

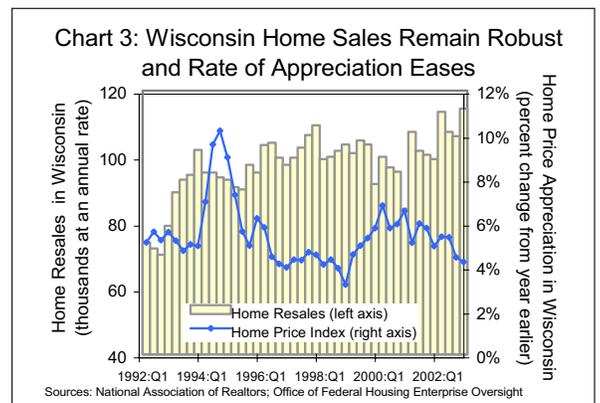
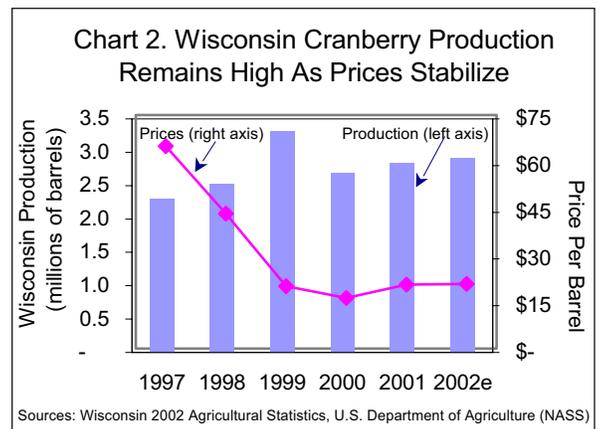
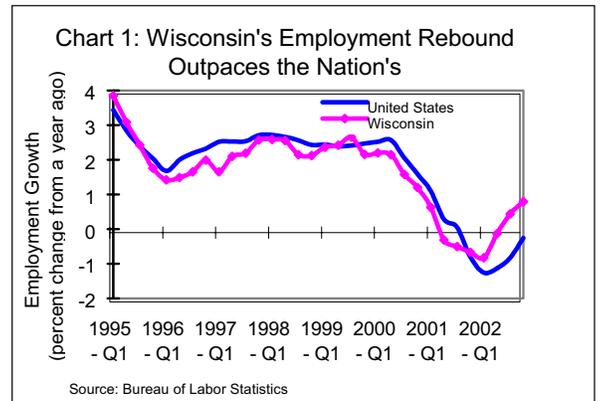
# FDIC State Profile

SPRING 2003

## Wisconsin

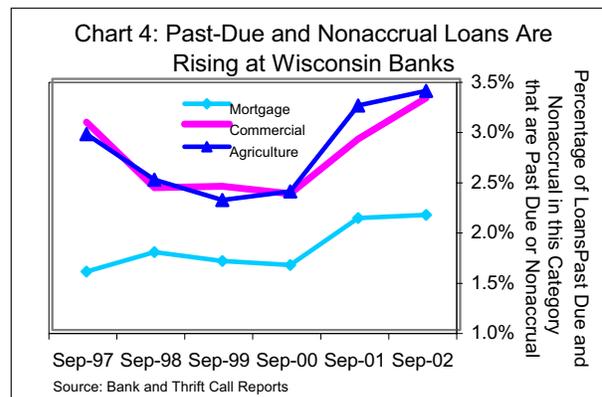
Wisconsin's recession was relatively mild when compared with the nation.

