

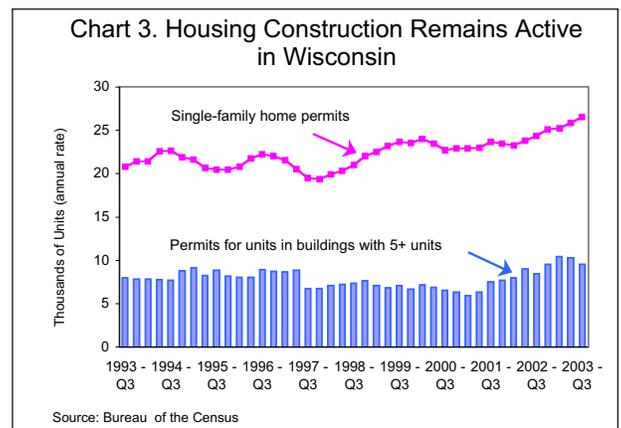
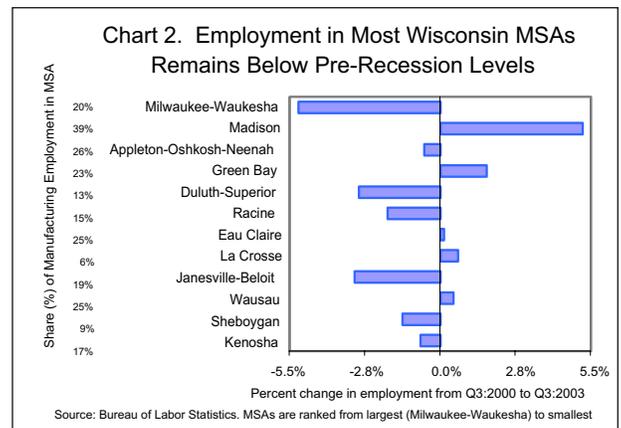
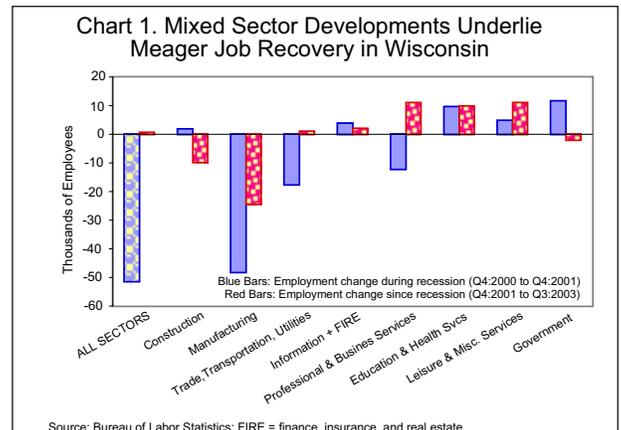
FDIC State Profile

WINTER 2003

Wisconsin

Wisconsin's economic conditions remained mixed.

- In the aggregate, Wisconsin employment edged up marginally since the end of the recession, although significant job losses continue in the manufacturing sector (see Chart 1).
- Conditions in some Metropolitan Statistical Areas (MSA) illustrate that high exposure to manufacturing is not always correlated with overall labor market conditions. A relatively high share of workers in the *Sheboygan, Wausau, Appleton-Oshkosh-Neenah, Racine,* and *Janesville-Beloit* MSAs work in manufacturing. Nevertheless, total employment recently exceeded its pre-recession level in one of these MSAs, was down by 3 percent in another, and shy by smaller amounts in the others (see Chart 2).
- The type of manufacturing activity in an MSA and its sensitivity to business cycles, as well as the economic diversity of the area, help shape its labor market's strength or weakness. Relatively high exposure to machinery and fabricated metals in Milwaukee, to motor vehicles in Janesville-Beloit, and to lumber and wood products in Wausau, for example, help explain why recent manufacturing and overall employment trends differ considerably among these MSAs.
- High levels of housing construction and remodeling nationwide are helping support manufacturing employment in Wausau and other areas with significant exposure to millwork, door and window, and related production plants.
- Within Wisconsin, new housing construction remained active through mid-year 2003. Permits for units in large apartment buildings grew by over 20 percent in 2001 and again in 2002, outpacing growth in single-family permits by a wide margin. Chart 3 shows the number of permits issued for single-family homes and large apartment buildings.
- The pace of home price appreciation remained positive in the state's MSAs but generally slower than one or two years earlier. Even so, the appreciation helps boost home owners' net worth and their ability to use home equity as a source of financing for other spending.
- In Milwaukee, the net new supply of nonresidential real estate has been low across property types—office, retail, apartments, warehouses, and hotels, but 10 quarters of job losses also weakened demand. Vacancy rates remain at or near historical highs, especially for apartment, office, and hotel properties.



