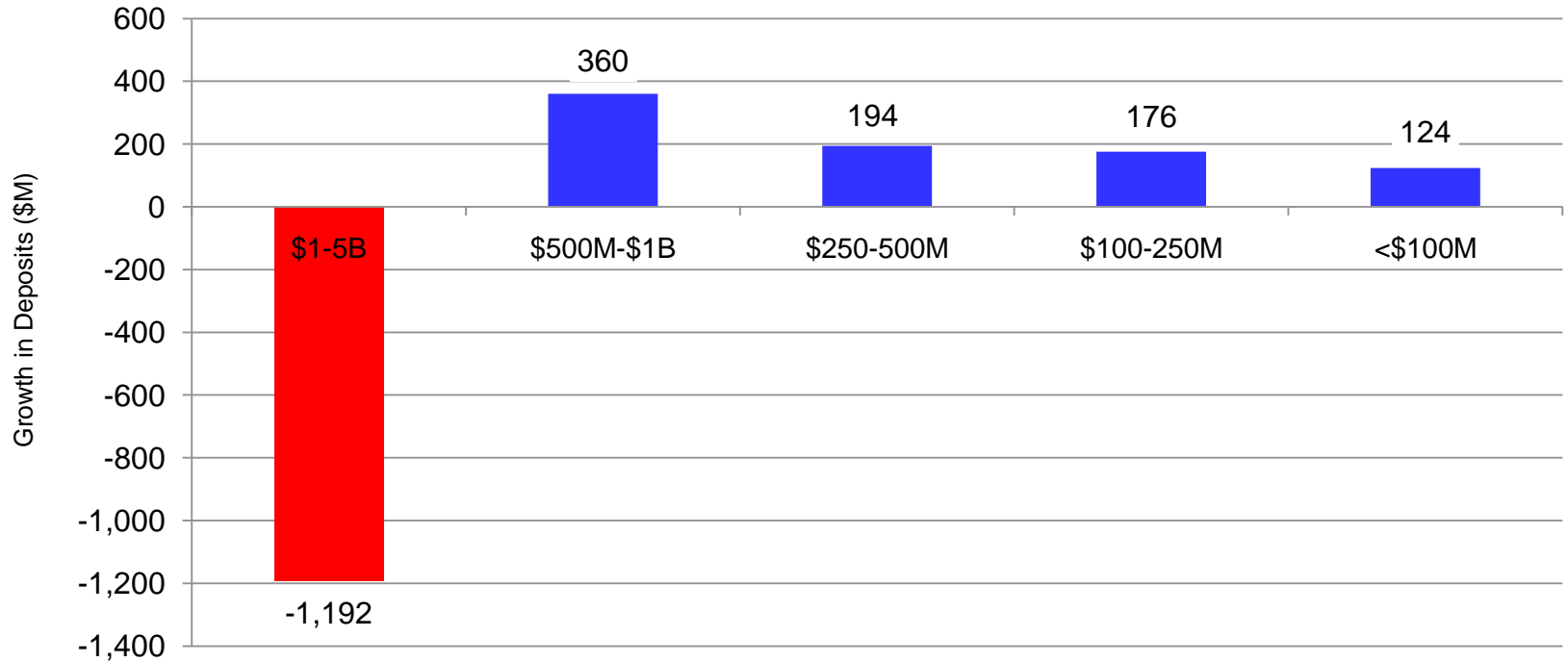
% Growth 2009Y – 2010Y	2%	0.7%	-2%	-3%	4%

Source: SNL Financial

Deposits grew across all asset categories in Wisconsin except for the largest institutions

Growth in Deposits

**Growth in Deposits
Wisconsin – By Asset Size
2010Y**



**2009Q4 – 2010Q4
% Change**

-7%

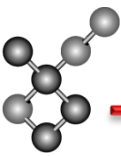
2%

2%

1%

3%

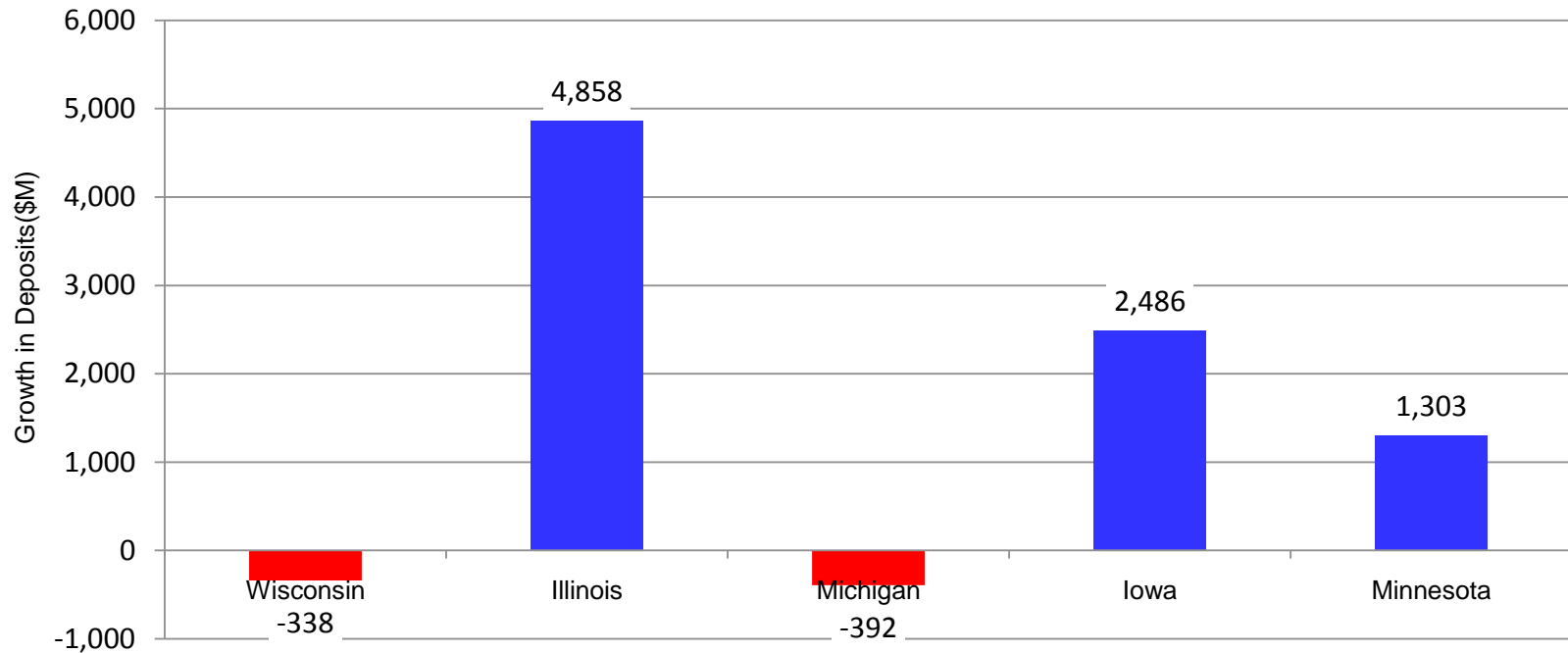
Source: SNL Financial



Deposit growth was most significant in Illinois, up almost \$5 billion from 2009 to 2010

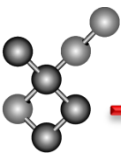
Growth in Deposits

Growth in Deposits Wisconsin and Neighboring States* 2010Y



2009 – 2010 % Change	Wisconsin	Illinois	Michigan	Iowa	Minnesota
	-0.5%	3%	-1%	5%	2%

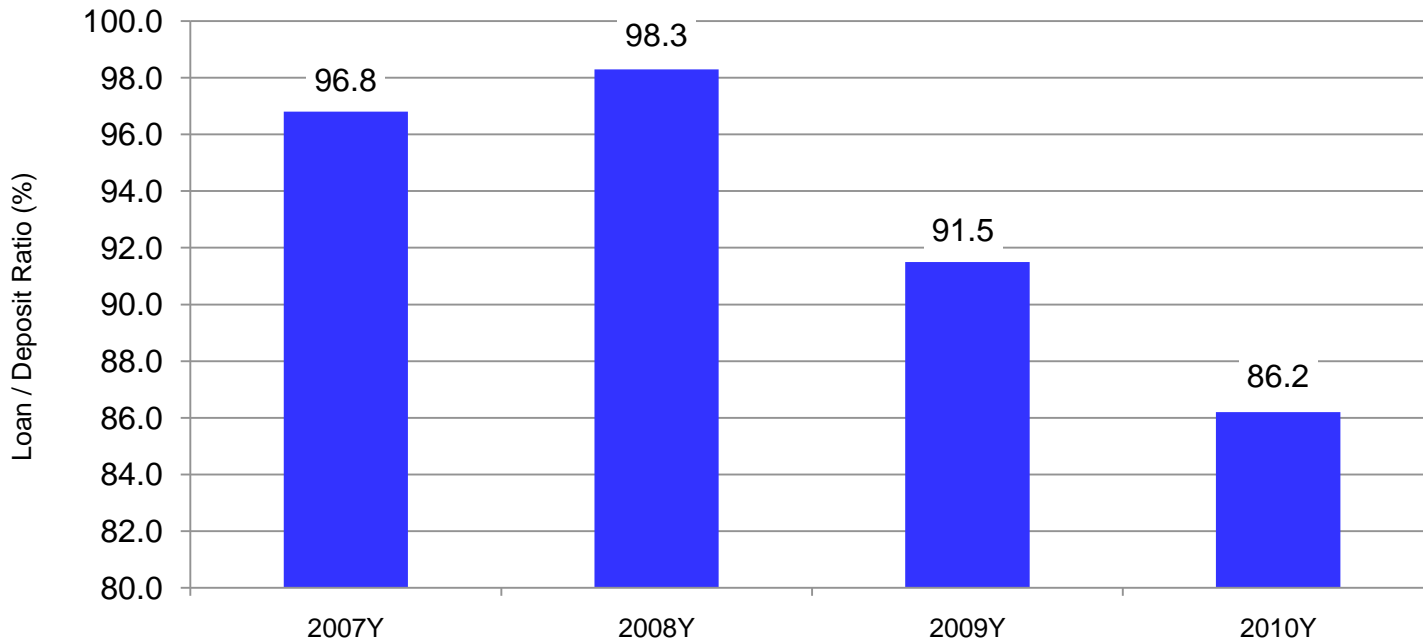
*Excludes institutions with >\$20B assets
Source: SNL Financial