- Wisconsin's economy is diverse, with manufacturing, agriculture and tourism playing significant roles. The state is second in the nation in manufacturing, based on the share of employment, and a leading agricultural state, especially in the production of cheese, milk, butter, and cranberries. Tourism is growing rapidly and may play an important role in the long-term economic health of the state.
- Wisconsin fared relatively well in the 2001 recession, experiencing a less severe employment decline than nationally and a quicker return to job growth (see **Chart 1**).
- Total non-farm employment posted a 0.8 percent gain in fourth quarter 2002 over one year earlier. An easing in the pace of manufacturing job losses combined with gains in health services, government, construction, retail trade, finance, insurance, and real estate were responsible for improvements in the fourth quarter.
- Manufacturing employment appears to have stabilized during 2002, as the number of employees in fourth quarter 2002 was little different than in the prior three quarters.
- The paper industry is under pressure from weak demand and falling prices. After falling 13 percent in 2001, paper exports in the first half of 2002 trailed year-ago levels by an additional 5 percent. Job losses in the industry have been the pattern since 1998, and 2002 was no exception, as employment among producers of paper and paper products in Wisconsin declined 1.8 percent.
- Weak prices are a concern for the state's agricultural sector. Dairy farmers received an average price slightly below \$12 per hundred-weight of milk at year-end 2002, down \$1.60 from one year earlier. After falling sharply from 1997 to 1999, cranberry prices have roughly stabilized (see **Chart 2**), partly due to marketing restrictions in 2000 and 2001. Marketing restrictions were dropped in 2002, when production and prices edged up. In light of acreage planted, price projections for the near term cover a range of \$16.70 to \$23.60 per barrel.
- The state's housing markets remain active. Home resales in Wisconsin reached a record high in 2002 and price appreciation held above four percent, based on the values of properties resold or refinanced. (see **Chart 3**).
- Since 1993, traveler expenditures increased 115 percent in Wisconsin. The state's Department of Tourism reports that travelers spent \$11.4 billion in 2002, generating the equivalent of 380,000 full-time jobs, \$6.3 billion in wages, salaries and profits, and \$1.7 billion in local taxes and fees.



Wisconsin bank performance was solid coming out of the 2001 recession.

- Wisconsin ranks tenth in the nation based on the number of insured financial institutions. Eighty-three percent of banks and thrifts headquartered in Wisconsin have less than \$250 million in assets.
- Wisconsin insured institutions, excluding de novo and specialty banks, reported a median past-due and nonaccrual loan ratio of 2.5 percent for September 30, 2002, higher than the 2.1 percent reported by similar institutions in the Chicago Region<sup>1</sup> as a whole.
- The level of past-due and nonaccrual loans increased across a broad range of loan categories in Wisconsin, indicating that the 2001 recession is still affecting loan credit quality, though with some lag (see **Chart 4**).
- Among commercial and industrial loans at Wisconsin institutions, the share of loans on past-due and nonaccrual status rose to 3.3 percent, the highest level in over a decade. However, loan delinquencies were less severe compared with the Chicago Region, which reported a ratio of 3.7 percent. Similarly, mortgage loan delinquencies of 2.2 percent were much lower than the 3.2 percent reported for the Chicago Region. Conversely, agriculture loan delinquencies of 3.4 percent in Wisconsin banks exceeded the Region's ratio of 2.5 percent.
- Among Wisconsin's community banks,<sup>2</sup> the allowance for loan and lease losses (ALLL) relative to past-due and nonaccrual loans declined signifi-



cantly, to 127 percent in September 2002 from 225 percent in September 2000. Wisconsin has the ninth lowest ALLL coverage ratio in the nation.

- Capital and earnings performance of insured institutions in Wisconsin are stronger than in the rest of the Chicago Region (see **Table 1**).
- Since September 1997, mortgage loans as a share of total loans declined to 31 percent from 35 percent, while the share of commercial real estate loans rose to 20 percent from 14 percent.
- Margins improved in the past year as the loan mix for Wisconsin banks, as a group, shifted toward higher-yielding nonresidential real estate loans, and the cost of funds declined nearly 150 basis points while yields on earning assets declined by approximately 110 basis points.

### Risk Issues to Watch:

- As the economy continues to struggle and Wisconsin agriculture commodity prices remain stagnant, loan delinquencies may continue to increase.
- A potential risk to the improving Wisconsin economy exists in a state budget deficit that may require increased taxes and spending cuts.
- As the shift in loan mix at community banks continues toward riskier, higher-yielding lending, maintaining effective risk management practices remains important.

**Table 1. Capital and Earnings Strength in Wisconsin Mitigates Increasing Credit Risk**

	9/30/2000		9/30/2001		9/30/2002	
Median Value (%):	WI Region					
Tier 1 Leverage	8.98	9.12	9.09	8.99	9.32	9.08
Return on Assets	1.02	1.03	1.07	0.98	1.26	1.08
Net Interest Margin	3.94	3.99	3.82	3.83	4.16	3.99

Chicago Region = IL, IN, KY, MI, OH, WI  
Source: Bank and Thrift Call Reports

<sup>1</sup> The Chicago Region includes Ohio, Indiana, Wisconsin, Illinois, Michigan and Kentucky.