State Profile

Insured institutions based in Wisconsin continued to perform well.

- Profitability, measured by return on assets (ROA), rose in the past two years for large banks and thrifts as well as for community institutions¹ headquartered in Wisconsin (see Chart 4).
- Security gains and lower noninterest expenses relative to a year earlier helped buffer the impact on ROA of declines in net interest income and noninterest income (see Table 1).
- Net interest income decreased in the three months ending June 30, 2003 (relative to the same period a year earlier), as the yield on earning assets fell more than the cost of funding earning assets. This development reflected changing market interest rates and a flattening of the yield curve, as short-term rates such as the fed funds rate fell by less than yields on Treasury notes.

Deterioration of credit quality may be abating.

- The median past-due and nonaccrual (PDNA) ratio eased at large banks in Wisconsin as of June 2003 yet remained relatively high compared with the experience of the past decade. Community institutions' ratio, also high relative to the past decade, changed little from a year earlier (see Chart 5).
- Among large institutions as a group, the PDNA rate was highest for commercial and industrial (C&I) loans, followed by construction loans and 1-4 family mortgages. Among community institutions, consumer loans carried the highest PDNA rate, then C&I loans and 1-4 family mortgages.
- The recent divergence in PDNA rates between large and small institutions partly reflected that charge-off rates at large institutions have been about double those at community institutions in the past few years. In the three months ending June 2003, the charge-off rate rose among large institutions but eased slightly at community banks and thrifts.
- Relative to other states (Illinois, Indiana, Kentucky, Michigan, and Ohio) in the Chicago Region, the loan portfolios of community banks in Wisconsin held smaller shares of 1-4 family mortgages and consumer loans but higher proportions of commercial real estate and general operating loans to businesses

Chart 4. ROA Recovered among Wisconsin Institutions after Several Years of Weakness

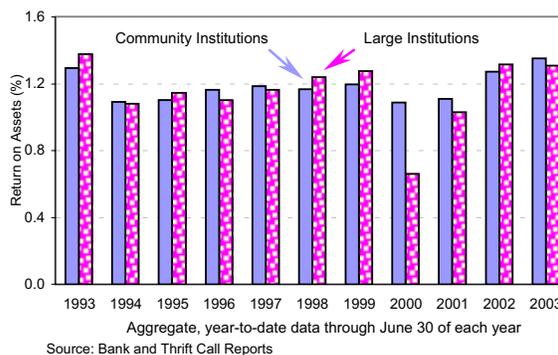
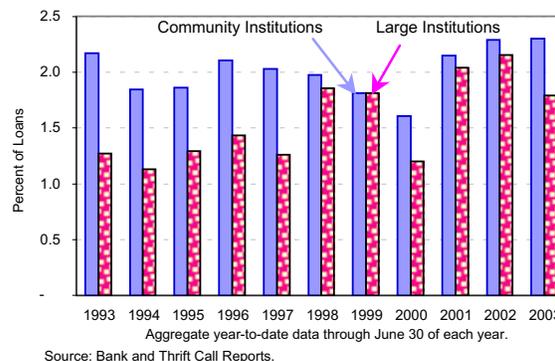


Table 1: Net Income Changed Little in Past Year Although Components' Contributions Were Mixed

	Contribution (as percentage of average assets)		Basis Point Change
	3 months ending June 30		
	2002	2003	
Net Interest Income	3.58	3.40	-0.18
Noninterest Income	1.50	1.23	-0.27
Noninterest Expense	-3.09	-2.78	0.31
Provision Expense	-0.25	-0.25	0.00
Security Gains or Losses	0.07	0.28	0.21
Income Taxes	-0.53	-0.56	-0.03
Net Income (ROA)	1.28	1.32	0.04

Source: Bank and Thrift Call Reports, aggregate data for all Wisconsin institutions

Chart 5. Past-Due and Nonaccrual Rates Remain Relatively High



and farmers. Consequently, the impact on these institutions from rapid growth in personal bankruptcy filings in Wisconsin during the past year may be somewhat muted.