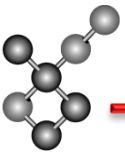
The loan / deposit ratio statewide continued to decline in 2010 as deposit growth outpaced loan demand

Loan / Deposit Ratio

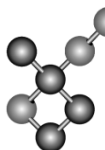
**Loan / Deposit Ratio
Wisconsin Financial Institutions*
2007Y – 2010Y**



*Includes all commercial banks, savings banks and savings institutions headquartered in Wisconsin
Source: SNL Financial



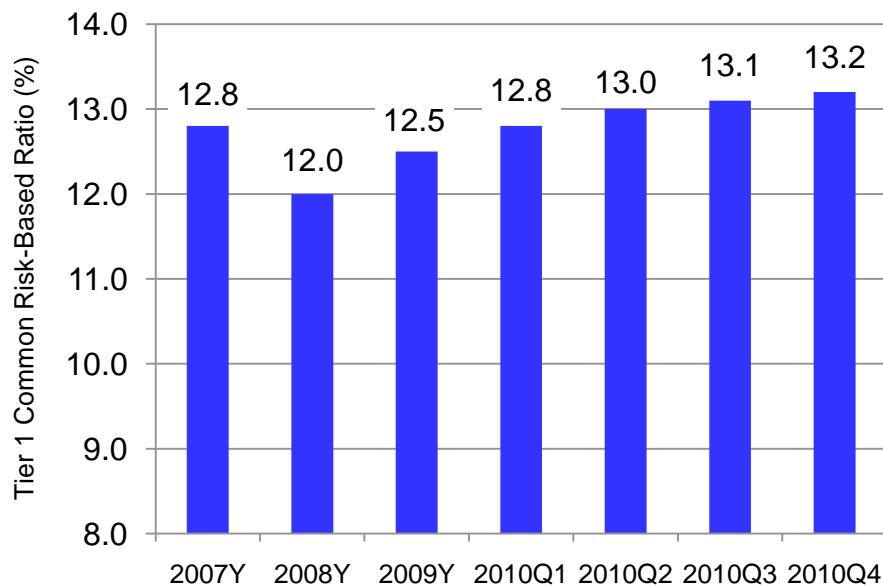
Capital Adequacy



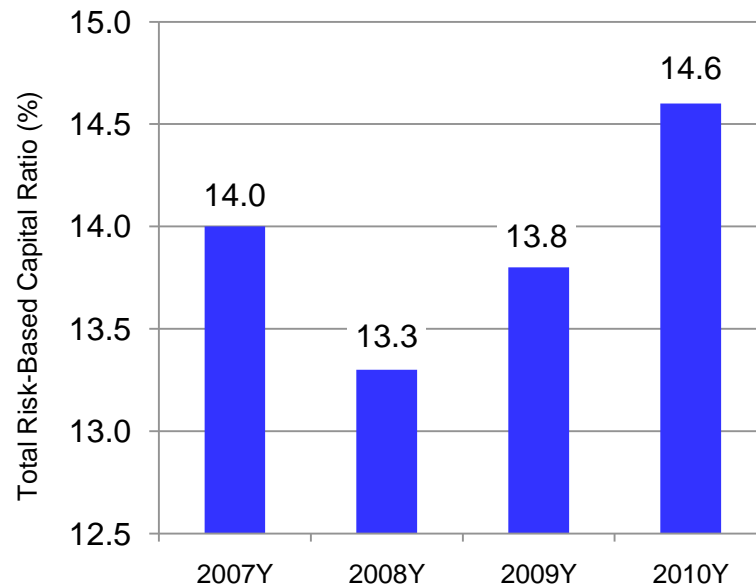
Capital ratios of banks in Wisconsin continued to improve throughout 2010, up 75 basis points during the year

Capital Adequacy

Tier 1 Common Risk-Based Ratio Wisconsin Financial Institutions 2007Y – 2010Q4

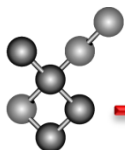


Total Risk-Based Capital Ratio* Wisconsin Financial Institutions 2007Y – 2010Y



*Defined as: Total Capital (Tier 1 Core Capital + Tier 2 Supplemental Capital) / Risk-Adjusted Assets

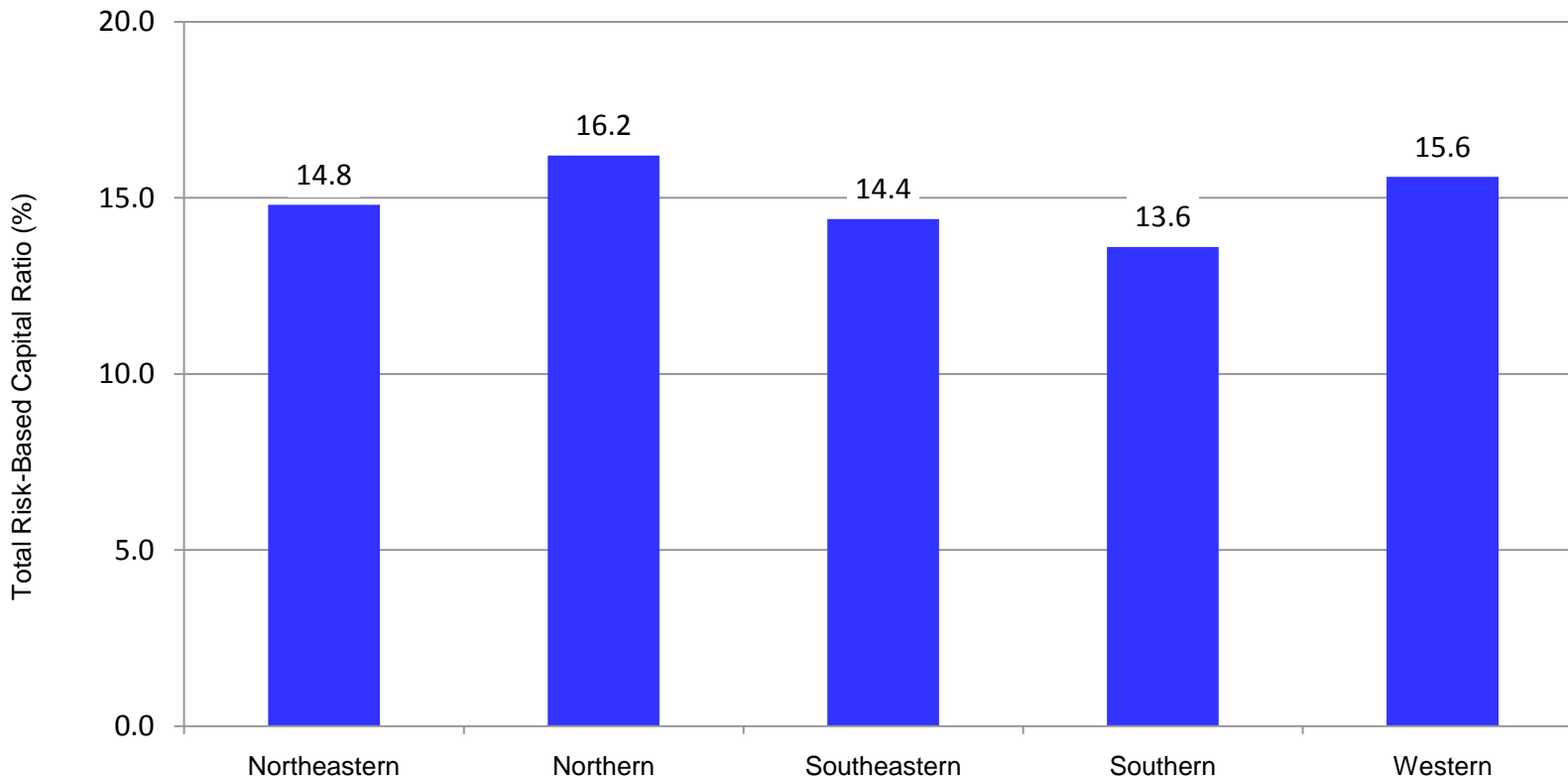
Source: SNL Financial



The total capital ratio was highest in the Northern region

Total Risk-Based Capital Ratio

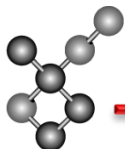
**Total Risk-Based Capital Ratio*
Wisconsin – By Region**
2010Y**



*Defined as: Total Capital (Tier 1 Core Capital + Tier 2 Supplemental Capital) / Risk-Adjusted Assets

**Weighted average of institutions in each region

Source: SNL Financial



Capital ratios improved across all asset categories in 2010

Risk-Based Capital Ratio

Total Risk-Based Capital Ratio* Wisconsin – By Asset Size** 2010Y

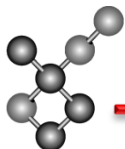


Total Capital Ratio 2009Y	\$1-5B	\$500M-\$1B	\$250-500M	\$100-250M	<\$100M
	13.8%	12.2%	12.9%	13.6%	15.2%

*Defined as: Total Capital (Tier 1 Core Capital + Tier 2 Supplemental Capital) / Risk-Adjusted Assets

