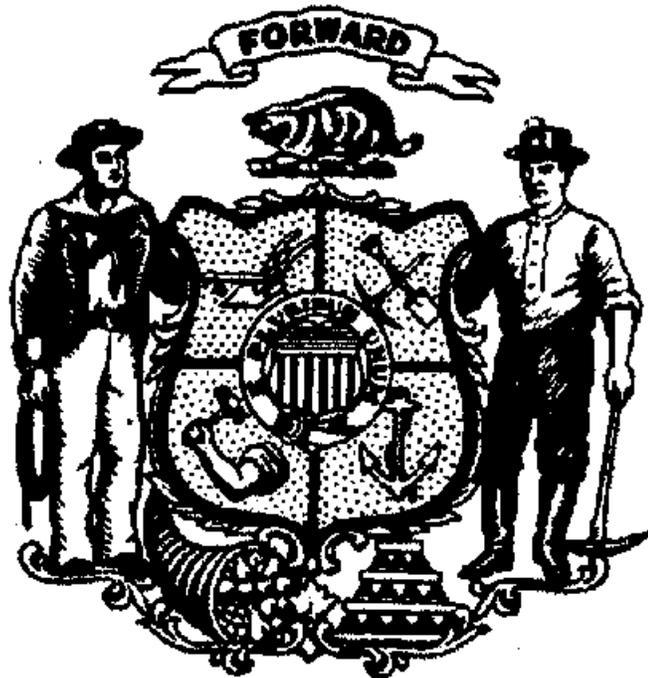


DFI

2007

ANNUAL REPORT



STATE OF WISCONSIN
DEPARTMENT OF
FINANCIAL INSTITUTIONS



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State of Wisconsin
Department of Financial Institutions

Jim Doyle, **Governor**

Lorrie Keating Heinemann, **Secretary**

On behalf of the Wisconsin Department of Financial Institutions (DFI), I am honored to present our 2007 Annual Report. Our regulatory base at the DFI continues to grow; we now regulate 227 state chartered banks, 260 state chartered credit unions (through our Office of Credit Unions), and 111,032 licensed securities representatives. We also are the corporate filing agent for 389,734 companies who are registered through our Division of Corporations and Consumer Services.

The Department's mission is to ensure the safety and soundness of Wisconsin's financial institutions, to protect consumers of financial services, and to facilitate economic growth in Wisconsin by ensuring access to capital for Wisconsin's entrepreneurs.

These goals guide DFI's actions and provide a framework to review items of note from the past year.

Our Division of Banking, led by Mike Mach, reports that banks had satisfactory performance in 2007 and that there was an increase of \$9.6 billion (10.4%) in assets of state-chartered banks, totaling \$100.4 billion as of December 31, 2007. The number of state chartered banks remained steady throughout 2007 at 227, which continues a five-year trend. One new bank, Settlers Bank located in DeForest, received its charter in 2007. Furthermore, four out-of-state financial institutions merged into Wisconsin state chartered banks in 2006 accounting for \$5 billion of the increase in assets. The number of national banks in Wisconsin remained the same at 39 in 2006. The assets of national banks in Wisconsin was \$31.2 billion as of year end 2007 which is slight increase from the previous year (\$30.1 billion).

Our Office of Credit Unions (OCU), led by Suzanne Cowan, reports that the credit union industry remains solid and that their assets are continuing to grow. As of December 31, 2007, OCU regulated 260 state-chartered credit unions with assets totaling over \$16.5 billion. This is compared to 267 state-chartered credit unions with assets of \$15.7 billion after 2006. These figures represent a net worth/assets ratio for all Wisconsin credit unions of 11.19% as of December 31, 2007. Total net worth for Wisconsin credit unions was \$1.9 billion which is a \$102 million increase over 2006. The decrease in the number of credit unions is due to the consolidation in the industry.

Our Division of Securities, led by Patricia Struck, also protects consumers through surveillance of the activities of broker-dealer and investment adviser firms as well as by taking corrective action to address violations of the securities laws. In 2006, the growth trend in the number of broker-dealer agents identified in prior years gained momentum, resulting in all-time record numbers of securities agents licensed in Wisconsin. The number of securities agents licensed at year end was 111,032 representing an increase of 7%. The number of broker-dealer firms increased slightly, to 1942. In addition, the Division of Securities is the sole regulator of smaller investment advisers and all investment adviser representatives licensed in Wisconsin. Wisconsin-licensed investment advisers numbered 268 at year-end, and investment adviser representatives 373.

Our Office of Consumer Affairs (OCA), headed by Paul Egide, continues to provide direct benefits to consumers. Its investigation of complaints resulted in restitution amounting to \$264,000. This restitution was the result of 5,685 telephone contacts and 2,961 written inquiries/complaints. In addition to these requests, OCA reviewed 102 contracts for compliance with the Wisconsin Consumer Act at the request of creditors or as part of an examination. The Wisconsin Consumer Act provides additional protections for consumers with credit transactions under \$25,000.

Protecting consumers in their financial transactions also involves education. Through our Office of Financial Literacy (OFL), led by Dave Mancl, our National Institute of Financial and Economic Literacy through 2007 has trained over 500 teachers, who then taught their personal finance curriculum to over 50,000 students in our state. Continuing its partnership with Governor

Jim Doyle's Council on Financial Literacy in 2007, OFL spearheaded the second annual Money Smart Week Wisconsin. The ambitious campaign far exceeded expectations with 579 partners, 761 events and 8,500 participants. OFL also took the lead role in DFI's involvement in providing 23 Financial Literacy Innovation Awards of up to \$5,000 and totaling over \$91,000 to help Wisconsin educators implement in creative, new ways Wisconsin's Model Academic Standards for Personal Financial Literacy.

Our Division of Corporations and Consumer Services led by Cheryl Olson-Collins is the filing agent for corporate entities in Wisconsin. The Corporations Bureau reached recorded over 186,000 registered limited liability corporations in 2007. The creation of new domestic business entities remained steady with 32,701 entities created in 2007 to 32,216 in 2008. There was a slight decrease in licensing of new foreign entities from 3,159 in 2007 to 2,998 in 2008.

The Corporations Bureau also remains committed to the use of improving technology to enhance work operations and improve customer service. This year, approximately 95% of filings will be filed electronically with several new applications, including electronic filing of charter documents, currently being developed.

Uniform Commercial Code customers are taking greater advantage of electronic versus paper filing services. During the 2007 fiscal year, there were 31,991 filings submitted in paper form, while 141,718 documents were filed using the web-based InstantFile System. During that same period there were 2,142,159 online searches performed.

DFI's goal to facilitate economic growth continues to focus on "entrepreneurship" and "access to capital" under Governor Jim Doyle's GROW WI Plan. We continue to partner with the Wisconsin Technology Council and Department of Commerce to champion and fund the Wisconsin Angel Network, which is run by our experienced Director, Joe Kremer. The mission of WAN is to increase the number and amount of early-stage equity investments made into Wisconsin companies, creating jobs and improving the economy. Overall early stage investments into start up and young companies grew significantly in Wisconsin to reach \$146 million in 2007, compared to \$102.9 million in 2006. WAN's membership increased to 20 networks/strategic corporate investor groups, up from 16 in 2006. Our member networks represent over 250 angel investors in the state, and many outside our borders. We continue to provide education, networking, and deal flow / syndication opportunities to WAN members. As a reflection of our commitment to our mission, WAN was recently recognized as a best practice by the National Governor's Association and was featured in the Inc. Magazine's August 2008 issue. For more information on WAN and our annual Risk Capital report, log into wisconsinangelnetwork.com.

In closing, we are committed to partnering with our federal regulators to ensure the safety and soundness of Wisconsin's financial institutions. While we are experiencing challenging times in the banking industry with the record number of foreclosures in the U.S. and real estate declining values, we remain committed to working with our financial institutions and their clients to ensure that our businesses and our citizens have access to high quality, fairly priced financial services, The Chairman of the FDIC, Sheila Bair, is leading the 75th anniversary of the FDIC by focusing on Financial Literacy. Wisconsin clearly is a leader with our Governor's Council on financial Literacy, and you will continue to see more initiatives committed to educating consumers in the future. DFI is confident that Wisconsin's financial institutions will remain a strong and vital part of our economy.

We welcome your comments at the DFI and appreciate your role in helping Grow Wisconsin.

Sincerely,

A handwritten signature in black ink that reads "Lorrie K. Heinemann". The signature is written in a cursive style with a horizontal line extending to the right.

Lorrie Keating Heinemann, CCM, MBA
Cabinet Secretary

Department of Financial Institutions
Office of the Secretary



2007
ANNUAL REPORT



The Division of Corporate and Consumer Services is responsible for examining and filing charters and business records for corporations and other organizations. It examines documents that affect mergers, consolidations, and dissolutions and reviews annual reports of various businesses, including partnerships, corporations, cooperatives, limited liability companies and foreign corporations. It also examines and files documents under the Uniform Commercial Code, including statements of business indebtedness, consignments, terminations, and financing statements.

CORPORATIONS BUREAU

The Corporations Bureau experienced a slight decrease in the creation of new domestic business entities for the period July 1, 2005 to June 30, 2007 compared to the same period last year. The Bureau also experienced over a 19% decrease in the licensing of new foreign entities during the same period.

The Corporations Bureau continues to use technology to enhance our work operations and improve our customer service.

For this reporting period the Department continued to maintain an electronic filing rate around 70%. The Department continues to update and revised application to allow better customer access and ease of filing.



NEW DOMESTIC ENTITIES CREATED

	<u>07/01/06-06/30/07</u>	<u>07/01/07-06/30/08</u>
Business Corps	3,703	3,555
Statutory Close Corps	354	384
Cooperatives	11	22
Service Corps	179	124
Statutory Close Service Corps	<u>12</u>	<u>7</u>
Corporations only	4,259	4,092
Limited Liability Companies	26,292	26,161
Limited Partnerships	139	164
Limited Liability Partnerships	184	109
Not-for-Profit Corps	<u>1,827</u>	<u>1,690</u>
Total New Domestic Entities	32,701	32,216

NEW FOREIGN ENTITIES LICENSED

	<u>07/01/06-06/30/07</u>	<u>07/01/07-06/30/08</u>
Business Corps	1,488	1,370
Limited Partnerships	76	61
Limited Liability Companies	1,496	1,469
Limited Liability Partnerships	<u>8</u>	<u>12</u>
Total For-Profit only	3,068	2,912
Not-for Profit	<u>91</u>	<u>86</u>
Total New Foreign Entities Licensed	3,159	2,998



The Wisconsin Legislature adopted the Uniform Commercial Code (UCC) in 1963, and it became effective in July of 1965. The UCC Bureau of the Department of Financial Institutions (DFI) is responsible for reviewing, processing, filing and indexing financing statements for secured transactions in this state related to business collateral. These financing statements indicate that a security interest or a claim to goods exists to secure a debt. The security holder of that debt files the statements with the UCC Bureau.

Statements are effective for five years and can be amended, continued or terminated. Financing statements and related documents are received via U.S. Mail, Special Delivery, in person, through service companies and online through DFI's web site www.wdfi.org. These filings then become public records. DFI currently maintains over two million UCC filings and related documents in the statewide lien filing computer system that is centralized at DFI. Via this statewide lien filing system, the UCC Bureau tracks financing statements and related documents for consumer goods and farm collateral. When a financial institution no longer has a security interest, the filing may be terminated.

For the period July 1, 2006 thru June 30, 2007 the UCC filings volume decreased by 8%. During this period over 2,000,000 searches were conducted on the UCC filing data system.

**UCC FILINGS AND TERMINATIONS
FISCAL YEARS COMPARED**

<u>Fiscal Year</u>	<u>Filings</u>	<u>Terminations</u>	<u>Total</u>
1977	38,027	10,005	48,032
1978	42,108	11,532	53,640
1979	41,264	11,083	52,347
1980	41,149	10,274	51,423
1981	44,943	11,585	56,528
1982	46,131	12,252	58,383
1983	55,454	13,341	68,795
1984	60,472	14,489	74,961
1985	61,297	14,659	75,956
1986	64,676	15,991	80,667
1987	70,046	18,213	88,259
1988	71,481	18,734	90,215
1989	70,672	19,068	89,740
1990	70,720	19,423	90,143
1991	69,416	18,531	87,947
1992	74,622	20,646	95,268
1993	75,105	21,241	96,346
1994	75,230	22,246	97,476
1995	79,486	21,259	100,745
1996	77,905	22,016	99,921
1997	85,752	23,419	109,169
1998	87,323	24,583	111,906
1999	81,338	26,178	107,516
2000	86,479	24,949	111,428
2001	84,786	23,268	108,054
2002	103,934	72,032	175,966
2003	137,021	65,158	202,179
2004	139,278	65,307	204,585
2005	128,775	55,674	184,449
2006	132,182	53,205	185,387
2007	125,357	48,266	173,623
2008	123,550	48,724	172,274



UCC FILINGS VOLUME BY MONTH

Month	A	B	C	D	E
July	2,036	642	156,628	7,804	3,302
August	2,097	646	156,469	7,935	3,584
September	1,578	464	142,943	7,242	3,033
October	2,212	655	193,760	8,420	3,788
November	2,160	585	189,824	7,365	3,430
December	1,742	559	156,627	7,735	2,734
January	2,275	786	200,195	8,955	3,537
February	1,842	614	158,379	7,304	3,169
March	1,925	717	156,918	7,910	3,325
April	2,278	762	197,500	9,804	4,010
May	2,117	897	207,212	9,817	3,434
June	2,325	837	176,123	8,672	3,214
Totals	24,587	8,164	2,092,578	98,963	40,560

*

TABLE GUIDE:

A - PAPER FILINGS (ORIGINALS, AMENDMENTS, CONTINUATIONS, RELEASES AND ASSIGNMENTS)

B.- PAPER TERMINATIONS

C.- WEB SEARCHES (BOTH NAME AND FILE NUMBER)

D.- ELECTRONIC FILINGS- (ORIGINALS, AMENDMENTS, AND CONTINUATIONS)

E- ELECTRONIC TERMINATIONS

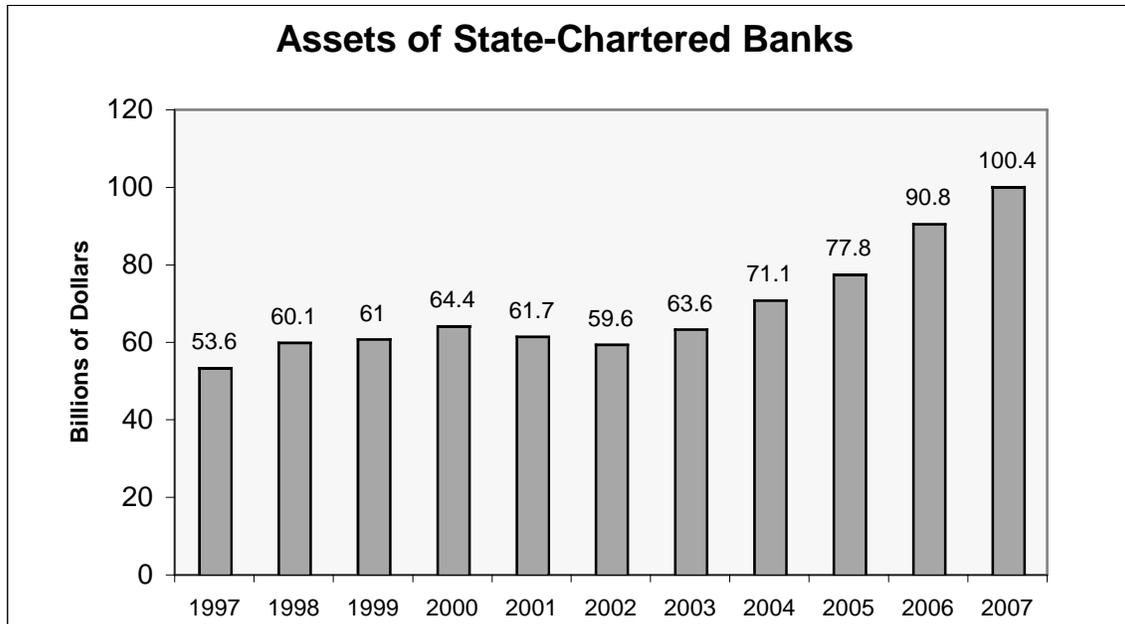


The year 2007 was tumultuous for the mortgage markets. Nationwide numerous mortgage lenders went out of business. Wisconsin also experienced a contraction in the mortgage industry with the number of licensees declining from 2006. The number of mortgage banker licenses declined by 115, mortgage broker licenses declined by 62, and loan originator licenses declined by 3,704.