¹ Banks and thrifts with assets of \$1 billion or less that are not de novo or specialty institutions.

State Profile

Wisconsin at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	311	320	327	357	386
Total Assets (in thousands)	107,371,709	106,379,452	99,651,620	94,800,242	102,380,706
New Institutions (# < 3 years)	7	12	15	11	11
New Institutions (# < 9 years)	28	31	32	27	24
Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	9.45	9.32	9.10	9.22	9.23
Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	2.23%	2.26%	2.10%	1.59%	1.77%
Past-Due and Nonaccrual >= 5%	36	35	37	13	20
ALLL/Total Loans (median %)	1.25%	1.24%	1.18%	1.19%	1.26%
ALLL/Noncurrent Loans (median multiple)	1.37	1.41	1.52	2.29	2.09
Net Loan Losses/Loans (aggregate)	0.22%	0.23%	0.19%	0.11%	0.19%
Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	6	13	14	12	9
Percent Unprofitable	1.9%	4.1%	4.3%	3.4%	2.3%
Return on Assets (median %)	1.24	1.20	1.01	1.03	1.15
25th Percentile	0.92	0.84	0.75	0.78	0.82
Net Interest Margin (median %)	3.98%	4.10%	3.76%	3.95%	3.96%
Yield on Earning Assets (median)	5.98%	6.79%	8.01%	7.96%	7.69%
Cost of Funding Earning Assets (median)	2.07%	2.68%	4.25%	4.07%	3.74%
Provisions to Avg. Assets (median)	0.12%	0.11%	0.10%	0.09%	0.08%
Noninterest Income to Avg. Assets (median)	0.71%	0.56%	0.53%	0.52%	0.54%
Overhead to Avg. Assets (median)	2.71%	2.65%	2.66%	2.60%	2.64%
Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	81.08%	84.36%	86.67%	86.90%	81.56%
Loans to Assets (median %)	68.54%	71.15%	72.52%	72.21%	68.87%
Brokered Deposits (# of institutions)	134	131	142	155	133
Bro. Deps./Assets (median for above inst.)	3.35%	3.09%	2.65%	3.01%	2.59%
Noncore Funding to Assets (median)	15.18%	15.05%	15.51%	15.75%	11.85%
Core Funding to Assets (median)	72.61%	73.18%	72.92%	73.04%	77.02%
Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	200	205	211	217	218
National	43	48	49	51	57
State Member	28	26	26	49	68
S&L	8	8	8	11	12
Savings Bank	17	17	14	9	9
Mutually Insured	15	16	19	20	22
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	172	19,688,288	55.3%	18.3%	
Milwaukee-Waukesha WI PMSA	44	51,823,362	14.1%	48.3%	
Madison WI	22	8,069,008	7.1%	7.5%	
Appleton-Oshkosh-Neenah WI	12	3,333,474	3.9%	3.1%	
Wausau WI	10	1,599,999	3.2%	1.5%	
Minneapolis-St Paul MN-WI	8	1,116,997	2.6%	1.0%	
Janesville-Beloit WI	8	1,133,174	2.6%	1.1%	
Eau Claire WI	8	1,038,071	2.6%	1.0%	
La Crosse WI-MN	7	3,935,031	2.3%	3.7%	
Sheboygan WI	5	635,639	1.6%	0.6%	
Green Bay WI	5	11,008,159	1.6%	10.3%	
Racine WI PMSA	4	3,217,564	1.29%	3.00%	
Duluth-Superior MN-WI	4	439,685	1.29%	0.41%	
Kenosha WI PMSA	2	333,258	0.64%	0.31%	