**Median of commercial banks, savings banks and savings institutions

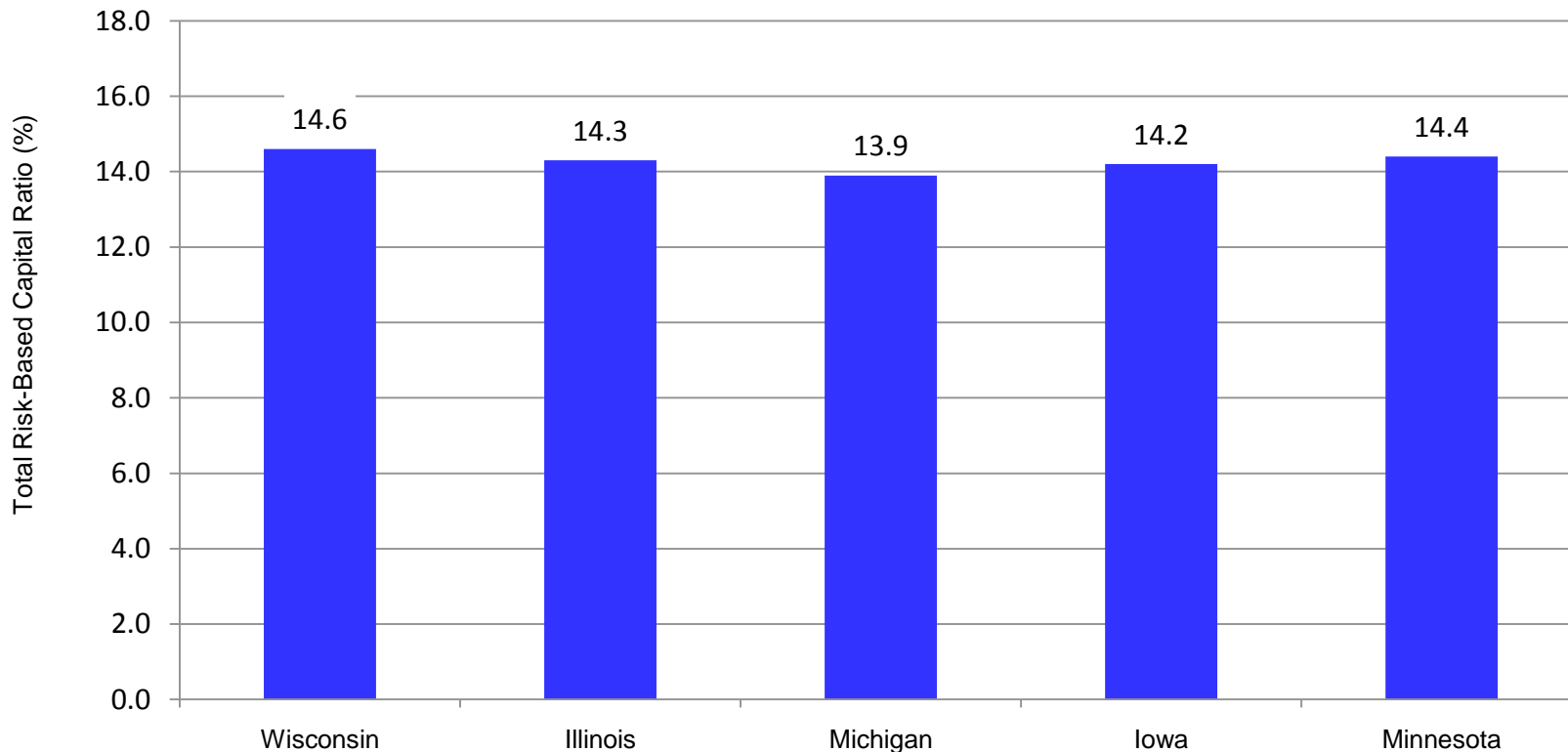
Source: SNL Financial



Capital ratios in Wisconsin were the highest in the region

Risk-Based Capital Ratio

**Total Risk-Based Capital Ratio*
Wisconsin and Neighboring States**
2010Y**



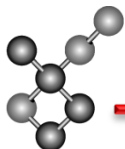
*Defined as: Total Capital (Tier 1 Core Capital + Tier 2 Supplemental Capital) / Risk-Adjusted Assets

**Excludes institutions with >\$20B assets

Source: SNL Financial



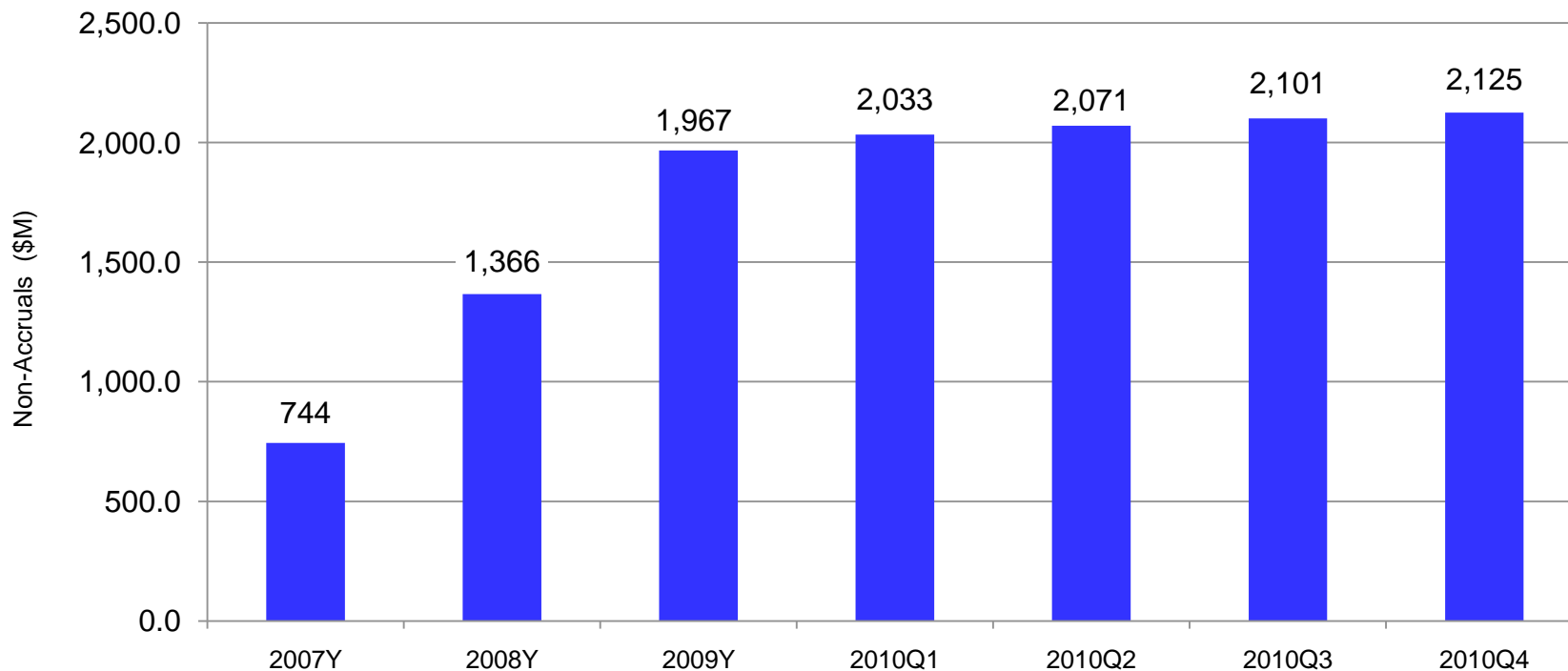
Asset Quality



Non-accrual loans in Wisconsin increased eight percent year-over-year...

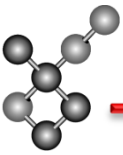
Total Non-Accruals

**Non-Accrual Loans and Leases
Wisconsin Financial Institutions
2007Y – 2010Q4**



*Includes all commercial banks, savings banks and savings institutions headquartered in Wisconsin

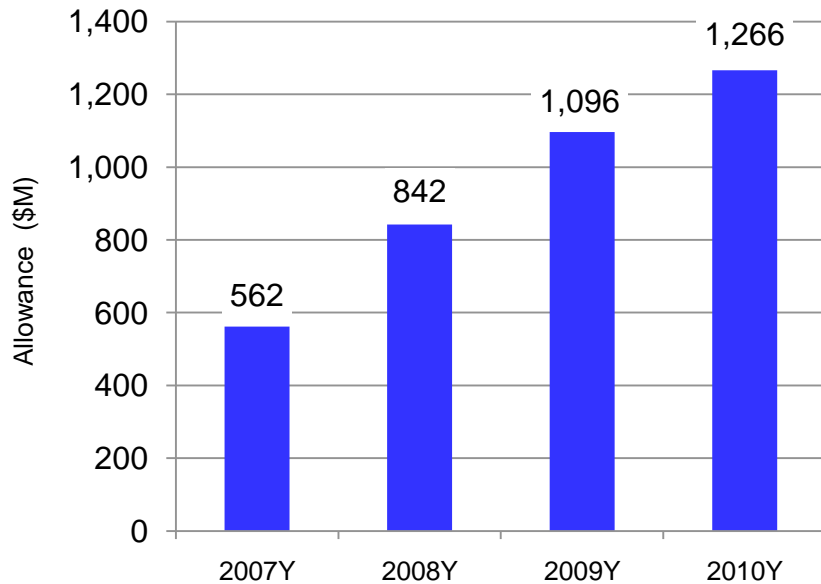
Source: SNL Financial



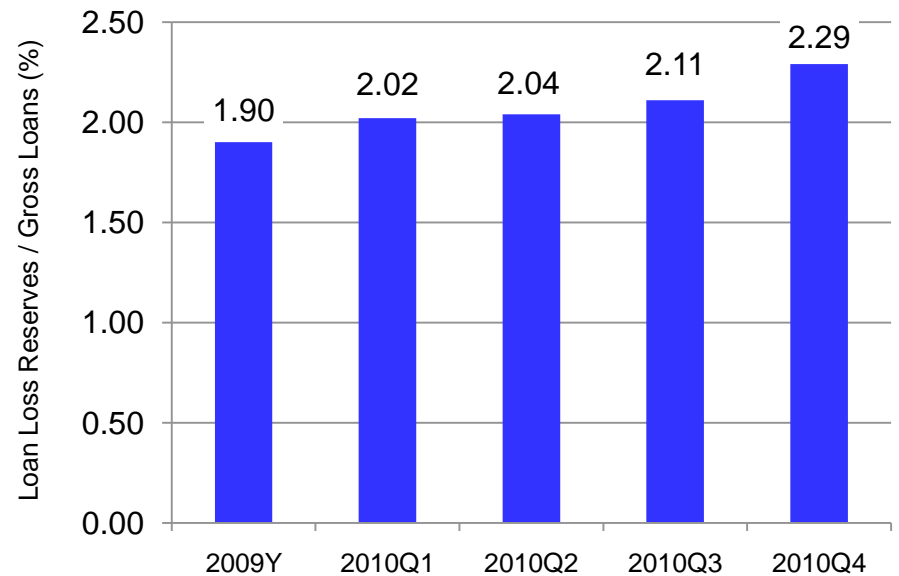
...and allowance for loan losses increased more than 15 percent in 2010 over 2009