Wisconsin's state-chartered banks continue to grow. Total assets held by state-chartered bank as of year end 2007 were \$100.4 billion an increase from \$90.8 billion at year end 2006. The number of state-chartered banks decreased slightly in 2007 to 227 as compared with 233 in 2006. One new bank, Settlers Bank located in DeForest, received its charter in 2007 and one national bank, Security National Bank, located in Durand now known as Security Financial Bank, converted to a state-chartered bank.

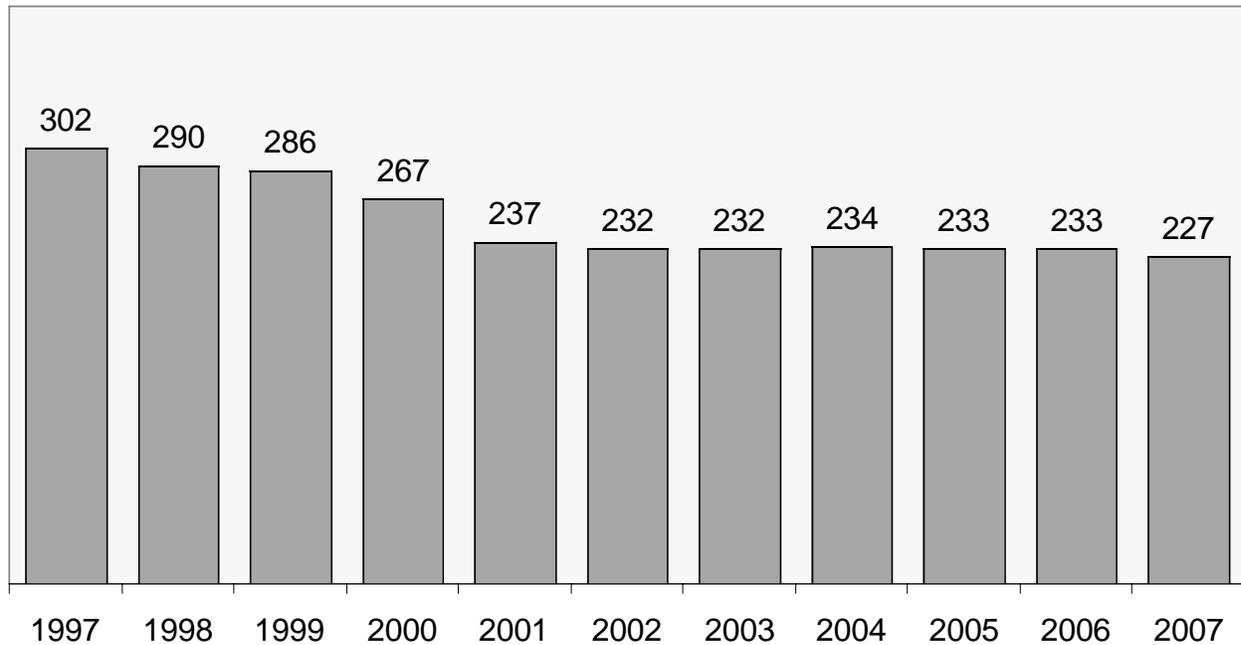
Contracting net interest margins continued to create challenges for bank earnings. The return on average assets ("ROAA") for Wisconsin's state-chartered banks for 2007 was 0.89%, a decrease from 1.15% for 2006.

Two members of the Division's staff marked milestone anniversaries in 2007. In the Banking Section, Thomas Forsythe celebrated 20 years. In the Mortgage Banking Section, Karen Parker celebrated 10 years.

State-Chartered Banks

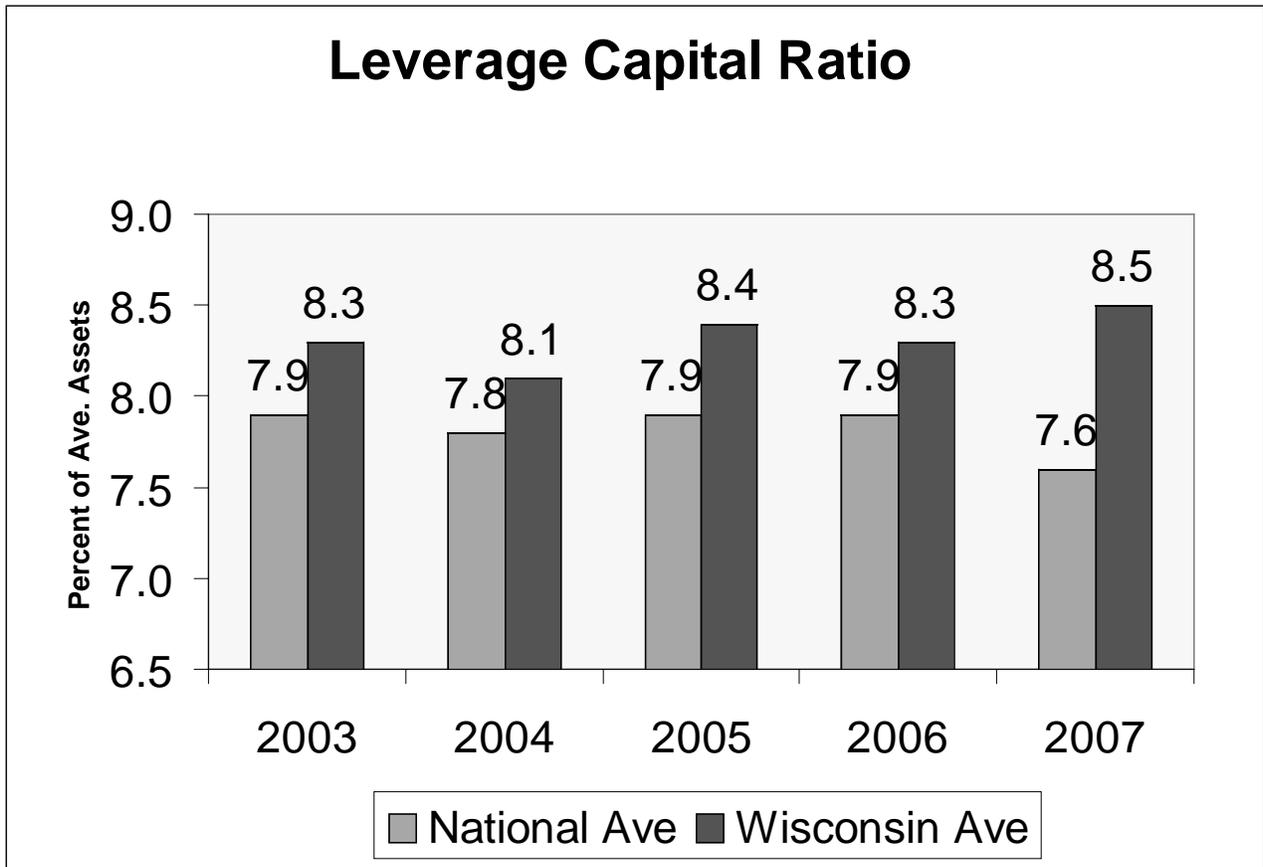
The assets of the state-chartered banks headquartered in Wisconsin totaled \$100.2 billion as of December 31, 2007, an increase of \$9.4 billion or 10.4% from the previous year. The number of state chartered banks declined by six during 2007 to 227, which includes 4 non-depository trust companies. Eight banks merged into other banks during 2007, seven banks merged into other Wisconsin state banks and one merged into an out of state bank. One new state chartered bank was established and one national bank in Wisconsin converted to a state charter in 2007. Three out of state financial institutions merged into Wisconsin state chartered banks during 2007 accounting for a \$1.5 billion increase in assets. Excluding the mergers, Wisconsin state chartered banks grew by 8.8%. The number of national banks in Wisconsin remained the same at 39 in 2007. One new national bank was chartered in 2007. The assets of national banks in Wisconsin was \$31.2 billion as of year end 2007 which is slight increase from the previous year.

Number of State-Chartered Banks



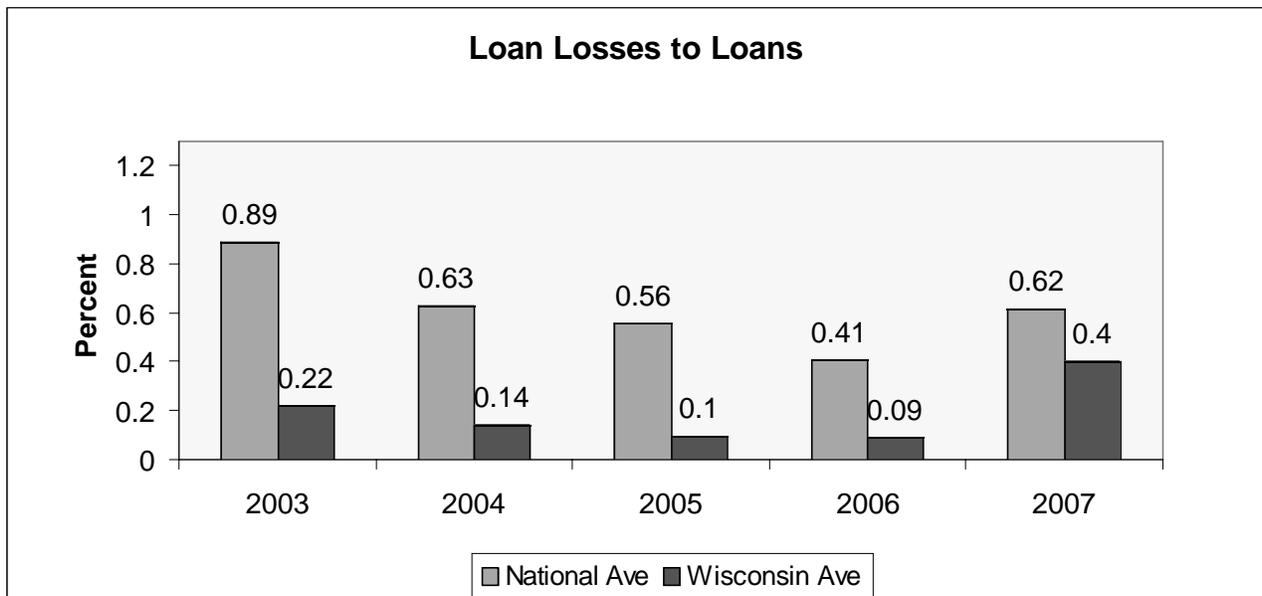
Bank Performance

State-chartered banks in Wisconsin had satisfactory performance in 2007. The capital, asset quality, earnings of the industry reflects satisfactory performance by management.



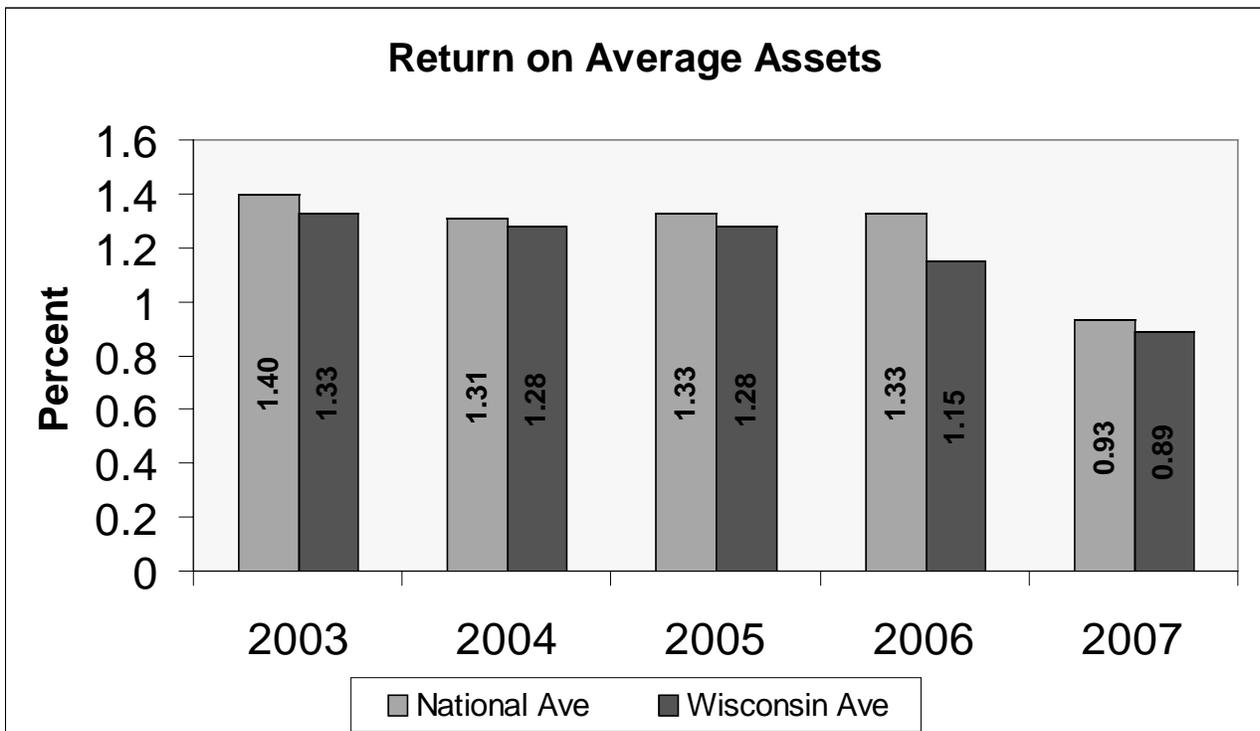
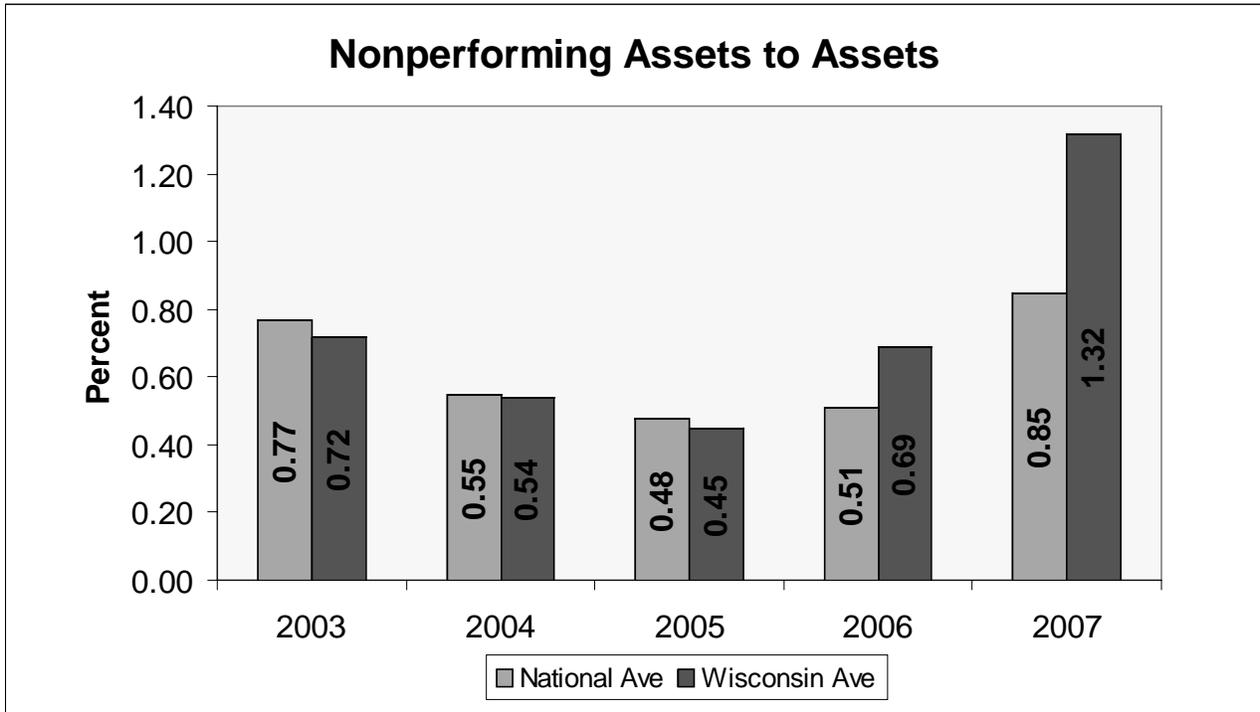
Capital

A primary indicator of bank strength is the amount of capital relative to bank assets. Capital represents a margin of protection against failure. The core capital (leverage) ratio is higher than the national average and has increased since prior year-end.