<sup>2</sup> Insured institutions with less than \$1 billion in total assets, excluding de novo and specialty institutions.

## Wisconsin at a Glance

<b>General Information</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
Institutions (#)	316	324	355	387	394
Total Assets (in thousands)	102,078,526	101,604,984	96,207,363	98,599,710	98,486,170
New Institutions (# < 3 years)	10	14	10	11	12
New Institutions (# < 9 years)	31	32	27	25	22
<b>Capital</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
Tier 1 Leverage (median)	9.44	9.24	9.06	9.17	9.33
<b>Asset Quality</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
Past-Due and Nonaccrual (median %)	2.50%	2.22%	1.67%	1.67%	1.99%
Past-Due and Nonaccrual ≥ 5%	39	35	22	19	26
ALLL/Total Loans (median %)	1.23%	1.20%	1.20%	1.23%	1.27%
ALLL/Noncurrent Loans (median multiple)	1.27	1.50	2.24	2.12	2.11
Net Loan Losses/Loans (aggregate)	0.25%	0.22%	0.12%	0.19%	0.19%
<b>Earnings</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
Unprofitable Institutions (#)	13	13	13	11	7
Percent Unprofitable	4.1%	4.0%	3.7%	2.8%	1.8%
Return on Assets (median %)	1.24	1.06	1.01	1.14	1.14
25th Percentile	0.87	0.73	0.74	0.85	0.89
Net Interest Margin (median %)	4.14%	3.81%	3.92%	3.99%	4.12%
Yield on Earning Assets (median)	6.77%	7.90%	8.06%	7.73%	8.17%
Cost of Funding Earning Assets (median)	2.63%	4.08%	4.19%	3.74%	4.05%
Provisions to Avg. Assets (median)	0.12%	0.10%	0.10%	0.09%	0.10%
Noninterest Income to Avg. Assets (median)	0.60%	0.56%	0.52%	0.53%	0.57%
Overhead to Avg. Assets (median)	2.68%	2.64%	2.62%	2.66%	2.67%
<b>Liquidity/Sensitivity</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
Loans to Deposits (median %)	85.34%	86.12%	88.03%	82.75%	80.61%
Loans to Assets (median %)	70.61%	71.22%	72.55%	69.68%	68.58%
Brokered Deposits (# of Institutions)	132	139	157	132	128
Bro. Deps./Assets (median for above inst.)	3.43%	2.63%	3.01%	2.72%	2.28%
Noncore Funding to Assets (median)	15.34%	15.23%	16.44%	12.47%	11.61%
Core Funding to Assets (median)	72.78%	73.19%	72.75%	76.19%	76.98%
<b>Bank Class</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
State Nonmember	203	209	217	218	227
National	46	49	50	57	58
State Member	26	25	49	68	64
Savings and Loan	8	8	10	12	12
Savings Bank	17	14	9	9	10
Mutually Insured	16	19	20	23	23
<b>MSA Distribution</b>	<b># of Inst.</b>	<b>Assets (\$thous)</b>	<b>% Inst.</b>	<b>% Assets</b>	
No metropolitan statistical area (MSA)	175	18,521,223	55.4%	18.1%	
Milwaukee-Waukesha WI PMSA	44	48,484,845	13.9%	47.5%	
Madison WI	22	7,504,000	7.0%	7.4%	
Appleton-Oshkosh-Neenah WI	12	3,313,362	3.8%	3.2%	
Wausau WI	10	1,502,117	3.2%	1.5%	
Minneapolis-St Paul MN-WI	8	1,032,332	2.5%	1.0%	
Janesville-Beloit WI	8	1,023,788	2.5%	1.0%	
Eau Claire WI	8	975,854	2.5%	1.0%	
La Crosse WI-MN	7	3,800,561	2.2%	3.7%	
Green Bay WI	7	11,763,467	2.2%	11.5%	
Sheboygan WI	5	607,818	1.6%	0.6%	
Racine WI PMSA	4	2,900,081	1.3%	2.8%	
Duluth-Superior MN-WI	4	388,511	1.3%	0.4%	
Kenosha WI PMSA	2	260,567	0.6%	0.3%	