Allowance for Loan Losses

Allowance for Loan and Lease Losses* Wisconsin Financial Institutions 2007Y – 2010Y



Loan Loss Reserves / Gross Loans Wisconsin Financial Institutions



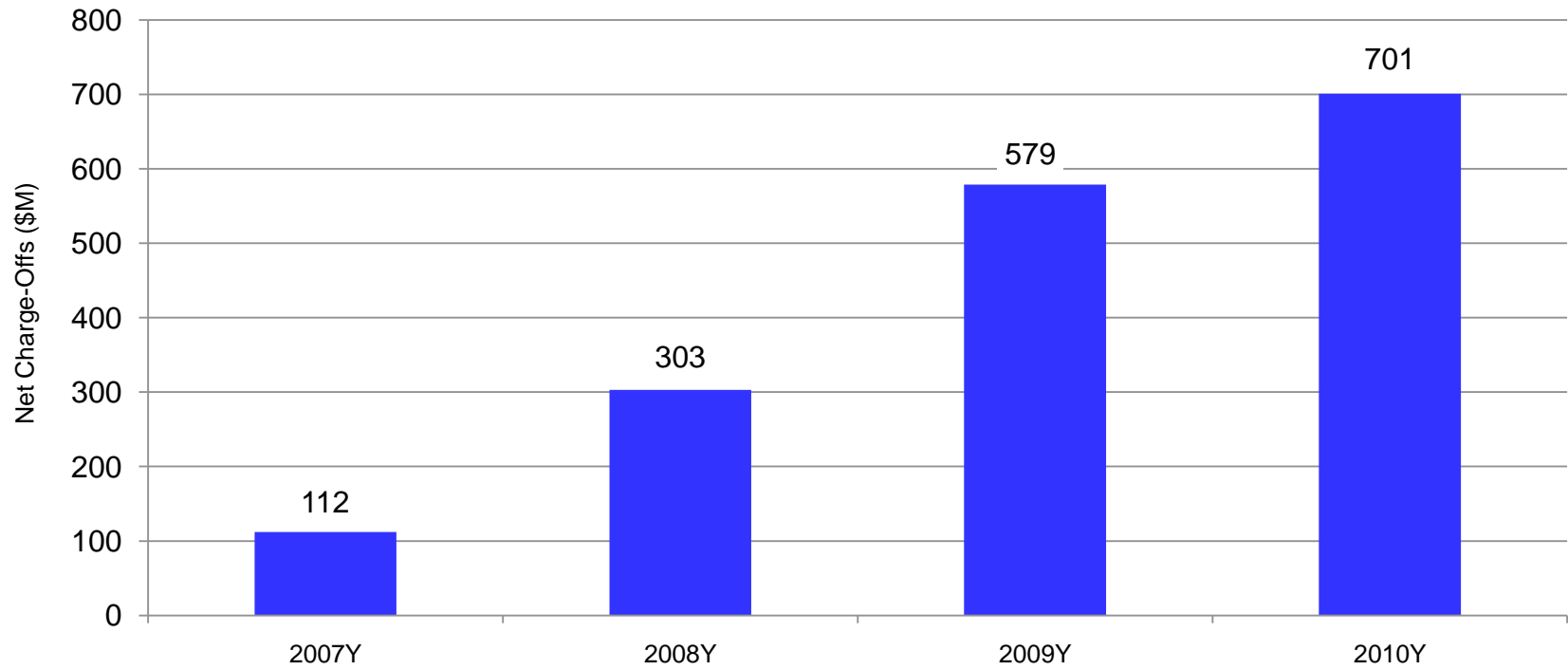
*Defined as: Allowance for loan and lease losses adequate to absorb estimated losses from loan and lease financing receivable portfolios, including all binding commitments to lend (accrued and unpaid interest)

Source: SNL Financial

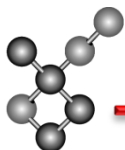
 In addition, net charge-offs increased more than 20 percent overall from 2009 levels

Net Charge-Offs

Net Charge-Offs*
Wisconsin Financial Institutions
2007Y – 2010Y



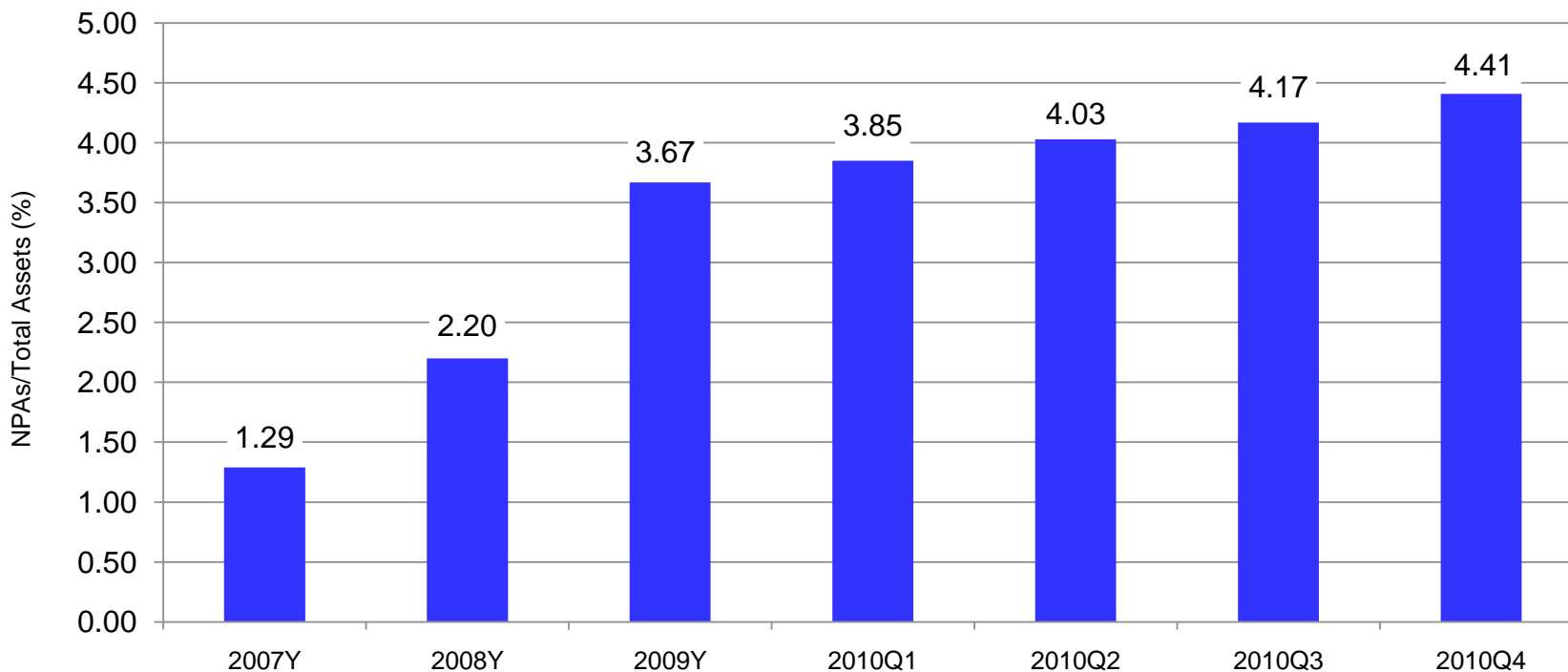
*Defined as: Total Loan & Lease Charge-offs less Total Loan & Lease Recoveries
Source: SNL Financial



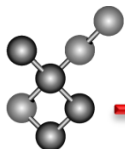
Non-performing assets as a percentage of total assets increased 74 basis points in 2010...

NPA's/Total Assets

**NPA's / Total Assets
Wisconsin Financial Institutions*
2007Y – 2010Q4**



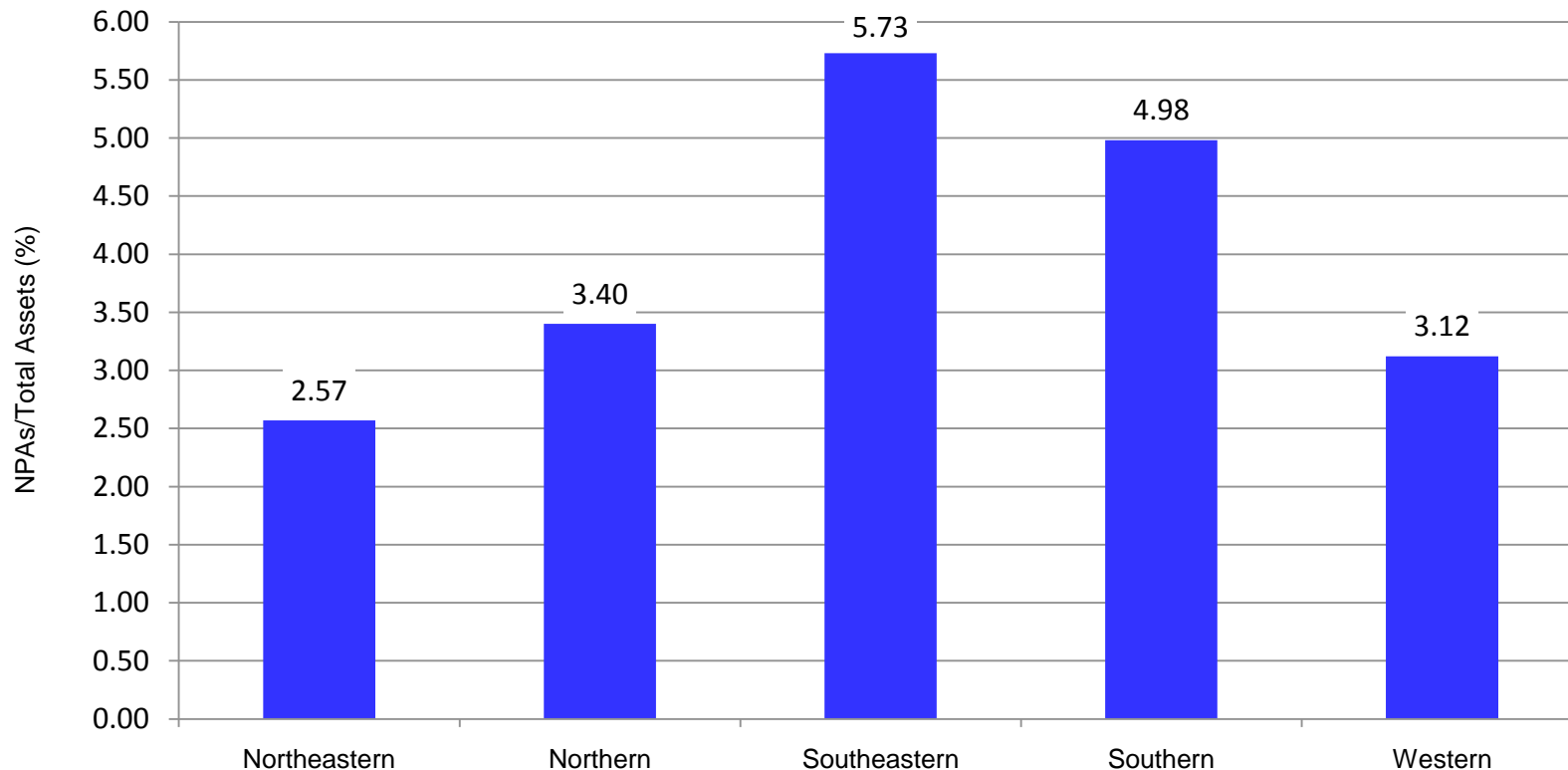
*Weighted average of all commercial banks, savings banks and savings institutions headquartered in Wisconsin
Source: SNL Financial