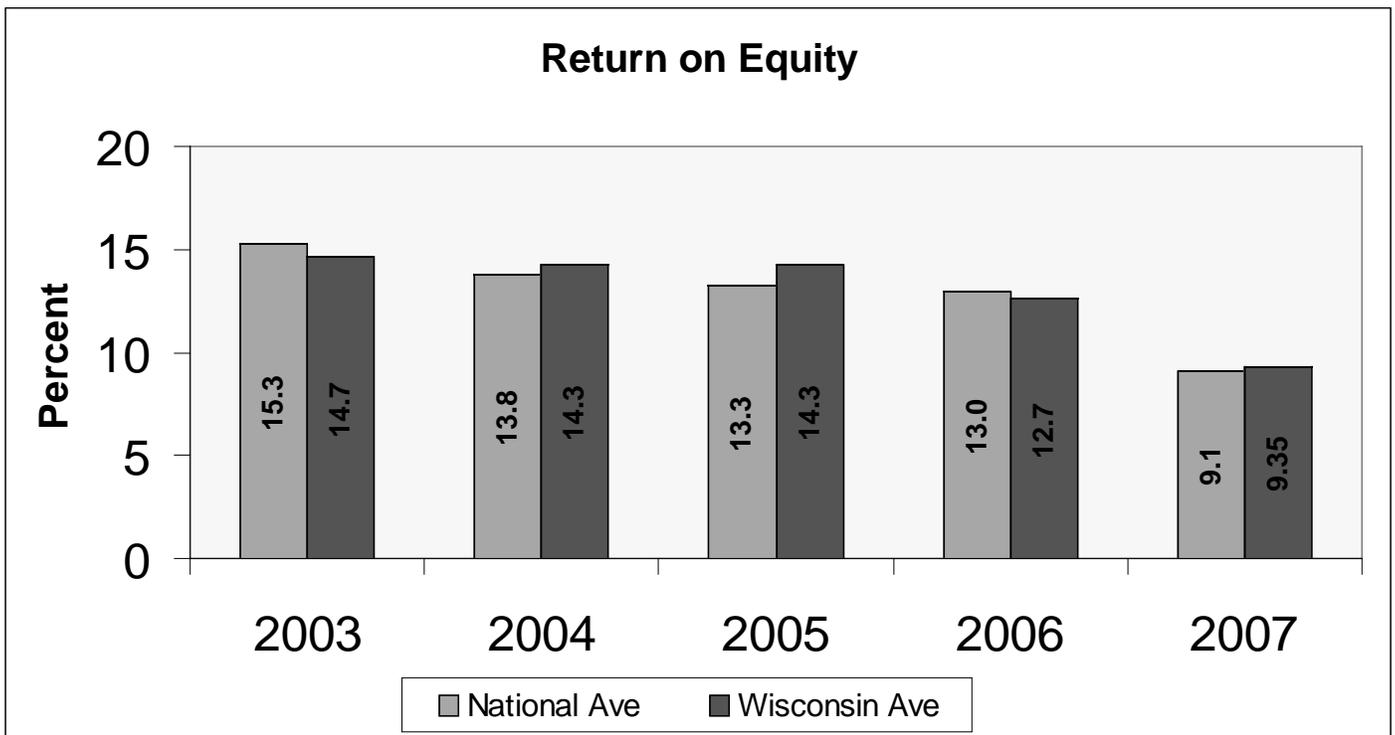
Asset Quality

The asset quality of state-chartered banks is satisfactory, although loan losses as a percentage of loans increased in 2007 after several years of declines. The loan losses as a percentage loans for Wisconsin state banks is still less than the average for all banks in the country. Non-performing assets to assets increased in 2007 reflecting continued weakness in some sectors of the economy.



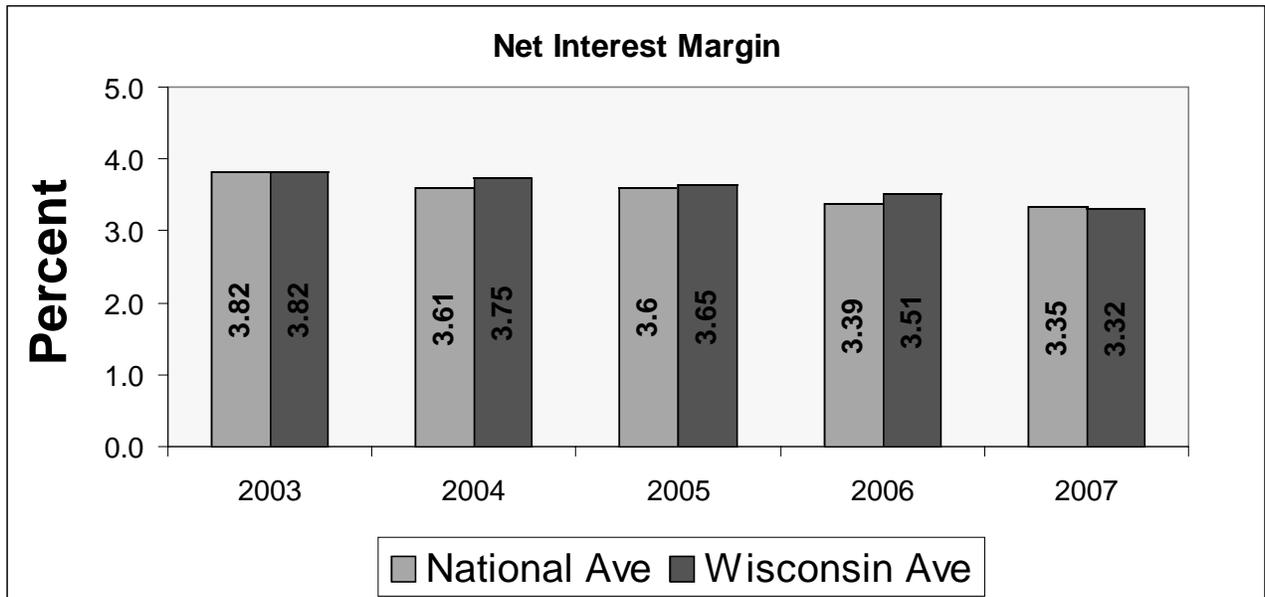
Earnings

The net income of state-chartered Wisconsin banks in 2007 was \$852 million as compared to \$978 million in 2006 which is a decline of 12.9%. Results from major income and expense categories include a 6.3% increase in net interest income, an increase of 307% in the provision for loan losses, a non-interest income increase of 22.9% and an increase in overhead expenses of 12.4%. The most commonly used measurement of bank earnings performance is return on average assets. State-chartered banks had a return on assets of 0.89% which is less than the national average of 0.93%. The return on equity for state-chartered banks was 9.35% slightly more than the national average of 9.1%.



Asset-Liability Management

A primary goal of asset-liability management is to produce an adequate and stable net interest margin through the interest rate cycle. The net interest margin of state-chartered banks has decreased by 50 basis points over the past four years and it approximates the national average. It has been difficult to maintain the net interest margin in recent years because the yield curve was flat, which means short term interest rates are nearly the same level as long term rates. The primary earning assets for a bank are loans and securities and as a percentage of total assets, both declined slightly in 2007. As of year-end, loans represented 76% of assets and securities were 13.8% of assets. The dollar volume of loans grew by 9.9% in 2007. Deposits decreased relative to total assets to 71.3% and non-deposit funding sources increased to 16.1% from 14.8% of assets.





2007 Corporate Activities

Acquisition By Bank Holding Company				
Effective Date	Acquired Bank or Bank Holding Company	Location	Bank Holding Company	Location
January 2, 2007	John O. Melby & Company Bank	Whitehall, Wisconsin	B & E Investments, Inc.	Bloomer, Wisconsin
February 20, 2007	Ridgeland Bancorp, Inc.	Tony, Wisconsin	QCR Holdings, Inc.	Moline, Illinois
April 2 2007	The Bancorp of Tomah, Inc.	Tomah, Wisconsin	Partnership Community Bancshares, Inc.	Tomah, Wisconsin
September 21, 2007	The Greenwood's Bancorporation, Inc.	Lake Mills, Wisconsin	Greenwoods Financial Group, Inc.	Rio, Wisconsin
September 30, 2007	United Bancorporation	Osseo, Wisconsin	John T. Vucurevich Foundation	Rapid City, South Dakota
December 5, 2007	Lebanon Community Bancshares, Inc.	Watertown, Wisconsin	Partnership Community Bancshares, Inc.	Tomah, Wisconsin
December 14, 2007	First Menasha Bancshares, Inc. (more than 5%)	Neenah, Wisconsin	NEB Corporation	Fond du Lac, Wisconsin



Bank Mergers				
Effective Date	Merged Bank	Location	Surviving Bank	Location
May 7, 2007	Franklin State Bank	Franklin, Wisconsin	Lincoln State Bank	Milwaukee, Wisconsin
June 1, 2007	United Heritage Bank (P&A)	Longwood, Florida	M&I Marshall & Ilsley Bank	Milwaukee, Wisconsin
June 7, 2007	Fortress Bank Minnesota	Houston, Minnesota	Lincoln State Bank	Milwaukee, Wisconsin
August 1, 2007	Excel Bank Minnesota	Minneapolis, Minnesota	M&I Marshall & Ilsley Bank	Milwaukee, Wisconsin
August 6, 2007	The Bank of Spring Valley	Spring Valley, Wisconsin	First Bank of Baldwin	Baldwin, Wisconsin
November 12, 2007	Grafton State Bank	Grafton, Wisconsin	Lincoln State Bank	Milwaukee, Wisconsin
November 12, 2007	Community Bank Financial	Oconto Falls, Wisconsin	Lincoln State Bank	Milwaukee, Wisconsin
November 12, 2007	Wisconsin State Bank	Random Lake, Wisconsin	Lincoln State Bank	Milwaukee, Wisconsin
November 12, 2007	The Reedsburg Bank	Reedsburg, Wisconsin	Lincoln State Bank	Milwaukee, Wisconsin
November 12, 2007	Fortress Bank	Westby, Wisconsin	Lincoln State Bank	Milwaukee, Wisconsin

Charter Cancellations			
Effective Date	Name	Location	Description
February 16, 2007	The RiverBank	Osceola, Wisconsin	Merged into The RiverBank, Wyoming, Minnesota
April 20, 2007	Acuity Bank	Tomah, Wisconsin	Voluntary liquidation
May 7, 2007	Franklin State Bank	Franklin, Wisconsin	Merged into Lincoln State Bank, Milwaukee, Wisconsin
May 16, 2007	Maritime Savings Bank	West Allis, Wisconsin	Converted to a federal charter
August 6, 2007	The Bank of Spring Valley	Spring Valley, Wisconsin	Merged into First Bank of Baldwin, Baldwin, Wisconsin
November 12, 2007	Grafton State Bank	Grafton, Wisconsin	Merged into Lincoln State Bank, Milwaukee, Wisconsin
November 12, 2007	Community Bank Financial	Oconto Falls, Wisconsin	Merged into Lincoln State Bank, Milwaukee, Wisconsin
November 12, 2007	Wisconsin State Bank	Random Lake, Wisconsin	Merged into Lincoln State Bank, Milwaukee, Wisconsin
November 12, 2007	The Reedsburg Bank	Reedsburg, Wisconsin	Merged into Lincoln State Bank, Milwaukee, Wisconsin
November 12, 2007	Fortress Bank	Westby, Wisconsin	Merged into Lincoln State Bank, Milwaukee, Wisconsin

**New Bank Charters**

Effective Date	Name	Location
December 3, 2007	Settlers Bank	DeForest, Wisconsin

National Bank Conversions

Effective Date	Former Bank Name	Bank Name	Location
December 28, 2007	Security National Bank	Security Financial Bank	Durand, Wisconsin

Name Changes

Effective Date	Former Name	New Name	Location
February 20, 2007	Farmers State Bank	First Wisconsin Bank and Trust Company	Brookfield, Wisconsin
April 20, 2007	Citizens State Bank and Trust	Badger Bank	Fort Atkinson, Wisconsin
July 1, 2007	Lincoln County Bank	Lincoln Community Bank	Merrill, Wisconsin
July 1, 2007	Thompson Plumb Trust Company	Plumb Trust Company	Madison, Wisconsin
September 25, 2007	Community Bank Delavan	Community Bank CBD	Delavan, Wisconsin
November 1, 2007	River Valley State Bank	River Valley Bank	Wausau, Wisconsin
November 12, 2007	Lincoln State Bank	Community Bank Group	Milwaukee, Wisconsin

Location Changes

Effective Date	Name	Former Location	New Location
February 20, 2007	First Wisconsin Bank and Trust Company	Ridgeland, Dunn County, Wisconsin	Pewaukee, Waukesha County, Wisconsin
May 21, 2007	First Wisconsin Bank and Trust Company	Pewaukee, Waukesha County, Wisconsin	Brookfield, Waukesha County, Wisconsin
May 25, 2007	Town Bank	Delafield, Waukesha County, Wisconsin	Hartland, Waukesha County, Wisconsin
September 1, 2007	Wisconsin Community Bank	Cottage Grove, Dane County, Wisconsin	Madison, Dane County, Wisconsin

**Fiduciary Assets of Wisconsin State Chartered Banks**

Assets administered by trust departments of state-chartered banks totaled \$9.2 billion as of December 31, 2007. Trust assets increased by \$1.6 billion or 21%. Forty state-chartered banks and trust companies were authorized to exercise trust powers on December 31, 2007. Institutions with trust powers act in a variety of capacities including trustee, personal representative, guardian, investment agent, retirement plan trustee and agent, corporate bond trustee, stock transfer agent, and custodian.

Fiduciary Assets of State-Chartered Banks	Managed Assets	Non-Managed Assets	Number of Managed Accounts	Number of Non-Managed Accounts
Dollar Amounts in Thousands				
Personal trust and agency accounts	2,357,685	274,632	3,022	429
Retirement trust and agency accounts:				
Employee benefit--defined contribution	226,403	968,082	227	428
Employee benefit--defined benefit	47,975	28,245	68	66
Other retirement accounts	807,498	138,440	4,100	585
Corporate trust and agency accounts	4,031	429	3	50
Investment management agency accounts	2,564,837		3,509	
Other fiduciary accounts	114	0	8	0
Total fiduciary accounts	6,008,543	1,409,828	10,937	1,558
Custody and safekeeping accounts		1,808,114		983

Summary

The performance of Wisconsin state banks was satisfactory in 2007. Asset growth was strong and the leverage capital ratio remained above the national average. As a result of a decline in the economy, bank asset quality declined with loan losses above historical levels, but below the national average. Non-performing assets increased significantly and are above the national average. There was a decline in earnings in 2006, reflecting a large increase in loan loss provisions. Assets held in a fiduciary capacity by state banks had strong growth reflecting steady performance by the institutions providing these services and strong market performance.



Please click below to view

REPORTS OF CONDITION FOR ALL WISCONSIN'S BANKS

REPORTS OF CONDITION FOR ALL WISCONSIN'S FINANCIAL INSTITUTIONS



Please click below to view

REPORTS OF INCOME FOR ALL WISCONSIN'S BANKS

REPORTS OF INCOME FOR ALL WISCONSIN'S FINANCIAL INSTITUTIONS



Please click below to view

REPORTS OF CONDITION FOR ALL STATE-CHARTERED BANKS

REPORTS OF CONDITION FOR ALL STATE-CHARTERED FINANCIAL INSTITUTIONS



Please click below to view

REPORTS OF INCOME FOR ALL STATE-CHARTERED BANKS

REPORTS OF INCOME FOR ALL STATE-CHARTERED FINANCIAL INSTITUTIONS



Please click below to view

FINANCIAL INSTITUTIONS SUMMARY



The Licensed Financial Services Bureau (LFS) of the Division of Banking licenses and regulates companies in eight different industries. Licensees included: adjustment service companies, collection agencies, community currency exchanges, insurance premium finance companies, loan companies, sales finance companies, sellers of checks, mortgage bankers, mortgage brokers, loan originators and loan solicitors. LFS also co-licenses and regulates motor vehicle, motorcycle, recreation vehicle and manufactured housing dealers.

Licensees under this bureau pay a licensing fee and many are required to post surety bond and meet financial responsibility requirements. Licensees also undergo examination to determine whether they are complying with applicable statutes and rules.