...with NPAs/Total Assets being highest in the Southeastern region

NPAs/Total Assets

**NPAs / Total Assets
Wisconsin – By Region*
2010Y**



*Weighted average of institutions in each region

Source: SNL Financial

NPAs/Total Assets increased across all asset categories in Wisconsin in 2010 except for institutions with less than \$100 million in assets

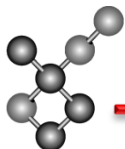
NPAs/Total Assets

**NPAs / Total Assets
Wisconsin – By Asset Size*
2010Y**



NPAs/Total Assets 2009Q4	\$1-5B	\$500M-\$1B	\$250-500M	\$100-250M	<\$100M
	3.47%	2.65%	3.70%	2.38%	2.45%

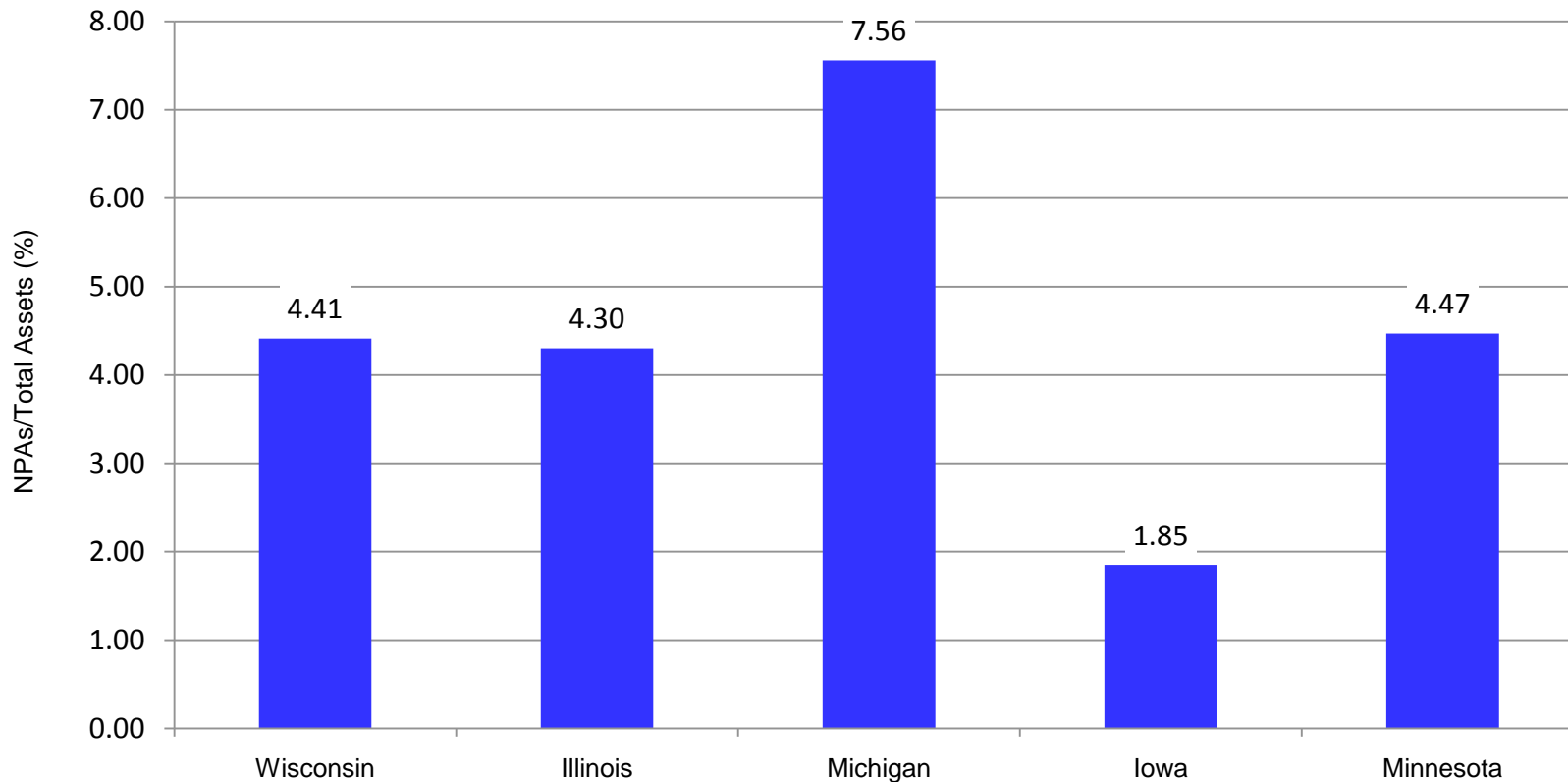
*Median of commercial banks, savings banks and savings institutions headquartered in Wisconsin
Source: SNL Financial



Banks in Michigan had the highest levels of non-performing assets in the region

NPAs/Total Assets

NPAs / Total Assets Wisconsin and Neighboring States* 2010Y



*Excludes institutions with >\$20B assets

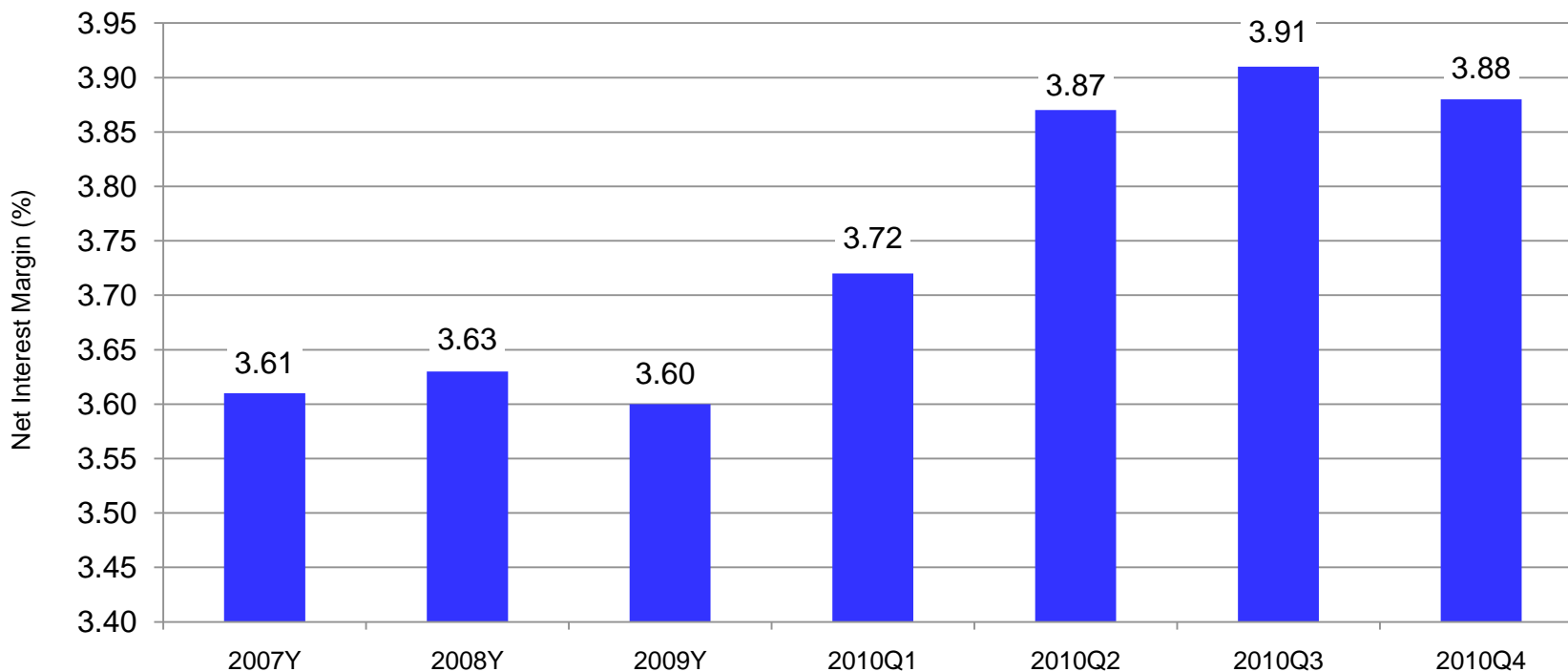
Source: SNL Financial

Income Statement Analysis

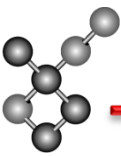
Net interest margin for banks in Wisconsin increased each quarter during 2010. For the full year, it was 3.85%, up 25 basis points from 2009