Adjustment Service Companies

Licensees: 97

Funds Handled During 2007: \$88,954,385

Collection Agencies

Licensees: 248

Funds Collected in Wisconsin During 2007: \$2,674,417,392

Community Currency Exchanges

Licensees: 154

Checks Cashed in 2007: 2,057,131

Value of Checks Cashed; \$901,962,900

Insurance Premium Finance Companies

Licensees: 34

Loans Written in 2007: 10,705

Amount: \$116,794,270

Loan Companies

Licensees: 808

Consumer Loans Written in 2007: 2,057,131

Amount of Consumer Loans Written: \$1,399,230,802

Other Loans Written in 2007: 22,673

Amount of Other Loans Written: \$3,134,536,726

Sales Finance Companies

Licensees (not including branch locations): 258

Amount of Sales Contracts and Consumer Leases Purchased in 2006; \$3,128,138,428

Sellers of Checks

Licensees: 48

Number of Checks Sold/Money Transfer Transactions in 2007: 13,745,188

Value of Checks Sold/Money Transferred: \$18,925,522,882



The Mortgage Banking staff regulates mortgage bankers, mortgage brokers, loan originators and loan solicitors. The role each licensee performs and the number of licensees is as follows:

Mortgage Banker - A person, who originates loans for itself as payee or for another person; sells loans or an interest in loans to another person, or who services loans or land contracts or provides escrow services.

Mortgage Bankers

Licensees in WI: 155

Licensees outside of WI: 407

Total Licensees: 562

Mortgage Broker - A person, who on behalf of a loan applicant or an investor and for commission, money or other thing of value, finds a loan or negotiates a land contract, loan or commitment for a loan or engages in table funding.

Mortgage Brokers

Licensees in WI: 479

Licensees outside of WI: 243

Total Licensees: 722

Loan Originator - A person, who on behalf of a mortgage banker or mortgage broker, finds a loan or negotiates a land contract, loan or commitment for a loan.

Loan Originators

Licensees in WI: 5,314

Licensees outside of WI: 3,717

Total Licensees: 9,031

Loan Solicitors - A type of loan originator whose functions and activities have been limited by rule of the Division of Banking.

Loan Solicitors

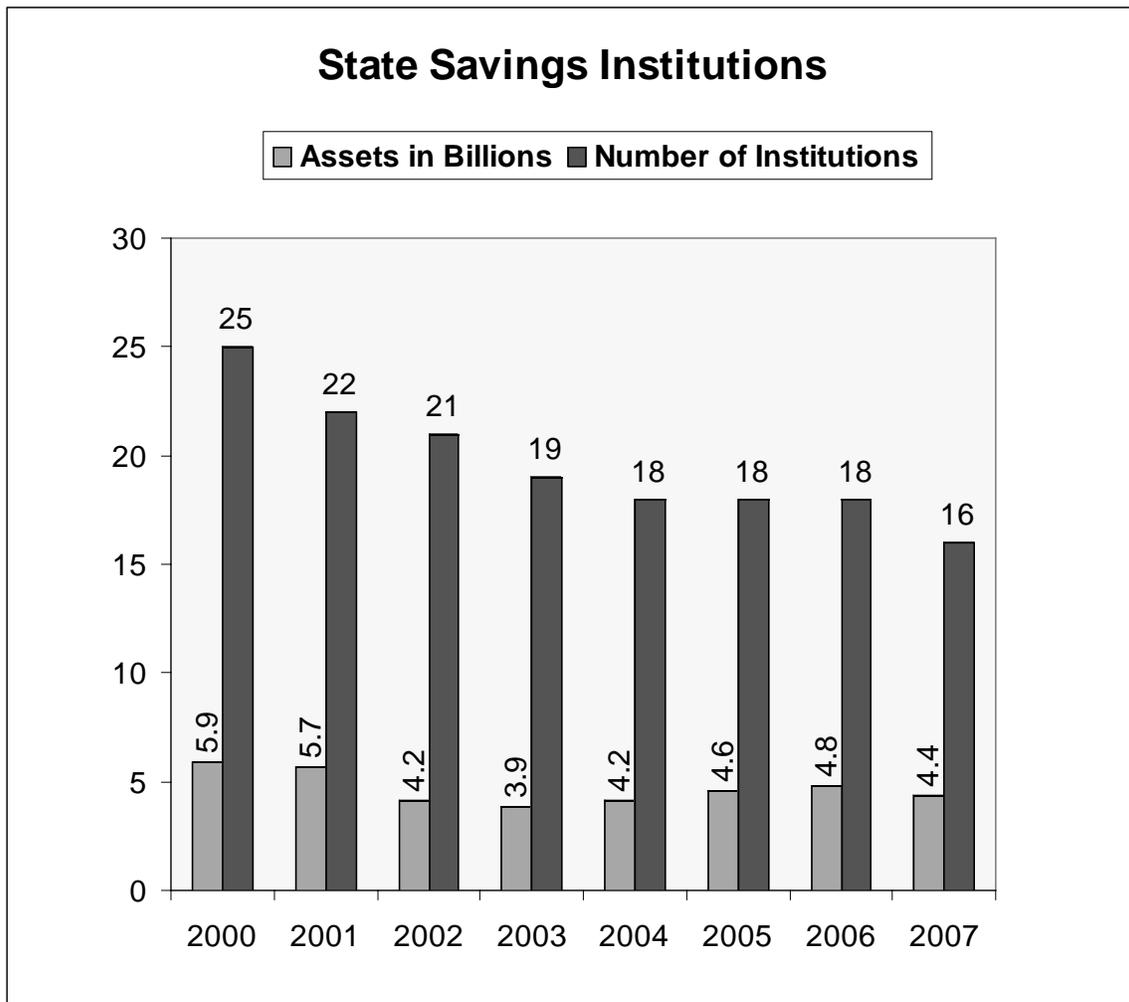
Licensees in WI: 188

Licensees outside of WI: 231

Total Licensees: 419

State-Chartered Savings Institutions

The Division of Banking was regulating 16 State-chartered savings institutions with \$4.4 billion in assets as of December 31, 2007. The number of supervised institutions declined in 2007 due to the voluntary break-up and sale of one savings association and the conversion of one savings bank to a Federal charter. The liquidation and conversion were major factors in the \$0.4 billion or 8.3% decline in assets of State savings institutions. There was modest organic growth in the remaining institutions as the assets lost in regards to those two institutions exceeded the overall decline in assets. With the one savings bank converting to a Federal charter, the number of Federal savings institutions in Wisconsin increased to 20 in 2007 with assets totaling \$16.7 billion as of year-end.



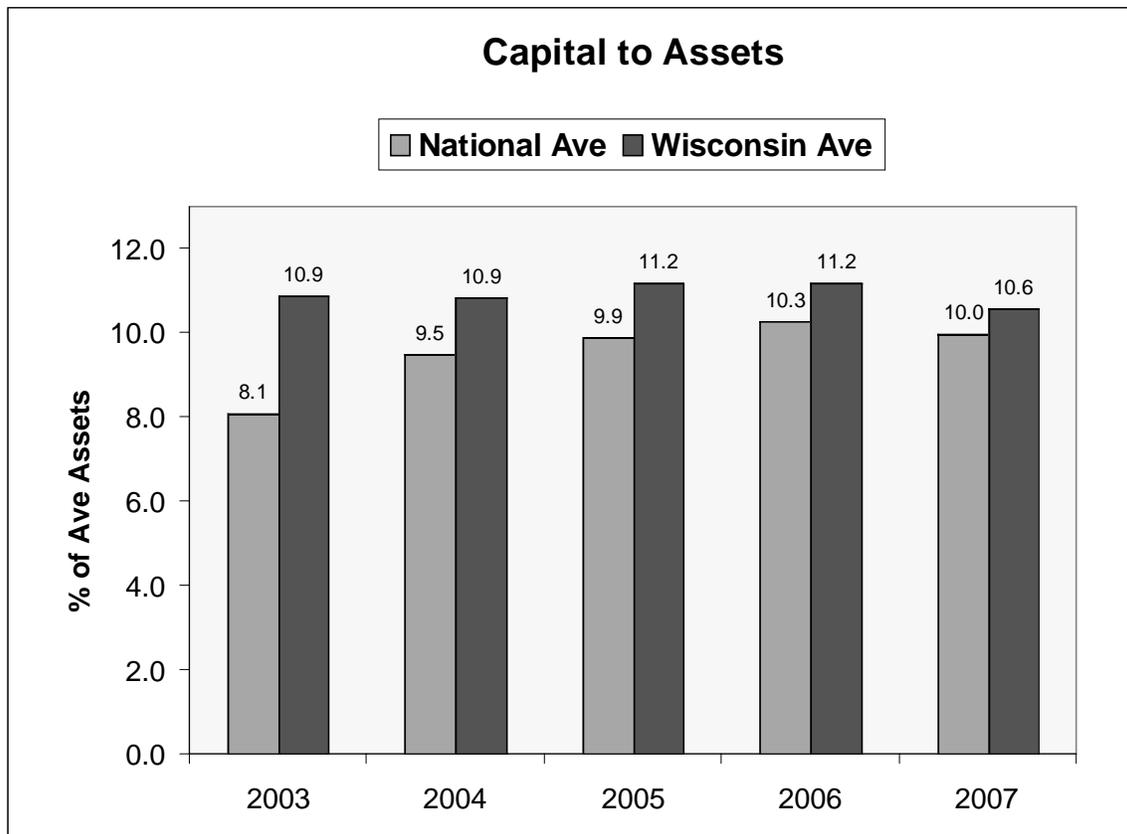
Savings Institution Performance

State-chartered savings institutions experienced a very challenging year in 2007. Deterioration was experienced in most measures of their performance and condition. Though capital ratios reflected deterioration in 2007, the aggregate capital of the institutions remained strong. However, non-performing assets and loan losses increased significantly. Compared to figures from recent years, the levels are high; however, they are still considered manageable. The declines in regards to Asset-liability management and earnings that the State savings institutions have been experiencing in recent years continued in 2007. An unfavorable yield curve, in which short-term rates remained high in relation to long-term rates, continued to pressure net interest margins. The high level of non-performing loans and corresponding loss of interest income also impacted the net interest

margin. The continued decline in the net interest margin combined with increased loan loss provisions were the primary factors for the earnings decline. Earnings were weak for 2007, and only marginally acceptable given the continued strong capital position of the State-chartered savings institutions and moderate asset growth they have been experiencing.

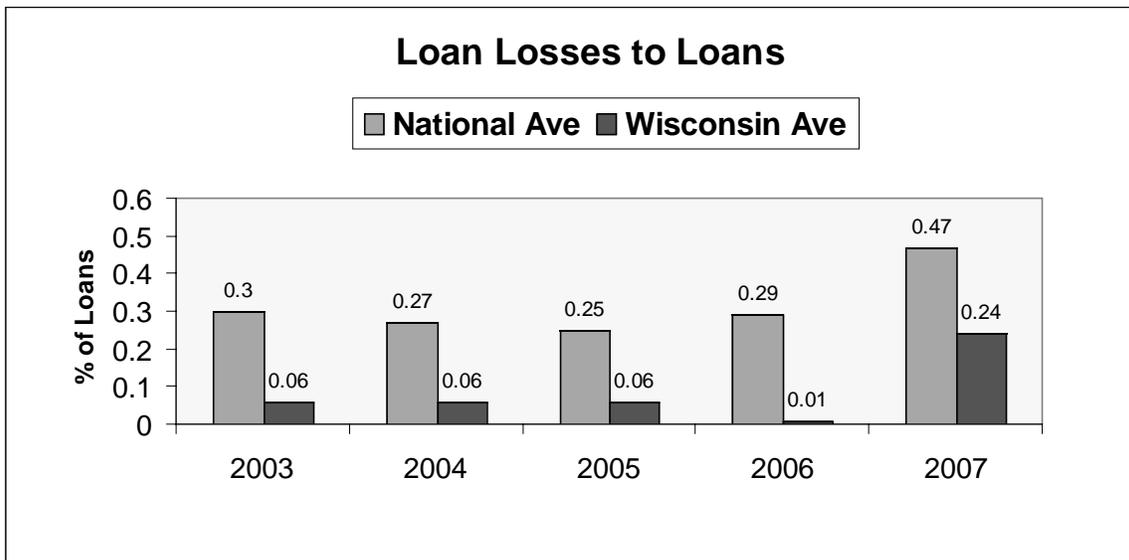
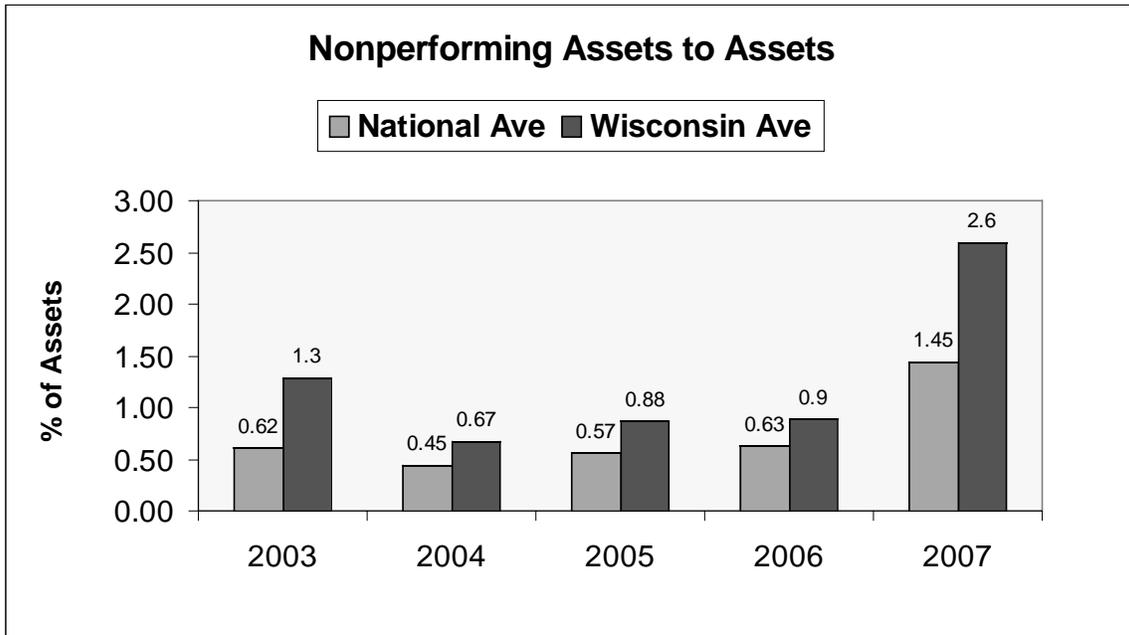
Capital

Capital is a measure of financial strength and the capital levels at State-chartered savings institutions stayed strong in 2007, though deterioration was experienced. The national average for savings institutions also exhibited a decline after having been increasing for several years. However, the national average did display lesser deterioration than the decline in the average for State-chartered institutions. The State average remained above the national average.



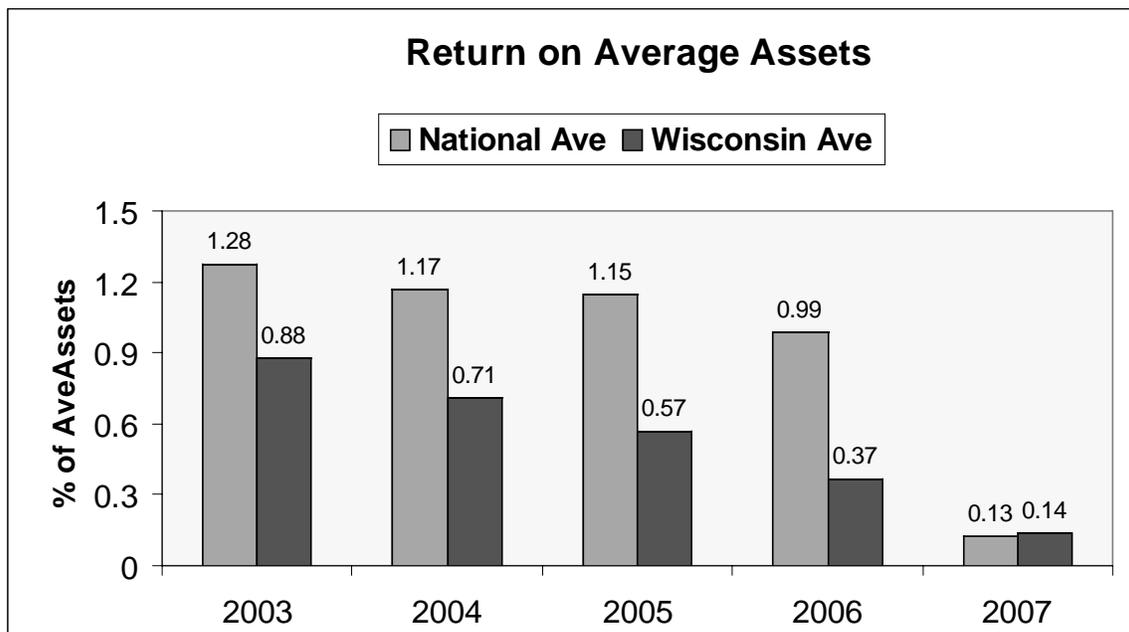
Asset Quality

While the asset quality of State-chartered savings institutions was generally satisfactory in 2007, it did materially weaken. The ratio of nonperforming assets to total assets increased significantly in 2007 and for the seventh consecutive year it has been higher than the national average. In addition, the loan loss experience of State-chartered institutions increased significantly in 2007. Historically, it had been very low. However, it still remained favorable in relation to the national average, which also increased sharply in 2007. The net loan loss experience for State-chartered savings institutions was only about half that of the national average.