Net Interest Margin

**Net Interest Margin (FTE)
Wisconsin Financial Institutions*
2007Y – 2010Q4**



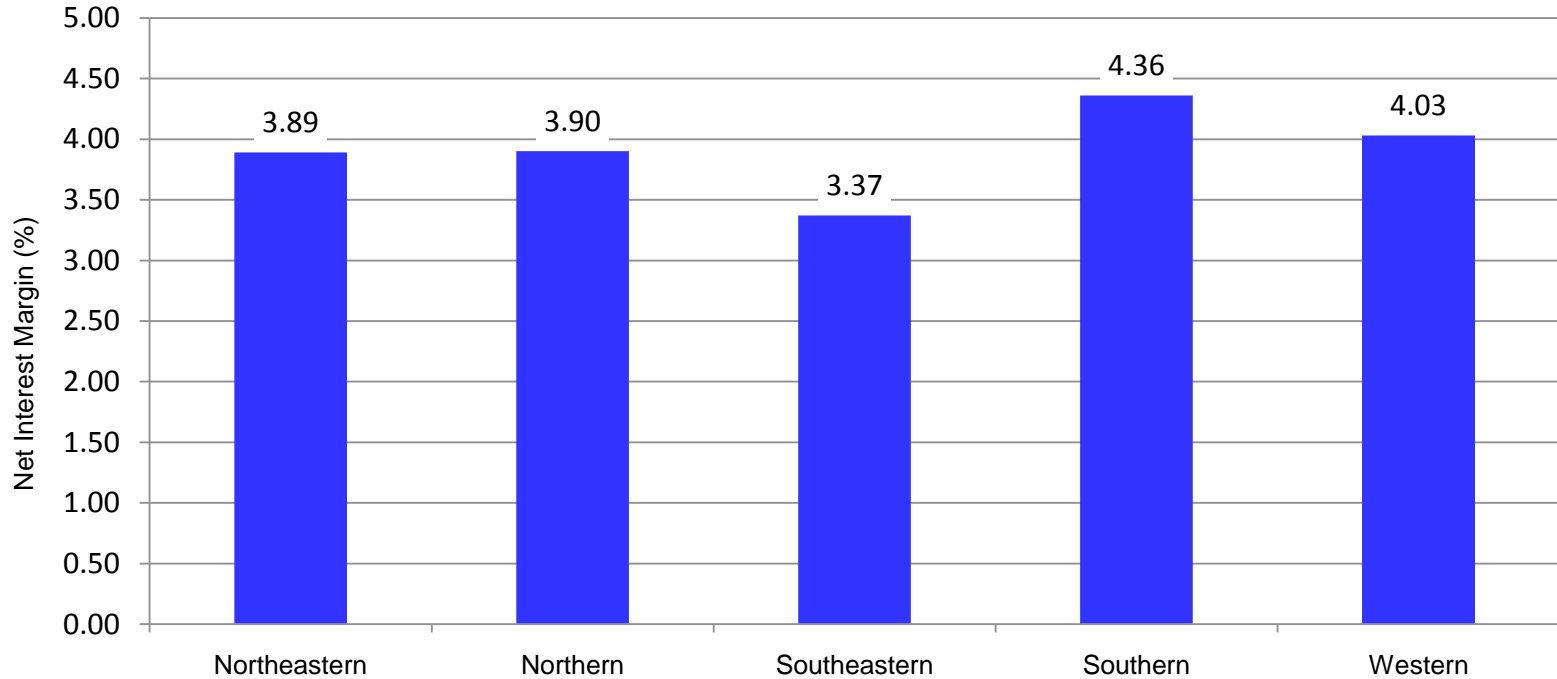
*Represents weighted average of all commercial banks, savings banks and savings institutions headquartered in Wisconsin
Source: SNL Financial



Net interest margin improved across the state, with the greatest improvement in the Southern region

Net Interest Margin

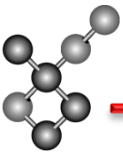
Net Interest Margin Wisconsin – By Region* 2010Y



	Northeastern	Northern	Southeastern	Southern	Western
NIM 2009Y	3.63%	3.77%	3.19%	3.95%	3.90%

*Weighted average of institutions in each region

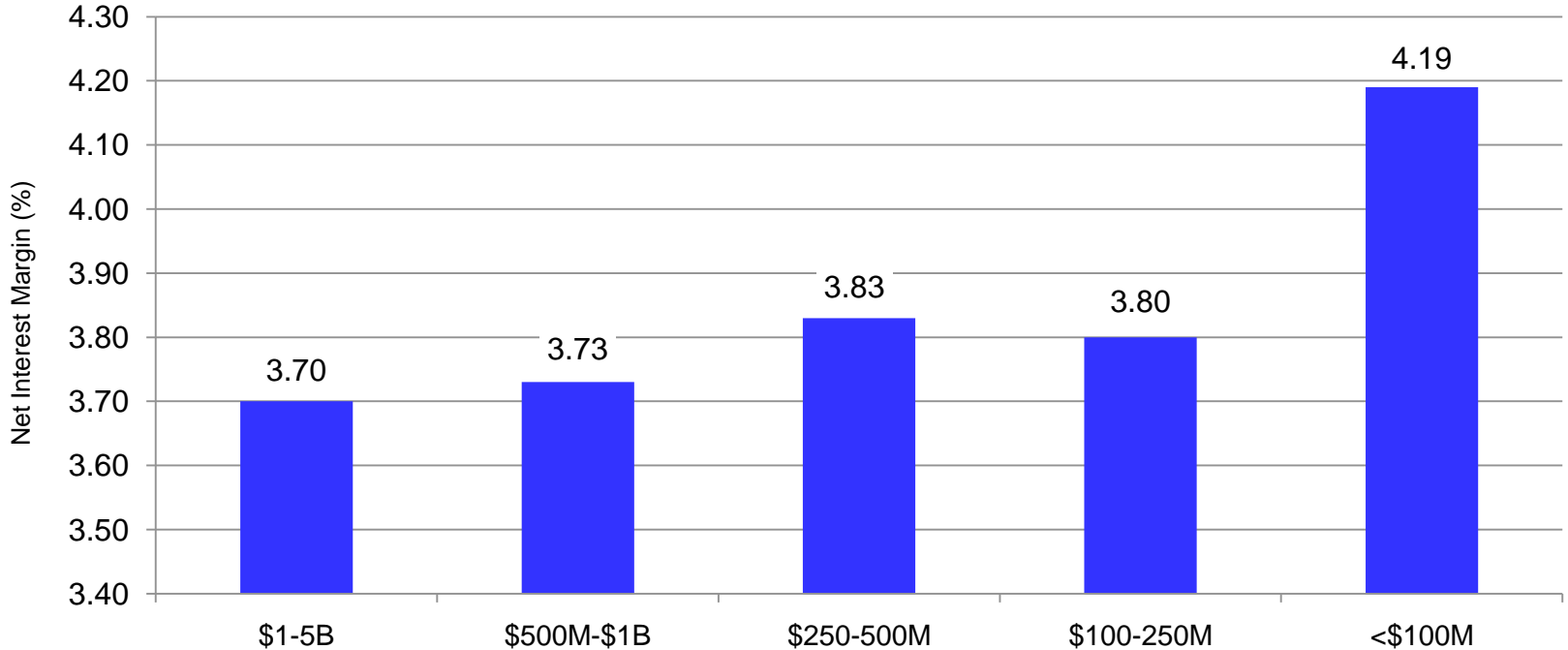
Source: SNL Financial



Net interest margins increased across all asset categories

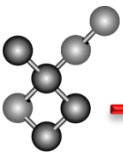
Net Interest Margin

Net Interest Margin Wisconsin – By Asset Size* 2010Y



NIM 2009Y	3.47%	3.62%	3.55%	3.68%	4.13%
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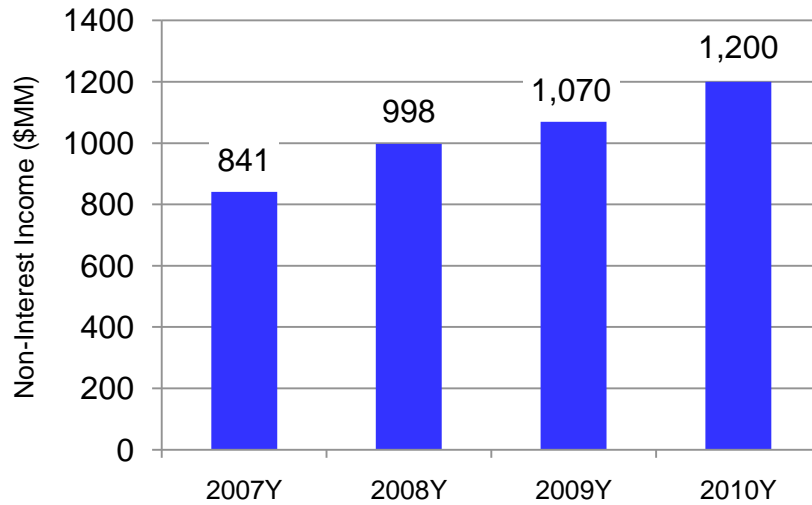
*Median of commercial banks, savings banks and savings institutions
Source: SNL Financial



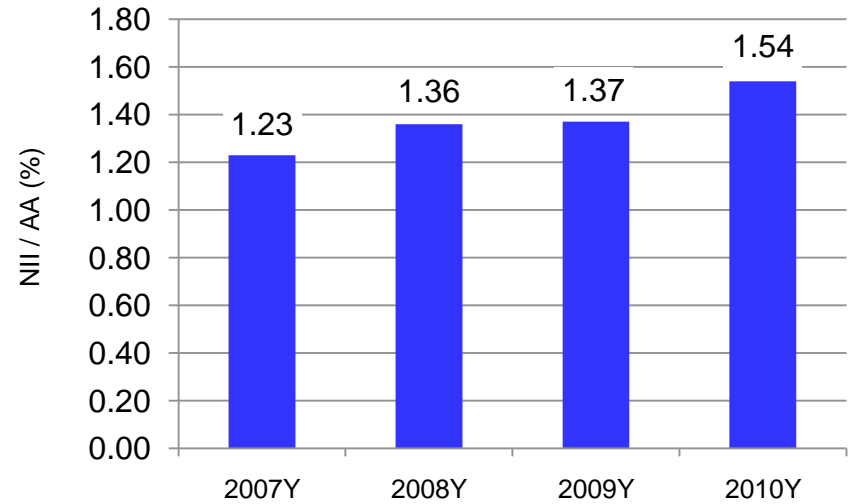
Non-interest income in Wisconsin grew more than 12 percent in 2010