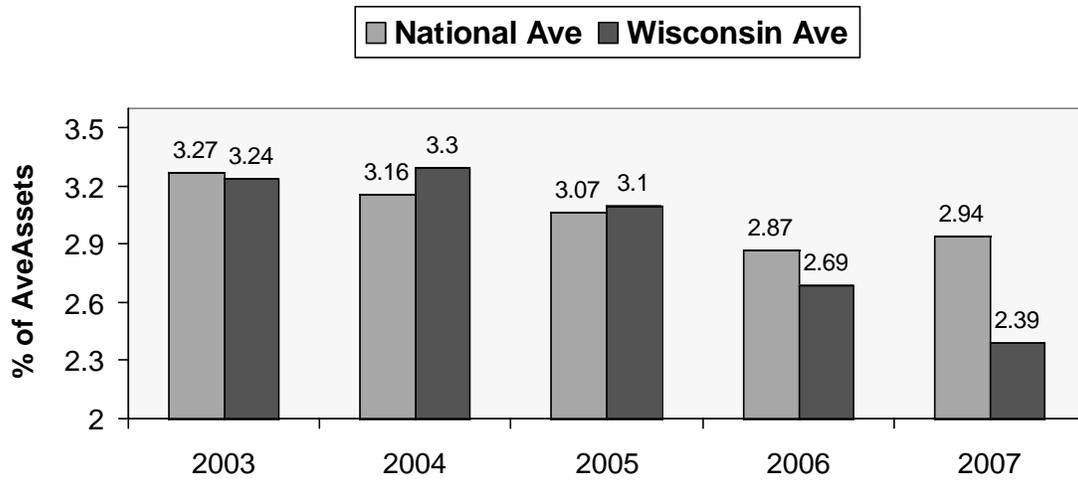
Earnings

In 2007 the earnings of State-chartered savings institutions continued on a declining trend as net income totaled only \$6.2 million compared to \$17.3 million for 2006. The decline in earnings is attributable to continued erosion in net interest income and a significant increase in loan loss provision expenditures. The earnings performance, as measured by the return on average assets, is just marginally acceptable. However, the earnings difficulties are wide-spread as the national average for the return on average assets ratio, declined even more precipitously than the State average. After several years of being above the State average, the national average was slightly lower for 2007. Return on equity was corresponding low at just 1.26% compared to the national average of 1.08%.



Asset-Liability Management

After having been relatively stable in the five prior years through 2005, the net interest margin of the State-chartered savings institutions continued on a sharply declining trend in 2007. This was in contrast to the national average that increased slightly in 2007. An inverted yield curve for the first half of 2007 combined with the significant increase in non-performing assets were the principal factors for the net interest margin decline for State-chartered savings institutions. An inverted or flat yield curve pressures the net interest income of financial institutions due to the inadequate differentiation between short-term and long-term interest rates. When a loan is in non-performing status, a financial institution is generally not collecting any interest income on the obligation.

Net Interest Margin



Please click below to view

REPORTS OF CONDITION FOR ALL STATE-CHARTERED SAVINGS INSTITUTIONS



Please click below to view

REPORTS OF INCOME FOR ALL STATE-CHARTERED SAVINGS INSTITUTIONS



Please click below to view

REPORTS OF CONDITION FOR ALL WISCONSIN'S SAVINGS INSTITUTIONS



Please click below to view

REPORTS OF INCOME FOR ALL WISCONSIN'S SAVINGS INSTITUTIONS

The Office of Financial Literacy (OFL) promotes financial literacy in Wisconsin as a vital life skill. Regulation and licensing can only go so far in protecting consumers. Financial education certainly plays a key role in giving people the tools they need to realize their own goals and dreams for themselves and families. OFL's successful attempts to build partnerships allow it to maximize its reach and impact. Its most recent endeavors have resulted in national exposure. They have made Wisconsin a recognized national leader in promoting financial literacy.

OFL's partnerships include nearly 150 groups, individuals, and organizations in business, education, the nonprofit sector and government – all entities that share its passion for building financial literacy. These synergistic relationships have produced excellent cooperation, a sharpened focus and creative programs. OFL welcomes contact from all who share its goals because the need for increased financial literacy remains high in Wisconsin.

The state, like the rest of the nation, continues to record high numbers of personal bankruptcies. Student credit card use continues to rise yet it is well documented that student financial savvy remains low – a recipe for financial disaster. Social and workplace problems such as divorces, suicides, and low employee productivity and morale resulting from the stress of financial illiteracy continue unabated.

In response to these issues, initiatives have been launched. A summary of OFL's 2006 activities follows.

Governor's Council on Financial Literacy

Working with Governor Doyle, OFL launched this permanent advisory council whose mission is to measurably improve financial literacy in Wisconsin, and to serve as a continuous sounding board for DFI and the Governor. We are honored to have Wisconsin First Lady Jessica Doyle to serve as the Honorary Chair. With Secretary Lorrie Keating Heinemann as chair the council has recognized Wisconsin financial literacy leaders statewide and begun new statewide financial literacy initiatives.

Council priorities:

- Money Smart Week Wisconsin (MSWW) in 2007, its second year far exceeded expectations with 579 partners, over 761 events, 12 planning committees compared to five the previous year and over 8,500 attendees.
- Made enhancements to new website for the MSWW campaign: www.moneysmartwi.org that serves as a year round financial literacy resource.
- Continued lead role in implementing a new Model Academic Standards for Person Financial Literacy by providing 23 Financial Literacy Innovations awards of up to \$5,000 and totaling over \$91,000 to educators to help them try new ideas and ways of teaching personal finance.
- Continued recognizing excellence in promoting financial literacy among Wisconsin citizens by awarding 12 individual and 13 organizational Governor's Financial Literacy Awards in 2007. The awards have created heightened interest in and raised awareness of the need for financial literacy in addition to recognizing the efforts of deserving individuals and organizations.

Task Force on Personal Finance Model Academic Standards

OFL was instrumental in the formation of the Task Force and securing its funding through a private foundation grant. This DPI/DFI Task Force created the statewide Model Academic Standards for Financial Literacy in Wisconsin - the first of their kind in the nation.

Native Communities Financial Literacy Outreach

OFL held the first-ever Native Communities Financial Literacy Coalition meeting to help coordinate efforts to promote financial literacy in Wisconsin among native communities and to establish a network of partners to focus on financial literacy.

OFL supported the second annual Money Conference held in Keshena at Menominee Indian High School. The Money Conference provides financial education for families (see below).

OFL also helped students at Menominee Indian High School conduct their third annual social awareness campaign aimed at their parents and others in the community. A key to the campaign was a student poster contest in which the winning poster became the centerpiece of the campaign. The campaign, similar to ones in the past aimed at promoting recycling, smoking cessation, anti-littering and forest fire prevention, promoted the issue of Volunteer Income Tax Assistance sites and aimed to decrease the use of costly Refund Anticipation Loans (RALs). As a result, use of VITA sites increased greatly from previous years leading to savings of thousands of dollars which meant that thousands of dollars were saved in the community by individuals not using RALs

The National Institute of Financial and Economic Literacy (NIFEL)

OFL was again the driving force in executing the successful 2007 National Institutes that included much-appreciated advocacy from First Lady Jessica Doyle.

These three separate, week-long, teacher-training courses offered at three graduate credits per program provide 150 educators instruction and resources in the curriculum areas of personal finance, economics, saving and investing, insurance, credit, and entrepreneurship.

Instruction comes from a blend of business and academic professionals. The courses are rigorous and empowering. We strive to create a motivational and professional experience. It is our intention to equip educators with content, materials and skills, and to inspire participants to promote financial literacy in their classrooms and communities after they complete courses.

By raising the level of educators' knowledge and confidence in teaching these subjects to students in public and private schools and community courses, and by providing materials, curricula and resources, the Institute will enhance the self-sufficiency and financial literacy of the educators and, in turn, the thousands of K-12 students they teach.

Results

- ◆ We are reaching students
 - ◆ 80% of the **teachers implemented** financial literacy after attending the Institute
 - ◆ 19,000 **students received instruction** in academic year 2003-04
 - ◆ 25,000 **students received instruction** in academic year 2004-05
 - ◆ 34,000 **students received instruction** in academic year 2005-06
 - ◆ 43,000 **students received instruction** in academic year 2006-07
 - ◆ 50,000 + **students projected to receive instruction** in academic year 2007-08

- ◆ We are reaching educators (over 500 Wisconsin educators)
 - ◆ Program participants' **knowledge rose 13%**
 - ◆ Participants felt **better prepared** to introduce a course in financial education in their schools
 - ◆ Participant evaluations rate the Institute training as "**excellent**"

The institute was designated "**a recognized best practice for teacher training**" by the Financial Literacy and Education Commission of the U.S. Department of the Treasury, the only program of its kind in the nation to gain this distinction. The institute is featured in the commission's National Strategy for Financial Literacy 2006.

The Money Conference

OFL upheld its commitment in 2007 to the Money Conference. A one-day program that OFL created eight years ago provides impartial financial education to low- to moderate income families in a fun setting at very low cost. It attracted 1,286 attendees. Overall, the event has now helped nearly 6,136 youth and adults gain financial education in six Wisconsin communities including Milwaukee, Madison, Beloit/Janesville, Racine/Kenosha, the Fox Cities, Wausau and Keshena. Discussions are underway to hold the event in other communities in the future.

April Saving and Investing Month

April has traditionally been a time to raise the awareness level of financial literacy and to recognize the efforts of many organizations and individuals that promote it. OFL set up a proclamation-signing ceremony to recognize several organizations including the Wisconsin Bankers Association, Wisconsin Credit Union League, CBM Credit Education Foundation, the Community Bankers of Wisconsin and DFI. Governor Doyle thanked these organizations for their "dedication to ensuring that Wisconsin citizens have the financial knowledge and the financial resources they need to lead happy, successful lives."

The Wisconsin Stock Market Simulation

OFL again worked cooperatively with Economics Wisconsin in 2007 to back the statewide Stock Market Simulation, the highly successful and popular national program for high school students. Student teams learn about business and the economy while they compete in managing hypothetical \$100,000 investment portfolios. OFL actively supports the program and provides recognition for the winners of the competition by coordinating the production of Certificates of Appreciation signed by Governor Jim Doyle. Wisconsin's Stock Market Simulation run by Stock Trak is the largest in the nation out of 25 states offering the program with almost 20,000 students participating.

Milwaukee Public School Financial Literacy Initiative

OFL lead the creation of a new program that would reward seventh-grade Milwaukee Public School teachers for effectively teaching economics and personal finance. This program is the first in the nation to incentivize the teaching of economics and personal finance in a large urban school district. We have begun to substantially improve the quality of learning and increase the number of students learning economics, personal finance, and investing in the Milwaukee Public Schools by implementing this voluntary, incentive-based program. The first three years were a success with 1,572 students participating in the first semester of 2005 and 2006 and 31 teachers were trained. These students had a statically significant knowledge gain determined by a pre- and post-test. OFL was instrumental in finding support of this important initiative.

MoneySKILL Wisconsin Premier

OFL coordinated the introduction of MoneySKILL to Wisconsin high school students as a test prior to its national rollout. To date, several high schools have each won \$1,000 for having the most students in the state complete MoneySKILL. Many teachers from around the state have won \$100 dollar awards for having at least 20 students complete MoneySKILL. As of 2007, 971 Wisconsin teachers had registered to use the program and 3,941 students had completed it. Wisconsin teacher registrations account for 23 percent of total registrations nationwide and Wisconsin student enrollments account for 25 percent of the total nation wide.

Financial Literacy Innovation Awards

Following up its 2006 coordination of Financial Literacy Innovation Awards totaling over \$71,000 to educators in 14 schools, OFL again coordinated the process of soliciting applications for awards in 2007. Over 50 applications resulted in 23 schools being selected and funded with over \$91,000 in awards. It is projected that over 5,500 students will receive instruction during the 2007-08 academic year.

The primary responsibility of the Office of Consumer Affairs (OCA) is to assure compliance with the Wisconsin Consumer Act (WCA), which is considered the most comprehensive law of its type in the nation. The Act is a consumer protection law that governs consumer credit transactions, including loans, credit cards, credit sales, and leases. The WCA upholds and protects the rights of Wisconsin residents while at the same time permits and encourages fair and economically sound business practices. Lenders and merchants who extend consumer credit are subject to the WCA.

OCA assures compliance with the WCA by investigating complaints, reviewing contracts/forms, assisting with the compliance examination of depository financial institutions, issuing interpretations and counseling persons and companies as to their rights and duties.

OCA received a similar number of stakeholder contacts in 2007 from previous years with written complaints/inquiries numbering 2,961 with 1,766 of those being referred to other agencies or other units within DFI. OCA's investigation of the complaints resulted in restitution amounting to \$264,000. Telephone contacts with OCA numbered 5,685. Additionally, OCA reviewed 102 contracts for compliance with the WCA at the request of creditors or as part of an examination.

DFI's primary responsibility under the Wisconsin Consumer Act is to counsel both consumers and merchants regarding their rights and duties under the WCA, and to take action designed to obtain voluntary compliance with the WCA. DFI is committed to the belief that the key to reducing conflict and statute infractions is educating consumers and merchants about their rights and responsibilities under the law.

Key Provisions of the Act

- o Requires detailed disclosures to consumers entering into credit transactions
- o Limits certain charges in credit transactions
- o Provides a three-day right to cancel certain transactions
- o Prohibits harassing collection practices
- o Allows penalties for prohibited credit procedures

Consumer Contacts

As a means of educating and assisting the public, OCA operates a toll-free helpline for individuals with questions or concerns about financial matters. Consumers, merchants, public and private organizations, and the news media have taken advantage of the service over the years, asking questions and seeking explanations of the law.

The most common topics discussed on the helpline in 2007 were disputed debts, mortgage problems and requests for general information on particular companies.

The helpline is a valuable resource for consumers and DFI believes that many potential and actual conflicts between consumers and merchants are resolved because of the knowledge and advice received from the helpline.

In addition to the phone calls OCA handled 1,195 written requests for assistance. The top five complaint categories by business and issue type are as follows:

Business Type		Issue Type	
Collection Agency	153	Collection Practices	171
Payday Loan Co.	62	Disputed Debt	135
Credit Card Scam	47	Misrepresentation	53
Credit Card Issuer	47	Improper Charges	26
Sales Finance Co.	44	Improper Disclosure	22

Collection Practices

OCA receives more inquiries about debt collection practices than any other topic. Many of these inquiries are simply the result of a dispute over the validity or amount of an alleged debt. Others involve allegations of overly aggressive collection procedures by either a creditor or collection agency. Examples of such allegations involve the use of profanity, name calling, excessive phone calls or the disclosure of the debtor's financial matters to a third party.

Educational Efforts

DFI is committed to educating and informing Wisconsin consumers about their rights and responsibilities in financial matters. Expanding educational opportunities and providing accessible information to financial consumers is a DFI department-wide strategic goal and OCA plays an important role in the Department's education effort due to the high volume of public contacts it receives. Educational activities include responding to phone inquiries, maintaining an informational website, and giving presentations both in-person and by videoconferencing. OCA frequently works in conjunction with the Office of Financial Literacy. Coordinated public outreach and informational materials provide financial consumers with additional tools and information to make sound financial decisions.

Statement of Policies

OCA will investigate every complaint it receives in which it has jurisdiction. DFI also reviews for compliance with the Wisconsin Consumer Act when conducting examinations of its licensees and state-chartered financial institutions. These examinations are conducted on a routine and on-going basis.

If five or more persons file a verified complaint that alleges a person has engaged in an act which is subject to action, DFI will commence an investigation. In addition, at any time there is reason to believe that a person has engaged in or is about to engage in an act which is not in compliance with the Act, the DFI may make an investigation and, with respect thereto, may administer oaths or affirmations, and, upon the DFI's own motion or upon the request of any party, may subpoena witnesses and require the production of any matter.

Throughout any investigation, DFI will counsel the parties involved with the objective of obtaining voluntary compliance with the Act. Where evidence suggests serious violations or indicates a complete disregard for the requirements of the law, DFI may request a formal assurance from the merchant, which may take the form of a consent judgment to be filed with the appropriate Circuit Court and may include civil forfeitures. Civil action may be commenced solely through the Department of Justice.

Examination and Investigation Procedures

Complaints are received by OCA directly from consumers and on referral from other governmental agencies. In addition, documentation of an unauthorized practice by a particular merchant may be brought to our attention by another merchant, attorneys, Better Business Bureaus or by consumer groups.

Complaints are indexed, logged and filed in a suspense system to insure their continued review. Complaints are evaluated to determine whether the facts as alleged would constitute a violation of the Act. More information may be requested of the complainant or the complaint may be referred to another agency that has jurisdiction over that particular complaint. If the facts as alleged indicate a possible violation of the Act a letter is provided to the merchant requesting an explanation of the facts, copies of all relevant documents and any suggestions the merchant may have for resolution of the complaint.

Upon receipt of a reply the complaint is reviewed to determine whether the complaint suggests an isolated instance or is one example of a violation that the merchant has repeated in transactions with many different consumers. When a problem is detected OCA will attempt to obtain a resolution of the complaint that is satisfactory to the complainant together with an assurance from the merchant that its practices have been modified to prevent a recurrence. If warranted, the merchant may be asked to perform a self-audit to discover all of the consumers adversely affected. Should the merchant refuse to permit an examination, DFI may issue a subpoena to require the merchant to produce the necessary documents to complete the investigation.

Complaints are recorded by merchant name, in addition to business and issue type. A summary is prepared on each complaint as it is closed and includes a brief narrative of the allegations, the results of the investigation and the action taken by the merchant, if any, to resolve the complaint. These records quickly reveal the number of complaints received against any particular merchant as well as patterns of unlawful practices.

The review for compliance with the Wisconsin Consumer Act that is conducted during an examination of a licensee or chartered financial institution is a tool for educating financial institutions on their responsibilities under the Act, of promoting voluntary compliance and gathering relevant information to assist DFI in maintaining compliance. Procedures include reviewing a questionnaire that is completed by the financial institution and evaluating a sampling of credit accounts.



DFI's Division of Securities protects Wisconsin investors.

Through application of the Wisconsin Uniform Securities Law, the Bureau of Licensing & Compliance protects investors by screening applications for licenses by securities professionals such as broker-dealers and investment advisers, as well as the individual securities agents and investment adviser representatives doing business with Wisconsin investors. We conduct periodic office examinations to inspect the activities of licensed firms and individuals, and address complaints regarding the activities of licensees. If a licensee has violated the licensing requirements, we can censure, suspend or revoke the license of an individual or firm.

In addition, the Bureau of Registration & Enforcement oversees a registration process for securities and franchise investments, requiring issuers and those selling the investments to provide investors with complete disclosure materials to enable Wisconsin investors to make a fully informed investment decision.

In addition to the licensing and registration requirements, the Wisconsin Uniform Securities Law strives to protect investors from fraud in connection with the offer and sale of securities. We actively investigate suspected violations of the securities and franchise laws, taking enforcement action where appropriate, as well as providing substantial assistance to state, local and federal prosecutors to whom we refer cases involving criminal violations, especially when investors have been defrauded. To further our goal of investor protection, we work cooperatively with other securities agencies on a state and federal level, as well as with the self-regulating organizations, where the fraudulent activities impact investors in many states.

We also continue to actively to warn senior investors throughout Wisconsin about investment fraud through our outreach efforts. Seniors are particularly vulnerable to investment fraud, and an increasing percentage of the Division's cases involve fraud that specifically targets seniors. Preventive efforts are particularly critical because once an investor has been victimized, it is unlikely they will be repaid, even though we may take enforcement action against the person or firm involved, or the violator is prosecuted criminally. Through presentations to seniors throughout Wisconsin and media releases about investment traps, we educate senior investors to make them more aware and better able to defend themselves against fraud.

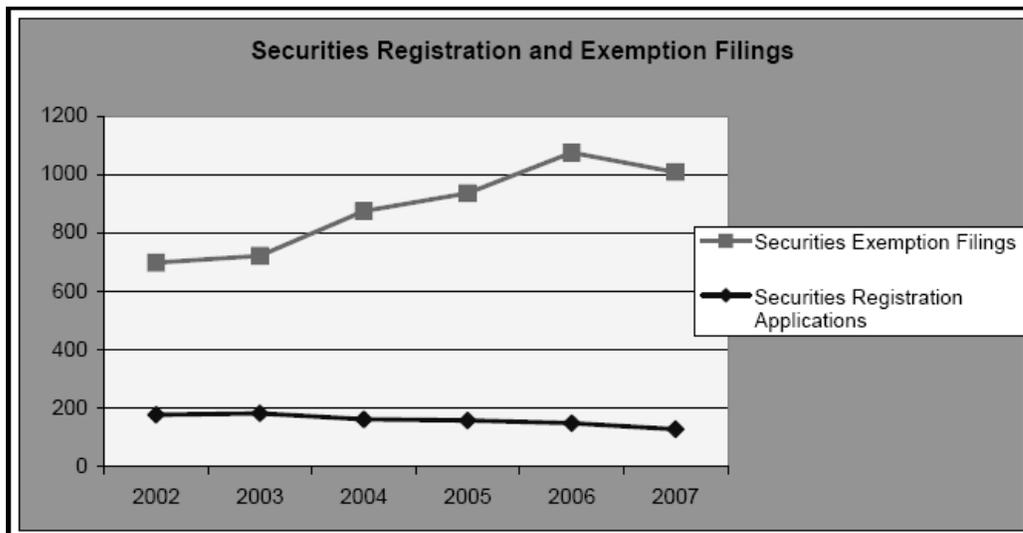
The Division's message to all Wisconsin investors is to "Investigate Before You Invest," including checking with the Division to verify that the securities being offered are registered and that the persons selling the securities are licensed.

BUREAU OF REGISTRATION AND ENFORCEMENT

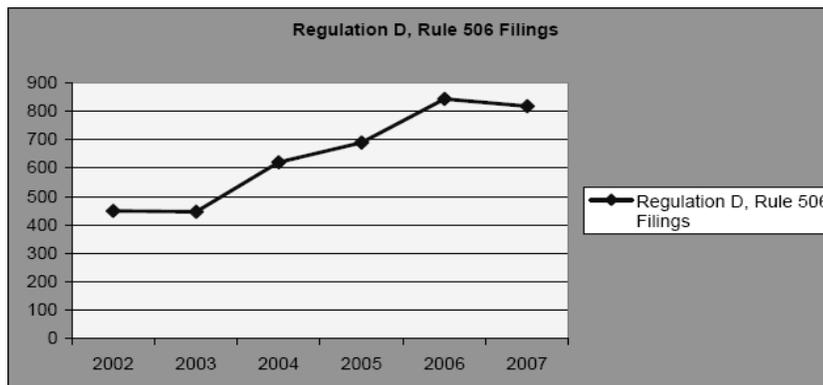
The Bureau of Registration and Enforcement is responsible for the registration or notice filings of securities offerings in Wisconsin; the notice filings of franchises sold in Wisconsin; and the enforcement of registration, licensing, and anti-fraud violations of the Wisconsin Uniform Securities Law, Ch. 551, Wis. Stats.

SECURITIES REGISTRATION

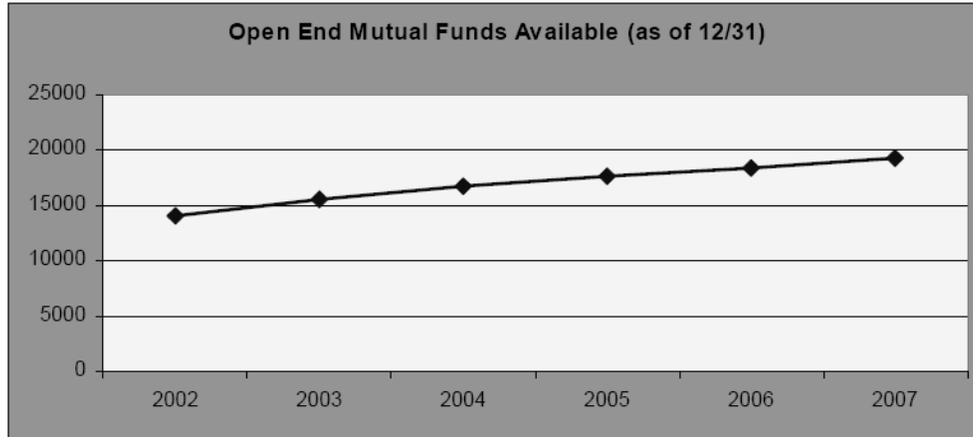
All securities sold in Wisconsin must be registered, qualify for a registration exemption, or qualify as a federal covered security. Securities registration filings continue to fall, as they have for the past decade. For those securities that must file to perfect an exemption, filings decreased slightly for the first time in six years. This may be due to the availability of self-executing exemptions for offerings only to accredited investors or under the limited offering exemption.



Of the federal covered securities that are required to file with the Division to perfect their status, the vast majority are either private offerings under Regulation D, Rule 506 or mutual funds. Regulation D filings decreased slightly for the first time in the past six years, probably for the reasons stated above in the discussion of exemptions generally.



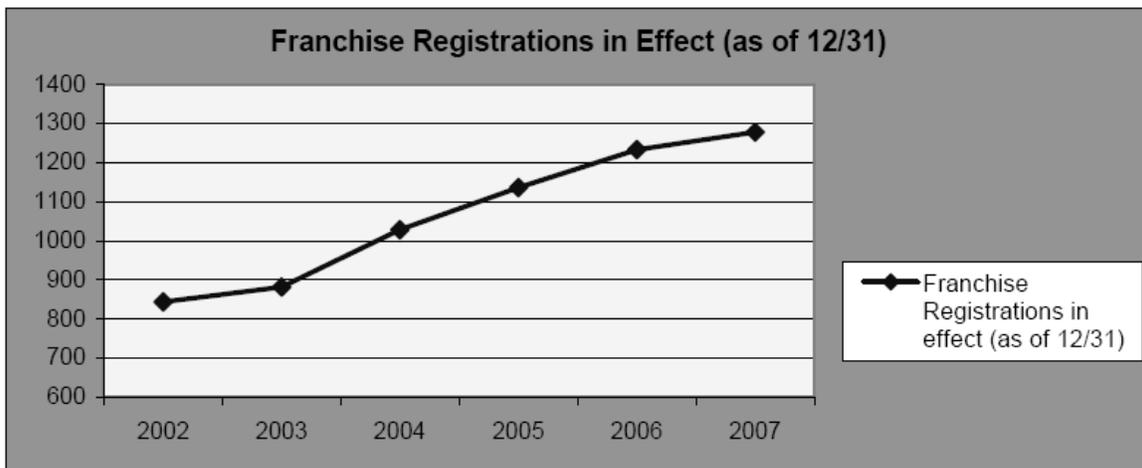
The number of mutual funds filed in Wisconsin has continued to increase and this year we again have a record number of funds available to Wisconsin investors.



The Division’s web site contains user-friendly, detailed information describing all registration, exemption, and federal covered securities filing requirements. It has answers to all of the most commonly asked questions about these processes and links to all required forms. For specific questions not answered on the web site, e-mail the Division staff for assistance at <http://www.wdfi.org/fi/securities/regexemp/default.htm>.

FRANCHISE REGISTRATION

Although a franchisor may offer a franchise to a person in Wisconsin without filing with the Division, the franchisor must register the franchise by making a filing with the Division prior to making any sale in Wisconsin. This year marks the sixth straight year of increases in the number of franchisors that have filed to sell franchises in the state.



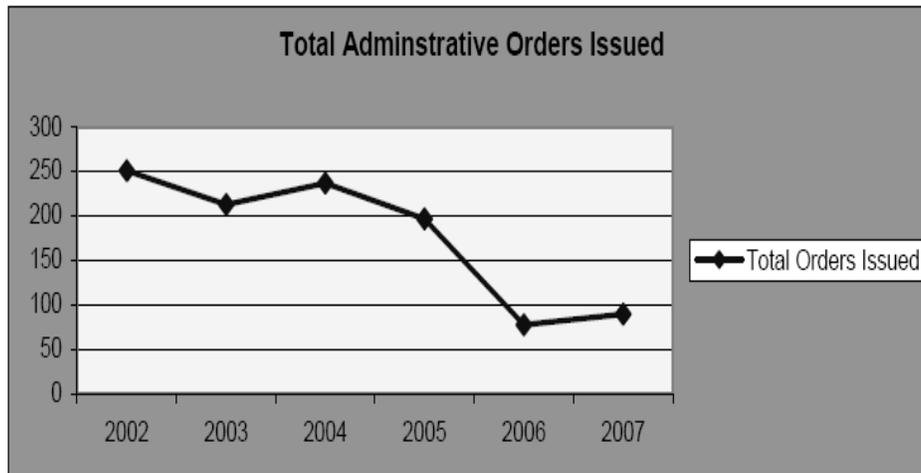
ENFORCEMENT ACTIVITIES

As an administrative agency, the Division issues administrative orders to resolve violations of the Wisconsin Uniform Securities Law, Ch. 551, Wis. Stats. The orders may be issued against licensed securities agents, broker-dealers, investment advisers and investment adviser representatives as well as unlicensed persons and entities. These orders require the named parties to cease any activities in violation of Wisconsin securities law.

For many years the Division issued between 200 and 250 orders each year. Many resulted from cases involving unlicensed persons in out-of-state boiler rooms offering unregistered securities to persons in Wisconsin. The number of complaints about these firms, as well as the number of calls from these firms on the Division's undercover telephone lines, dropped dramatically during 2005 and virtually disappeared during 2006. Thus, the number of open cases and orders from these scams has dropped dramatically.

One reason for the drop in the number of calls is increased use of the internet: individuals who operated out of the traditional boiler room using the telephone now use email and the internet as a vehicle for targeting their victims. The scams are still the same, but the means of approaching the victims has changed. The other reason for this decrease is the Division's success in taking action against those individuals operating the scams. Indeed, when another state's securities regulator raided an out-of-state boiler room, the regulator found a posting that simply told the salespersons, "Do not call the State of Wisconsin." While the Division continues to develop new procedures to uncover those using the internet as a means to defraud, we also believe the reputation for aggressive action against these boiler rooms has reduced the number of Wisconsin investors targeted.

This year we experienced a slight increase in the number of orders issued, which may be a function of the bear market and the desperate attempts of investors to try to make up for losses by an investment which promises a higher return, especially when told by the promoter that it is "guaranteed" or "safe."



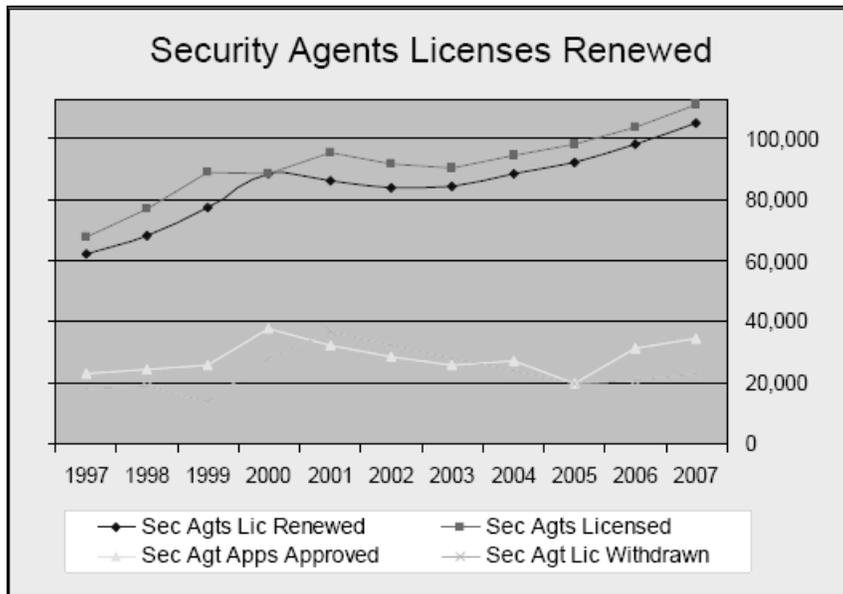
All administrative orders issued by the Division can be found on our web site:

http://www.wdfi.org/newsroom/admin_orders/dos_default.htm. They are organized chronologically by the year the order was issued. In some cases our enforcement investigation will result in rescission offers being made to investors. A franchise enforcement investigation resulted in rescission offers of over \$300,000 being made to Wisconsin investors in 2007.

The Division staff believes criminal prosecutions are the most effective way to deter serious and repeated securities law violations. Therefore, we continue to emphasize building a cooperative working relationship with local, state, and federal authorities to prosecute criminal cases. Criminal prosecutions related to enforcement investigations resulted in approximately \$146,000 in restitution orders to Wisconsin investors.