Non-Interest Income

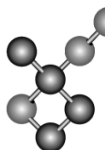
Non-Interest Income Wisconsin Financial Institutions 2007Y – 2010Y



Non-Interest Income / Average Assets Wisconsin Financial Institutions* 2007Y – 2010Y



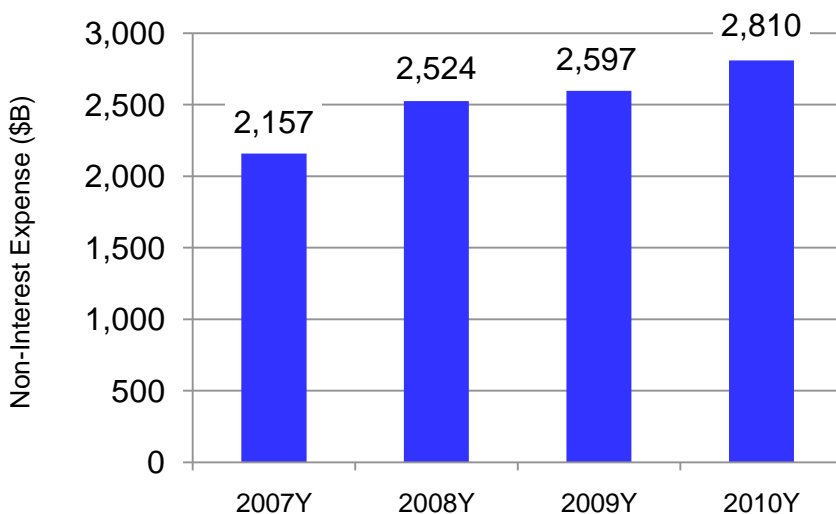
*Represents weighted average of all commercial banks, savings banks and savings institutions headquartered in Wisconsin
Source: SNL Financial



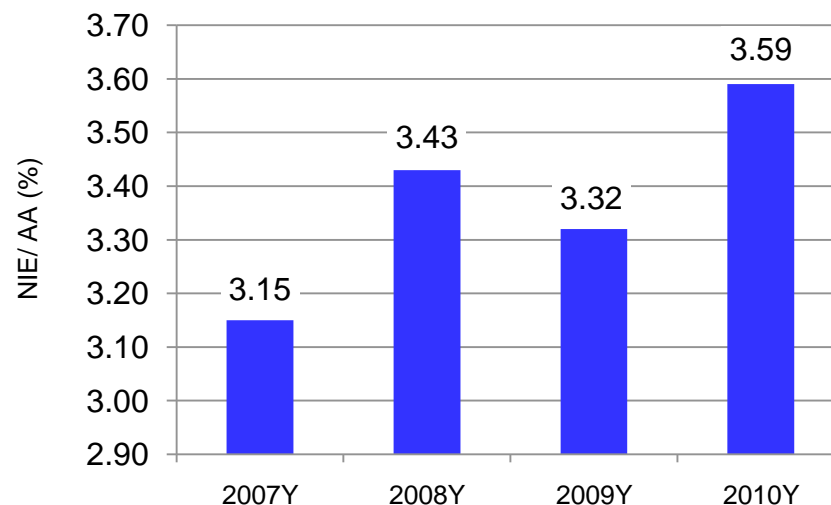
Growth in non-interest expense at Wisconsin banks grew significantly more than assets, up eight percent in 2010 compared to a three percent decline in assets

Non-Interest Expense

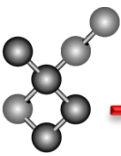
Non-Interest Expense Wisconsin Financial Institutions 2007Y – 2010Y



Non-Interest Expense/ Average Assets Wisconsin Financial Institutions* 2007Y – 2010Y



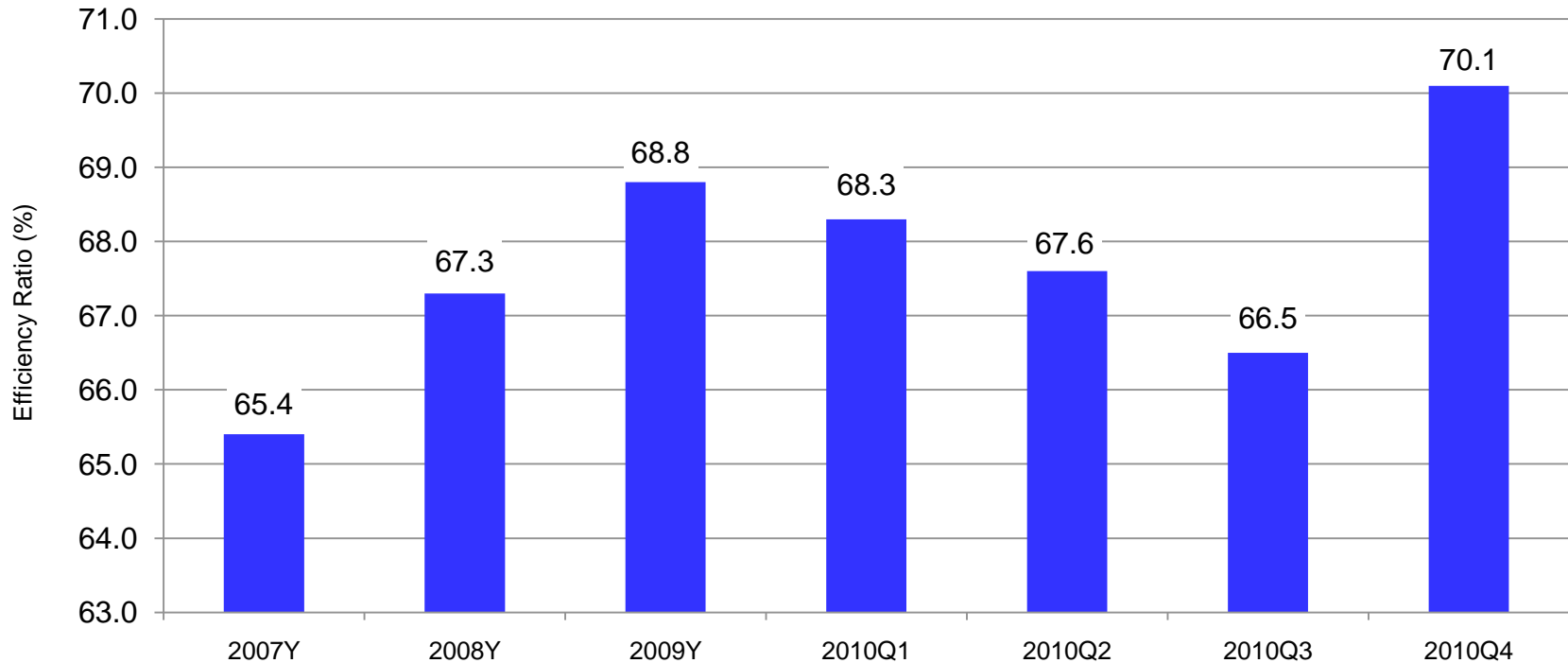
*Represents weighted average of all commercial banks, savings banks and savings institutions headquartered in Wisconsin
Source: SNL Financial



The average efficiency ratio in Wisconsin declined slightly in the past year, from 68.8% in 2009 to 68.1% in 2010 on a full-year basis

Efficiency Ratio

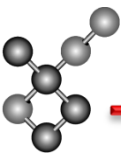
Efficiency Ratio*
Wisconsin Financial Institutions**
2007Y – 2010Q4



*Defined as: Total noninterest expense, less amortization of intangible assets, divided by net interest income on a fully taxable equivalent basis and noninterest income. For savings institutions = operating expense as a percent of operating revenue.

**Average of all commercial banks, savings banks and savings institutions headquartered in Wisconsin

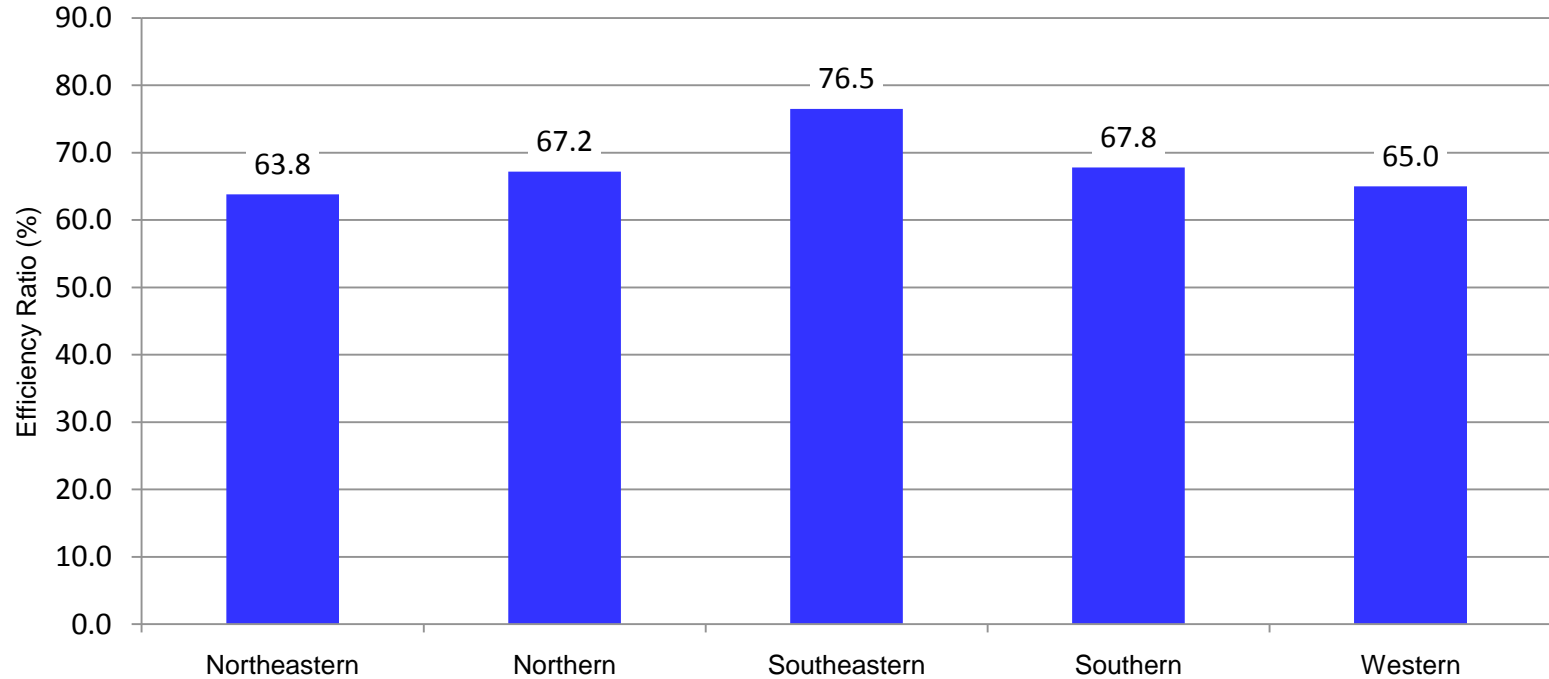
Source: SNL Financial



...with the greatest improvement in the Northern region, which saw a decline of more than 200 basis points