Also with regard to criminal enforcement activities, the Division staff had the opportunity during 2007 to assist in the development of Wisconsin case law when the Court of Appeals, in a criminal case involving the interpretation of when promissory notes are securities under the Wisconsin Uniform Securities Law, requested an amicus curiae brief from the Division in *State v. McGuire*, 2007 WI App 139; 302 Wis. 2d 688; 735 N.W.2d 555 (2007). The conviction was affirmed by the court of appeals, and the petition for review was denied by the Wisconsin Supreme Court.

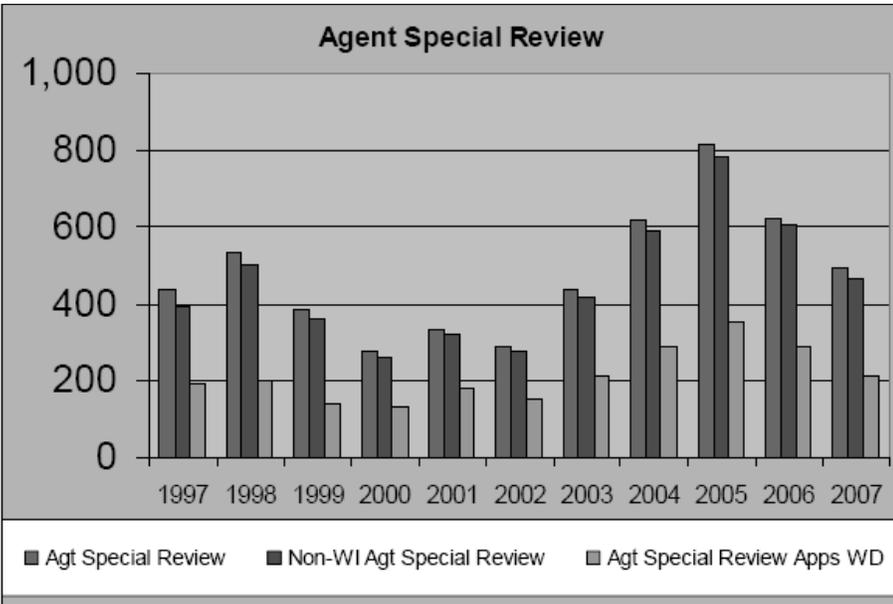
BUREAU OF LICENSING & COMPLIANCE



The number of broker-dealers agents maintained its growth pattern of 2006, resulting in the highest numbers of agents licensed in Wisconsin and the first time that renewals at the end of the year would top the 100,000 mark. The number of securities agents licensed increased steadily through the end of November, when it reached a high of 111,933. The total number of agent applications continued to increase while the number of withdrawals prior to renewal increased only at about half that rate.

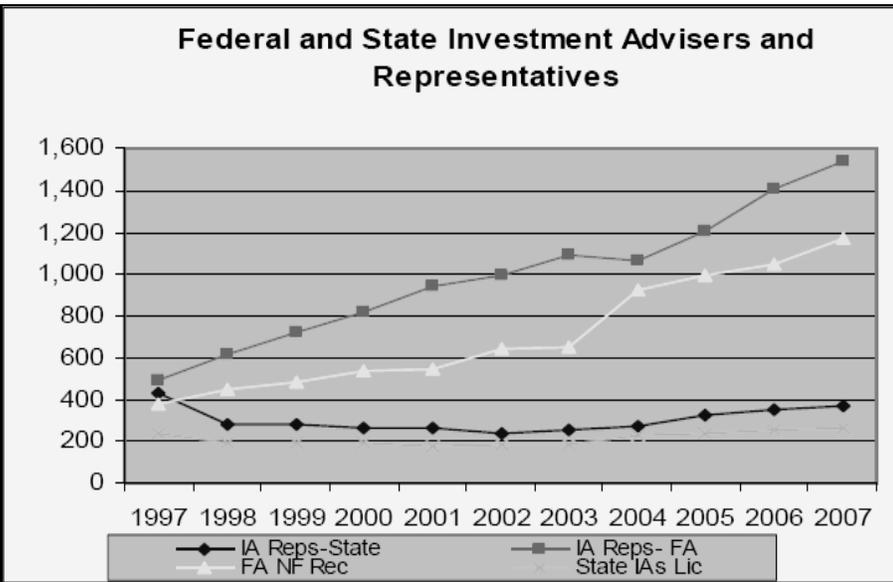
Year-end licensing figures were:

- 1,942 broker-dealers, an increase of 3% from 2006
- 111,032 securities agents, an increase of almost 7% from 2006
- 105,285 securities agents renewed for 2008, a nearly 7% increase in renewals from 2007.



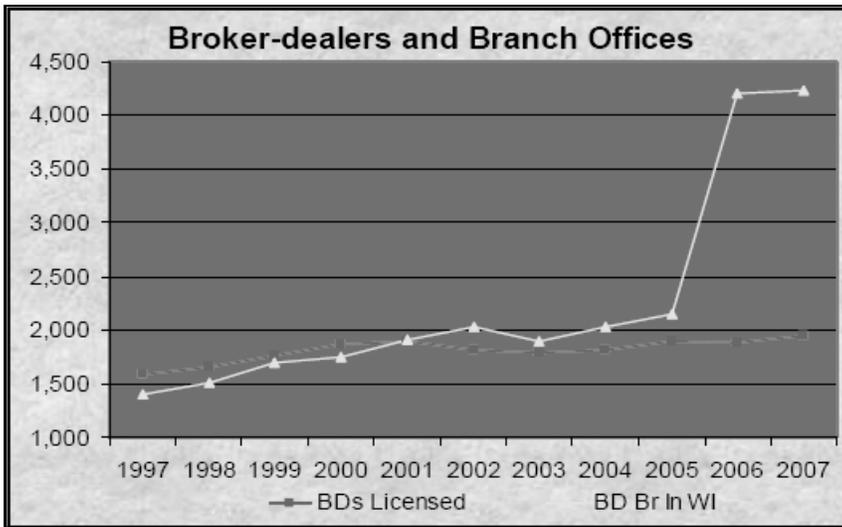
The Division seeks to be preemptive when it comes to keeping problem brokers and agents away from Wisconsin investors' pocketbooks. While the Division has long utilized "automatic" approval for agent applicants with no recent or significant disclosure items, it does conduct a manual review of applicants who have come to the Division's attention through investor complaints, association with firms known to have questionable sales practices or who have had problems since the last time they were licensed in the state.

Examiners review such applications and inquire about the details of disclosure incidents in order to screen out potential problem stockbrokers. In 2007, 491 agent applications were subject to special review by the Division. Of those, 465 were from agents located outside of Wisconsin. After consideration of the responses, the Division approved 272 applications with no restrictions, 7 were approved with conditions or restrictions, 28 were approved subject to heightened supervision by their broker-dealer and 212 applications were voluntarily withdrawn.



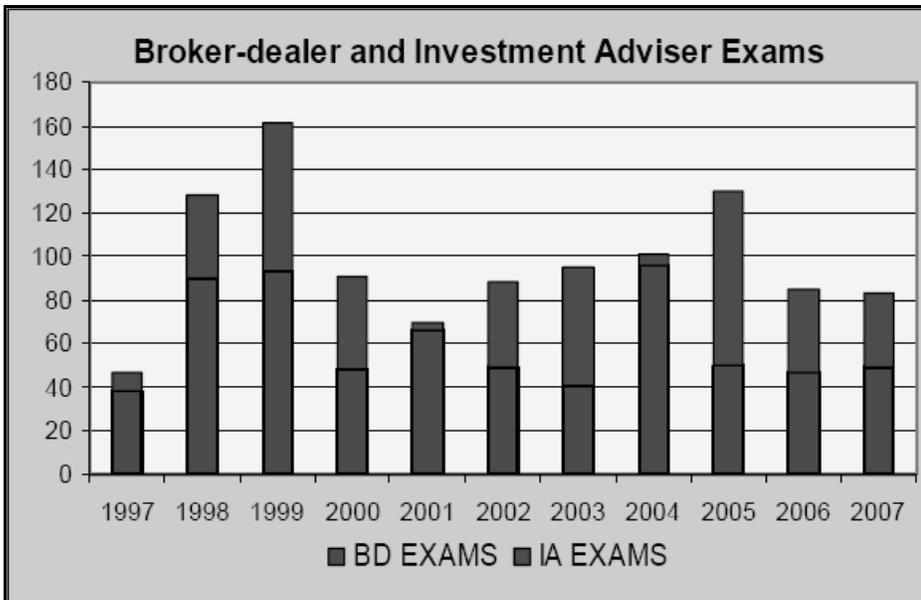
There has been much interest in investment adviser regulation in 2007, much of it centering on a study to be released in 2008 by the U.S. Securities & Exchange Commission on the public perception of investment advisers. The results of that study are expected to shape the direction of adviser regulation in the future. Investment adviser regulation has been divided between the states and the U.S. Securities & Exchange Commission since 1997, with financial planners and others who do not regularly manage money, and those who have assets under regular and continuous management of less than \$25 million being regulated

solely by their home state. State-regulated investment advisers, including broker-dealers who also provide advisory services, totaled 268 for 2007. State regulated advisers employed 373 licensed investment adviser representatives. Those advisers who manage more than \$25 million of assets, are advisers to investment companies, are affiliated with another federal covered adviser or are doing business in 30 or more states are regulated solely by the U.S. Securities & Exchange Commission and not by the Division. However, they must still make an annual notice filing with the Division if they have a place of business in the state. In 2007, there were 1,065 federal covered advisers. Individuals who have a place of business in the state and represent federal covered advisers must also be licensed as investment adviser representatives. There were 1,541 investment adviser representatives of federal covered advisers licensed in 2007.



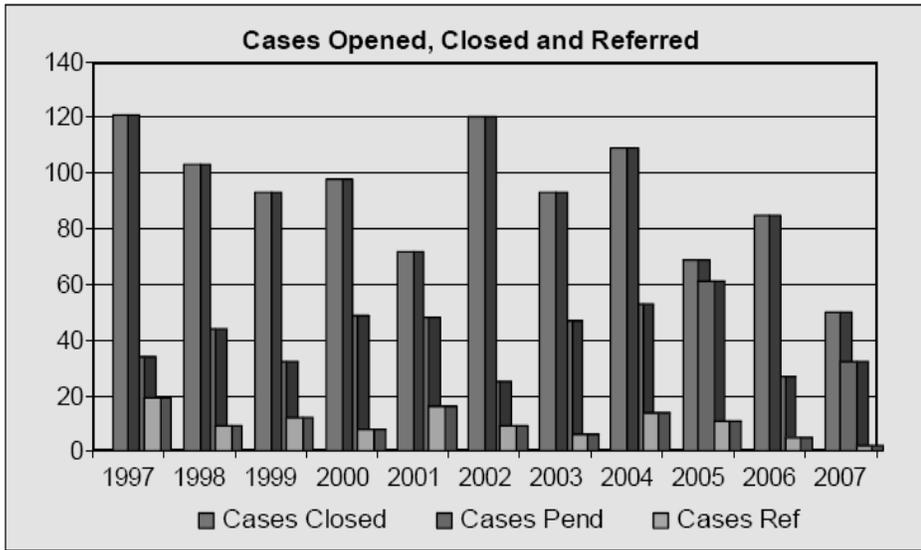
Beginning in 2006, all broker-dealers and state investment advisers advised the Division of the opening, closing and changes of address of their branch offices by making their filings electronically via the CRD system. Because federal covered advisers do not have access to the branch office functionality on CRD, those branches continue to be renewed manually with the Division. The adoption of a new definition of “branch office” created a large increase in the number of broker-dealer office filings in 2006. There were 4,239 broker-dealer sales offices filed in 2007. The number of

investment adviser branches, which were not affected because the expanded definition applies only to broker-dealers and not investment advisers, totaled 170.



All offices of broker-dealers and state licensed investment advisers are subject to examination in order to review their books and records, sales practices, supervision and general operating procedures of these firms. Examiners visit these offices to identify problems or practices that might, without improvement, result in violations of the securities law or losses for customers. The staff’s approach to the exams is to encourage the firms to improve their procedures to enhance investor protection rather than seek out enforcement actions. The staff conducted reviews at 34 investment

advisers and 49 broker-dealers, noting 66 significant deficiencies.



If a Wisconsin investor has a problem with a licensee, they can file a complaint with the Division. The staff contacts the firm and/or individual and requests a response and background information concerning the investor's complaint. A determination is then made as to whether there has been a violation of federal or Wisconsin securities laws and if administrative action is warranted. Most cases are closed without an enforcement referral. 57 investigative files involving licensees were opened in 2007. Ten warning letters were issued to

licensees, 2 cases were referred to Enforcement staff for formal action and 50 cases were closed. As a result of Licensing staff intervention, firms sometimes make voluntary adjustments to accounts. While the Division cannot mandate an adjustment or a return of funds to a customer, the staff takes into consideration a rescission or adjustment offered by the firm. In 2007, adjustments to accounts or funds offered in rescission of trades to Wisconsin investors totaled \$2,846,614, of which \$2.7 million was offered to mutual fund customers of Morgan Stanley in a voluntary action by the firm.

The Office of Credit Unions is dedicated to ensuring the safety and soundness of Wisconsin chartered credit unions, while fostering their development through a progressive regulatory environment. As of December 31, 2007, the Office of Credit Unions regulated 260 state-chartered credit unions with assets totaling over \$16.5 billion. All of these credit unions are insured by the National Credit Union Administration.

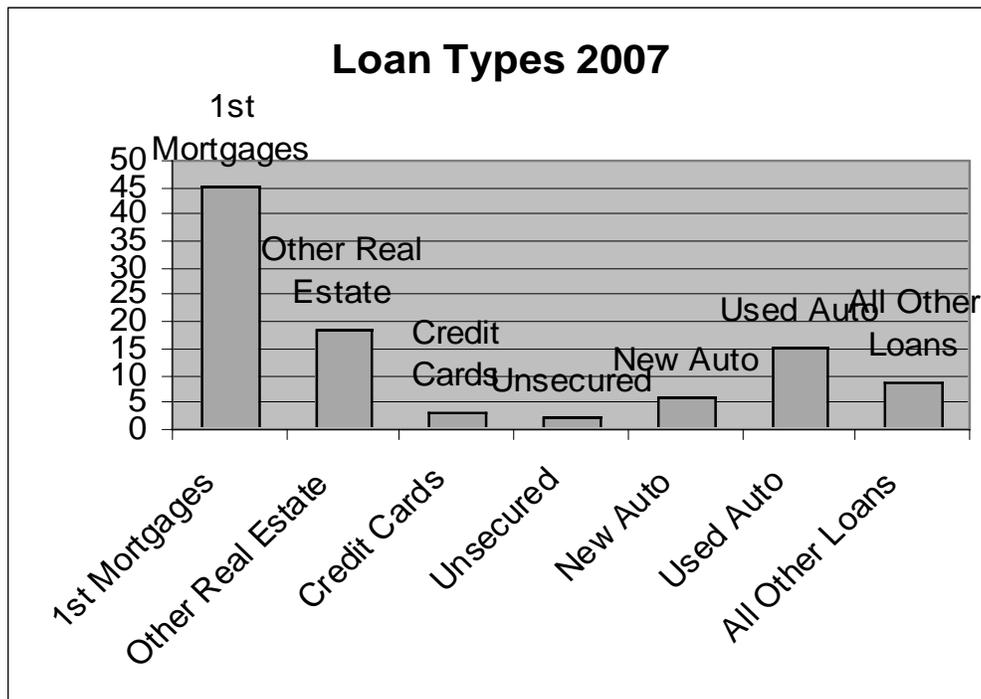
The financial statistics are derived from the year-end call reports of all state-chartered credit unions. The statistics and analyses do not include Wisconsin Corporate Central Credit Union or the two federal-chartered credit unions operating in Wisconsin. Overall, Wisconsin credit unions continue their tradition of financial strength and growth as demonstrated by the following:

NET WORTH

The Net Worth/Assets ratio for all Wisconsin credit unions was 11.19% as of December 31, 2007. Total net worth for Wisconsin credit unions was \$1.9 billion. This is an increase of \$102.0 million over 2006.

ASSET QUALITY

LOAN TRENDS: Loan origination remained strong and loans represent 80.6% of all credit union assets. Loan growth in 2007 was 4.9%. As seen in the graph, first mortgage real estate loans comprise 45.5% of total loans. Total real estate loans (which include subordinate mortgages) represent 64.1% of total loans.



Loan quality remains strong. Delinquent loans increased slightly in 2006 and the ratio to total loans was 1.09%. The net charge off loan ratio stayed nearly the same at 0.31%. Effective lending and collection practices assisted in maintaining commendable delinquency and net loss ratios.

Wisconsin credit unions reported a decrease in members filing for bankruptcy and the outstanding loans subject to bankruptcy decreased to just over \$28.1 million. Loans charged off due to bankruptcy decreased to \$13.4 million and accounted for 30.8% of total loan charge-offs.

INVESTMENT TRENDS: Savings deposits outpaced new loans and as a result investments increased \$117 million during 2007 and represented 8.0% of total assets at year-end. The table below depicts trends in the major investment categories:

	2003	2004	2005	2006	2007
US Government Obligations	.27%	.52%	.52%	.70%	%
Federal Agency Securities	36.63%	37.92%	35.45%	34.18%	%
Mutual Funds & Common Trust	2.13%	2.20%	2.42%	2.83%	%
Corporate Credit Unions	18.49%	20.78%	29.14%	36.64%	40.27%
Banks, S&Ls, Mutual Savings Banks	35.35%	30.44%	23.61%	20.39%	22.02%
Credit Unions	2.00%	2.16%	1.98%	2.25%	2.56%
Other Investments	5.13 %	5.97%	6.88%	3.04%	2.98%
Total Investments	100%	100%	100%	100%	100%

FIXED ASSETS: At the end of 2007, fixed assets including foreclosed and repossessed assets were steady at 3.1% of assets. Fixed assets are non-earning assets, so the lower the number the better.

EARNINGS

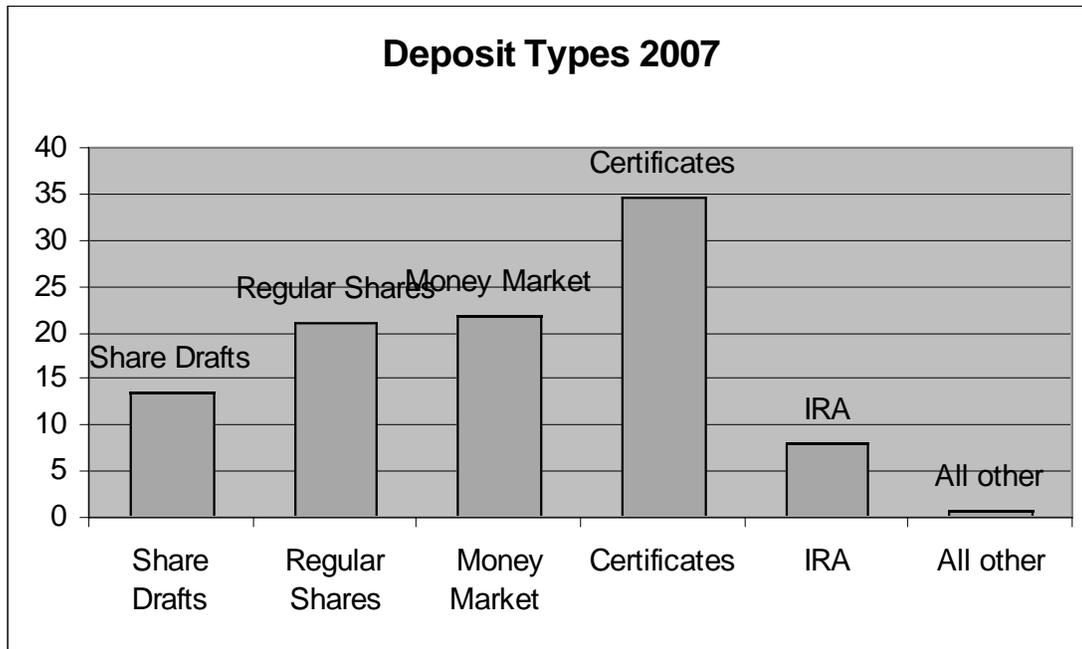
The table below indicates that the past five years have been challenging from an earnings perspective. The Net Income ratio remained steady. The interest rate increases during 2007 are reflected in the increases in both gross income and cost of funds. Credit unions have done a good job of controlling expenses and losses. Overall, earnings have been strong enough to continue to increase the net worth ratio.

Ratio	2003	2004	2005	2006	2007
Gross income	6.67%	6.09%	6.48%	7.01%	7.44%
Cost of Funds	1.61%	1.32%	1.75%	2.45%	2.79%
Operating Expenses	3.72%	3.58%	3.64%	3.62%	3.65%
Provision for Loan Loss	.29%	.27%	.29%	.28%	.32%
Net Income	1.07%	.94%	.91%	.70%	.70%
Net Worth	10.90%	11.08%	11.12%	11.17%	11.19%

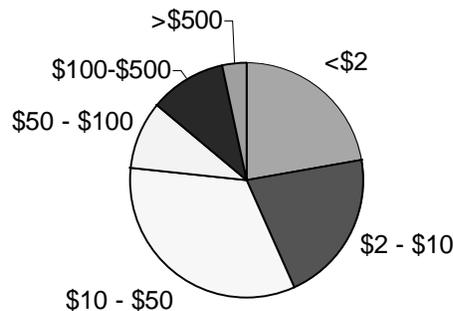
ASSET/LIABILITY MANAGEMENT

SHARE TRENDS & MIX: Total Shares increased 5.5% in 2007. This represents an increase of over \$730 million, compared to growth of \$820 million in 2006.

The graph shows the distribution of different share products as of December 31, 2007.

**LIQUIDITY TRENDS:**

Credit unions reported borrowings of \$469 million or 2.9% of assets. Many credit unions have utilized lines of credit to access funds in times of liquidity need.

**Credit Unions by Asset Size 2007
(in millions)****ADDITIONAL COMMENTS**

Wisconsin credit unions continue to consolidate. During 2007, 7 credit unions were consolidated bringing the remaining total number of credit unions to 260. The median size for all credit unions is \$12 million but the average size is \$63.6 million. Two Wisconsin credit unions have assets in excess of \$1 billion and 113 credit unions have assets of less than \$10 million.

In addition to the 260 state-chartered and 2 federal-chartered credit unions, there are miscellaneous credit union entities that operate in Wisconsin. These include:

- a Corporate Credit Union ,
- two credit union service centers (in Superior and Green Bay),
- two shared branch network organizations (in Madison and Milwaukee) that sponsor 23 locations in Wisconsin and connect to 3390 locations nationwide (a list may be found at www.cuservicecenter.com), and
- various credit union service organizations (CUSOs).

Traditionally, CUSOs have been formed to provide goods and services to credit unions, credit union organizations, and credit union members. Their popularity is increasing as indicated by increased investments in these entities as well as an increase in the number of CUSOs being formed by credit unions to operate in Wisconsin.

SUMMARY

Credit unions in Wisconsin continue to be strong as indicated by their traditionally stable financial performance. Looking ahead, the future will continue to be challenging due to questions regarding the economy and increased competition. Credit unions need to position their balance sheet and take measures to mitigate and monitor risk. Effective management in all areas will be crucial in order for credit unions to succeed and serve their members interests.

For additional financial information, please refer to the 4th Quarter Credit Union Bulletin available from the Office of Credit Unions and on the Department of Financial Institutions website-wdfi.org.

**COMPARISON STATEMENTS OF CONDITION
OF WISCONSIN CREDIT UNIONS
DECEMBER 31, 2007 and DECEMBER 31, 2006**

	December 31, 2007		December 31, 2006		Decrease	% Change
Number of Credit Unions	260		267		-7	-2.6%
	<u>AMOUNT</u>	<u>% OF ASSETS</u>	<u>AMOUNT</u>	<u>% OF ASSETS</u>		
ASSETS						
Personal Loans	4,780,768,463	28.9%	4,724,734,135	30.2%	56,034,328	1.2%
Real Estate Loans	8,547,967,431	51.7%	7,989,646,313	51.0%	558,321,118	7.0%
Total Loans	13,328,735,894	80.6%	12,714,380,448	81.2%	614,355,446	4.8%
Allowance for Loan Losses	94,691,648	0.6%	82,421,745	0.5%	12,269,903	14.9%
Net Loans	13,234,044,246	80.0%	12,631,958,703	80.7%	602,085,543	4.8%
Cash	1,023,277,316	6.2%	910,959,335	5.8%	112,317,981	12.3%
Investments	1,330,249,006	8.0%	1,212,348,147	7.7%	117,900,859	9.7%
Fixed Assets	508,761,921	3.1%	469,530,560	3.0%	39,231,361	8.4%
Other Assets	446,993,102	2.7%	431,435,098	2.8%	15,558,004	3.6%
TOTAL ASSETS	16,543,325,591	100.0%	15,656,231,843	100.0%	887,093,748	5.7%
LIABILITIES						
Regular Shares	2,952,021,110	17.8%	3,099,145,641	19.8%	-147,124,531	-4.7%
Share Drafts	1,876,362,931	11.3%	1,862,950,314	11.9%	13,412,617	0.7%
Other Shares & Deposits	9,124,983,365	55.2%	8,261,003,389	52.8%	863,979,976	10.5%
Total Savings	13,953,367,406	84.3%	13,223,099,344	84.5%	730,268,062	5.5%
Notes and Accounts Pay.	746,981,229	4.5%	688,305,740	4.4%	58,675,489	8.5%
Regular Reserve	709,606,512	4.3%	683,946,383	4.4%	25,660,129	3.8%
Other Reserves	1,133,370,444	6.9%	1,060,880,376	6.8%	72,490,068	6.8%
TOTAL LIABILITIES	16,543,325,591	100.0%	15,656,231,843	100.0%	887,093,748	5.7%

Note: Some small statistical errors may occur due to rounding.

**COMPARISON STATEMENTS OF INCOME
FOR WISCONSIN CREDIT UNIONS
FOR THE PERIODS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006**

	2007	% OF	2006	% OF
	AMOUNT	AVERAGE ASSETS	AMOUNT	AVERAGE ASSETS
INCOME				
Interest on Loans	885,735,618	5.50%	801,465,029	5.26%
Less: Interest Refunds	<u>1,989,145</u>	<u>0.01%</u>	<u>1,584,937</u>	<u>0.01%</u>
Net Interest Income	883,746,473	5.49%	799,880,092	5.25%
Income on Investments	100,615,735	0.63%	76,732,795	0.50%
Other Income	<u>212,579,874</u>	<u>1.32%</u>	<u>191,135,299</u>	<u>1.25%</u>
TOTAL OPERATING INCOME	1,196,942,082	7.44%	1,067,748,186	7.01%
ADMINISTRATIVE EXPENSES				
Employee Costs	309,132,928	1.92%	290,027,370	1.90%
Travel and Conference	7,977,538	0.05%	7,260,189	0.05%
Office Occupancy	39,565,334	0.25%	36,316,529	0.24%
General Operations	112,971,118	0.70%	107,754,446	0.71%
Education and Promotion	24,063,142	0.15%	23,057,088	0.15%
Loan Servicing	37,068,205	0.23%	33,949,777	0.22%
Professional Services	38,016,622	0.24%	34,893,427	0.23%
Member Insurance	2,295,026	0.01%	2,387,806	0.02%
Operating Fees	2,454,010	0.02%	2,273,826	0.01%
Other Operational Expenses	<u>14,191,436</u>	<u>0.09%</u>	<u>12,773,077</u>	<u>0.08%</u>
TOTAL ADMINISTRATIVE	587,735,359	3.65%	550,693,535	3.62%
Provision for Loan Loss	<u>52,083,813</u>	<u>0.32%</u>	<u>43,345,669</u>	<u>0.28%</u>
TOTAL OPERATING EXPENSES	639,819,172	3.97%	594,039,204	3.90%
COST OF ACQUISITION OF FUNDS				
Dividends Paid on Savings	426,113,571	2.65%	343,903,000	2.26%
Interest on Borrowed Funds	<u>22,519,010</u>	<u>0.14%</u>	<u>28,543,096</u>	<u>0.19%</u>
TOTAL COST OF FUNDS	<u>448,632,581</u>	<u>2.79%</u>	<u>372,446,096</u>	<u>2.45%</u>
TOTAL EXPENSES	1,088,451,753	6.76%	966,485,300	6.35%
NET OPERATING INCOME	108,490,329	0.67%	101,262,886	0.66%
NON-OPERATING INCOME	<u>4,417,330</u>	<u>0.03%</u>	<u>5,407,159</u>	<u>0.04%</u>
NET INCOME	112,907,659	0.70%	106,670,045	0.70%

Note: Some small statistical errors may occur due to rounding.

2007 Credit Union Consolidations

Consolidation Date	Absorbed Credit Union	Location	Continuing Credit Union	Location
1/1/2007	Alliance	Pewaukee	Prime Financial	Cudahy
5/1/2007	Oshkosh Telco	Oshkosh	Oshkosh Central	Oshkosh
6/30/2007	Belle City	Racine	Landmark	New Berlin
7/1/2007	Catholic Community	Racine	Southern Lakes	Kenosha
9/30/2007	Journal	Milwaukee	Summit	Madison

2007 Credit Union Out-of-State Consolidations

Consolidation Date	Absorbed Credit Union	Location	Continuing Credit Union	Location
7/1/2007	Rountree	Platteville	Dupaco Community	Dubuque, Iowa

2007 Credit Union Liquidations

Liquidation Date	Credit Union	Location
3/21/2007	Diocesan Clergy	Green Bay

2007 Credit Union Name Changes

Location	Former Name	New Name	Effective Date
Superior	Superior Community	Superior Choice	3/1/2007
New Holstein	La-Tec	Premier Financial	4/12/2007
Superior	Holy Assumption Parish	Catholic	5/14/2007
Milwaukee	Holy Redeemer	Southeastern Wisconsin Catholic	8/1/2007
Eau Claire	Municipal Employees & Teachers	MET	10/10/2007
Milwaukee	EMSBLA	Empower	10/29/2007
Wauwatosa	Wauwatosa	Focus	11/12/2007

**CORPORATE CENTRAL CREDIT UNION
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2007**

ASSETS

Cash	\$145,490,524
Investments:	
U.S. Government Securities	\$0
Collateralized Mortgage Obligations.....	\$116,565,027
U.S. Central Credit Obligations	\$1,144,367,489
Asset-Backed Securities	\$242,396,882
Tri-Party Repurchase Agreements	\$0
Other Investments	<u>\$447,983</u>
Total Investments.....	\$1,503,777,381
Loans	\$267,003,296
Land and Building.....	\$2,686,867
Other Fixed Assets	\$176,671
Receivables and Other Assets	<u>\$14,165,477</u>
Total Assets	\$1,933,300,116

LIABILITIES AND EQUITY

Accounts Payable and Other Liabilities	\$47,388,028
Notes Payable	\$326,028,834
Commercial Paper.....	\$96,988,675
Accrued Dividends and Interest Payable	\$5,131,038
Member Shares and Certificates of Deposit	\$1,393,263,869
Regular Reserve	\$17,636,836
Other Reserves	<u>\$46,862,836</u>
Total Liabilities and Equity	\$1,933,300,116

**STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2007**

INCOME

Income from Investments	\$73,131,804
Income from Loans.....	\$11,829,645
Other Income	<u>\$6,624,598</u>
Total Income	\$91,586,047

EXPENSES

Administrative Expenses	\$8,024,401
Cost of Funds	<u>\$78,674,319</u>
Total Expenses.....	\$86,698,720
Net Income.....	\$4,887,327
Plus: Non-Operating Gain.....	\$104,295
Net Income.....	\$4,991,622



Historical Data of Wisconsin State Chartered Credit Unions Number of Charters, Members and Assets					
Year	Charters Issued	Charters Cancelled	Total Credit Unions	Total Members	Total Assets
1923 – 1930	22	0	22	4,659	481,960
1931 – 1935	383	22	383	57,847	2,914,467
1936 – 1940	281	72	592	153,849	11,238,687
1941 – 1945	73	129	536	144,524	19,064,115
1946 – 1950	76	70	542	193,296	42,875,076
1951 – 1955	204	50	696	292,552	120,562,491
1956 – 1960	112	75	733	363,444	206,392,419
1961 – 1965	118	70	781	493,399	346,631,527
1966 – 1970	69	84	766	628,543	480,420,243
1971 – 1975	22	115	673	805,123	875,542,286
1976 – 1980	17	72	618	1,0660,292	1,403,823,697
1981 – 1985	8	76	550	1,261,407	2,831,410,266
1986 – 1990	2	112	440	1,485,109	4,148,749,629
1991 – 1995	1	57	384	1,744,696	6,179,239,916
1996 – 2000	2	46	340	1,918,729	9,425,906,926
2001 – 2005	2	62	280	2,047,031	14,805,292,195
2006	0	13	267	2,086,700	15,656,231,843
2007	0	7	260	2,083,319	16,543,325,591