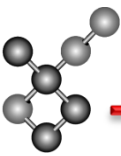
Efficiency Ratio

**Efficiency Ratio
Wisconsin – By Region*
2010Y**



Efficiency Ratio 2009Y	65.0%	69.4%	75.7%	67.2%	66.8%
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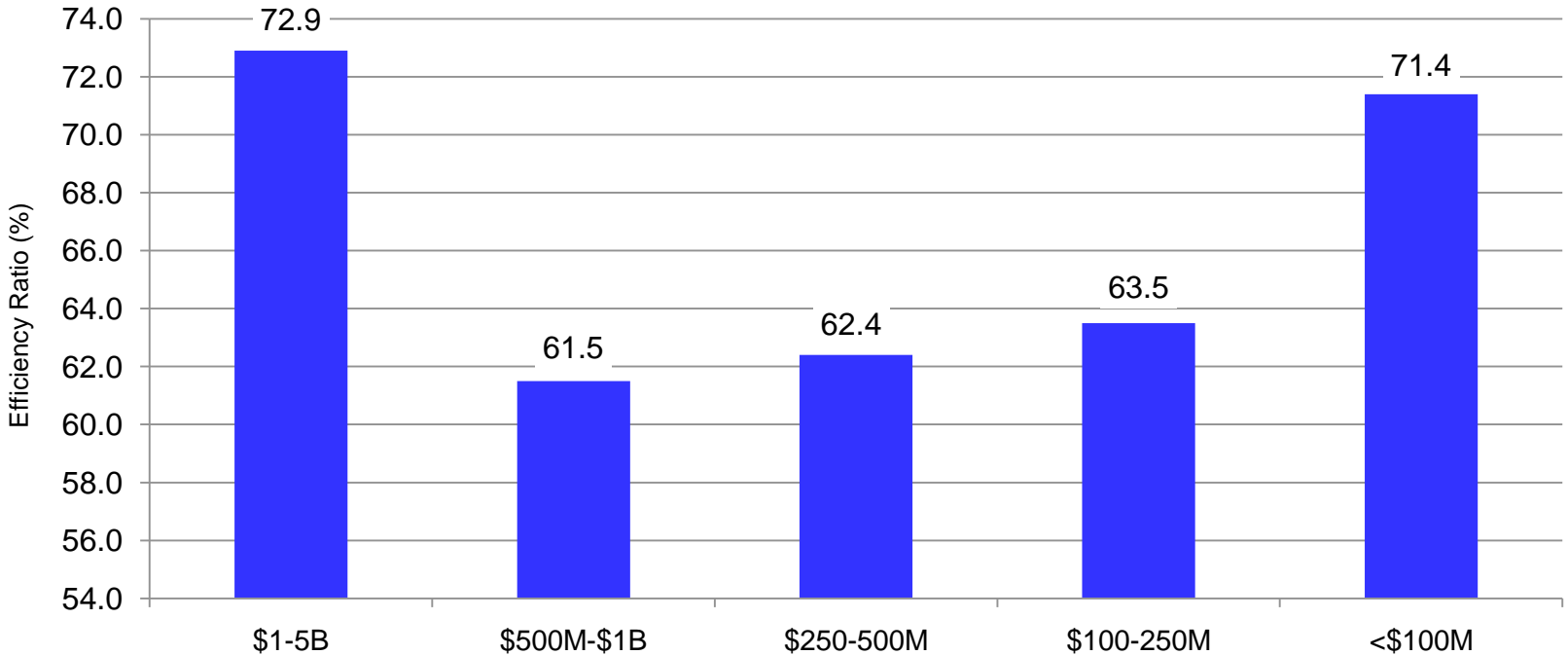
*Average of institutions in each region
Source: SNL Financial



Institutions in the \$500 million to \$1 billion asset range experienced the greatest improvement in the efficiency ratio year-over-year

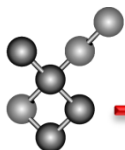
Efficiency Ratio

**Efficiency Ratio
Wisconsin – By Asset Size*
2010Y**



Efficiency Ratio 2009Y	\$1-5B	\$500M-\$1B	\$250-500M	\$100-250M	<\$100M
	73.4%	64.0%	62.1%	65.6%	70.8%

*Average of institutions in each asset classification
Source: SNL Financial



The most efficient banks in the state have efficiency ratios ranging from 19 to 34 percent

Top Performing Institutions – 2010Y

Efficiency Ratio* – 2010Y Top Performers by Asset Size

Asset Range	Institution	2010Y Efficiency Ratio	Assets – 2010Q4 - \$M
\$1 – 5B	FPC Financial, FSB ¹	33.9%	1,895
\$500M - \$1B	Charter Bank Eau Claire	30.0%	535
\$250M – 500M	West Pointe Bank	31.0%	409
\$100M – 250M	Bank of Alma	18.6%	198
<\$100M	La Farge State Bank	28.0%	49

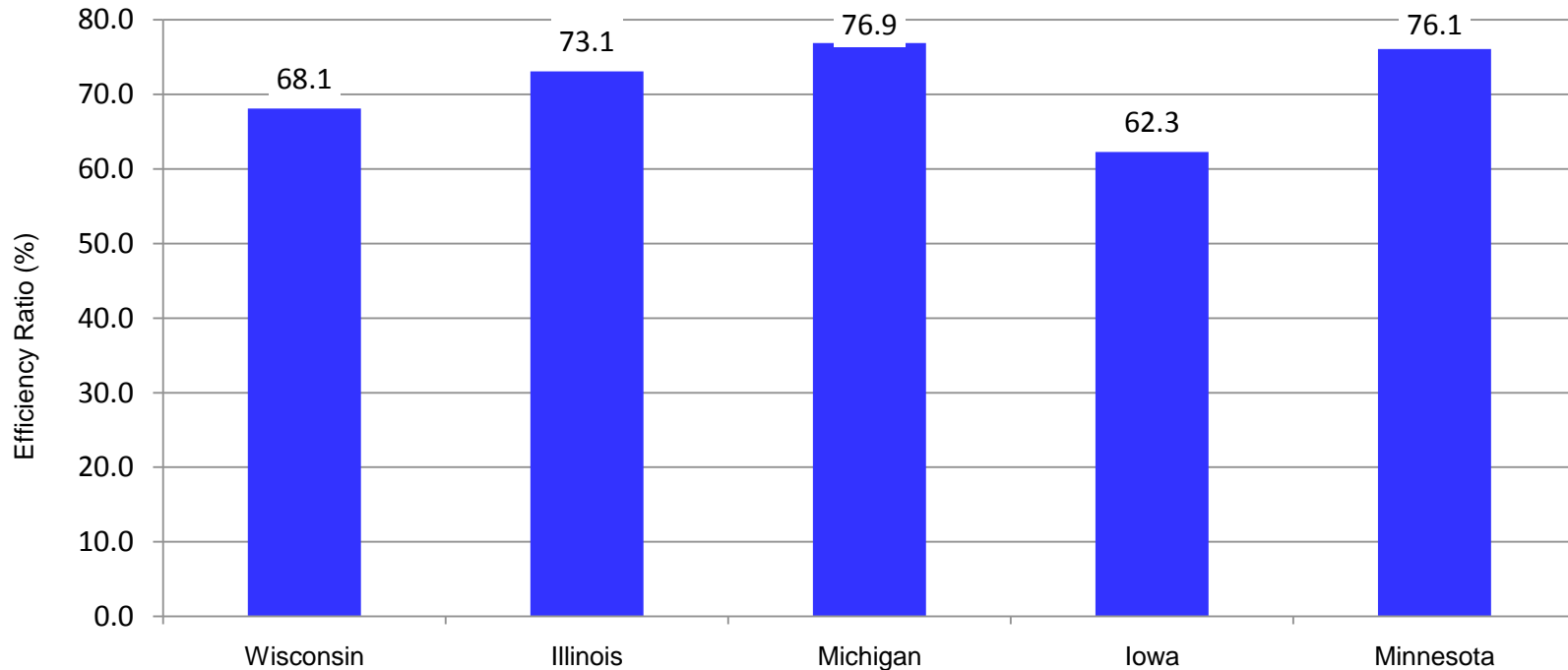
*Defined as: Total noninterest expense, less amortization of intangible assets, divided by net interest income on a fully taxable equivalent basis and noninterest income. For savings institutions = operating expense as a percent of operating revenue.

¹Subsidiary of John Deere Capital Corporation; next best efficiency ratio was National Exchange Bank & Trust at 46.2% for full-year 2010
Source: SNL Financial

Wisconsin's efficiency ratio was second lowest in the region, with Iowa banks having the best efficiency ratio overall

Efficiency Ratio

Efficiency Ratio*
Wisconsin and Neighboring States**
2010Y



*Defined as: Total noninterest expense, less amortization of intangible assets, divided by net interest income on a fully taxable equivalent basis and noninterest income. For savings institutions = operating expense as a percent of operating revenue.

**Excludes institutions with >\$20B assets

Source: SNL Financial

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