

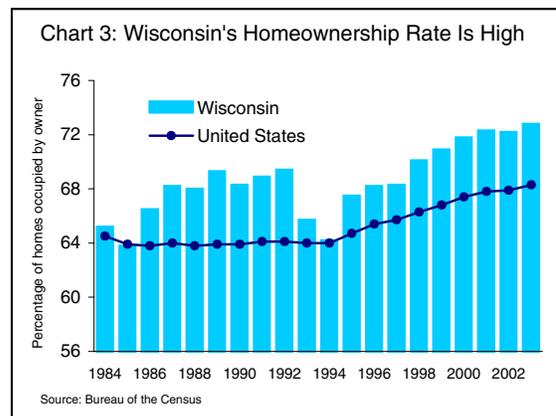
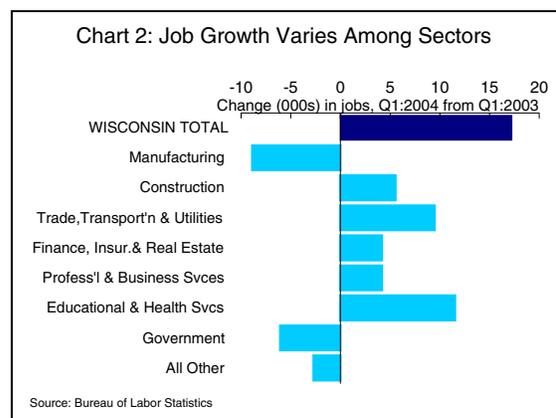
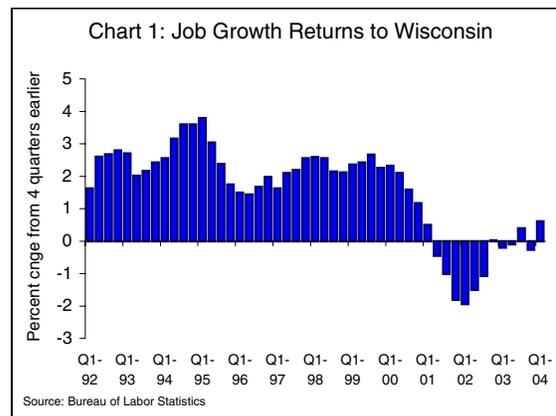
# FDIC State Profile

Summer 2004

## Wisconsin

### Economic Improvement Gets Under Way in Wisconsin

- Wisconsin's labor market has strengthened, with employment rising 0.6 percent in the year ending first-quarter 2004 (See Chart 1). Because hiring grew faster than the labor force, the unemployment rate fell to 5.1 percent in early 2004, the lowest since late 2001.
- Improvement remains uneven, however (See Chart 2). The manufacturing sector's loss of 9,000 jobs in the year ending first-quarter 2004 was relatively mild compared to recent history, when annual losses ranged from 34,000 to 21,000 in 2001 through 2003.
- Wisconsin's manufacturing activity should pick up as 2004 unfolds. The state likely will benefit from rising business investment, a declining U.S. dollar exchange rate, strengthening economic growth abroad, and demand from China for such products as industrial machinery and equipment.
- Personal income growth of Wisconsin households improved to 4 percent in fourth-quarter 2003 (relative to fourth-quarter 2002), following growth of 3.5 percent or less in the prior ten quarters.
- Bankruptcy filings in fourth quarter 2003 and first quarter 2004 were 2 to 3 percent below year-earlier levels, the first quarters of improvement since before the 2001 recession.
- Home sales and single-family construction permits in Wisconsin set records in 2003. Appreciation on homes slowed to 4.7 percent from the 5- to 6-percent range of 1999 to 2002. Permits for multifamily units fell sharply after mid-year 2003. Along with projects in the pipeline, the slowdown may reflect that the state's rising homeownership rate (See Chart 3) is tempering demand for rental apartments.
- In Milwaukee, commercial real estate conditions changed little, according to Property & Portfolio Research, Inc. The first-quarter vacancy rate for rental apartments was 7.7 percent, down from 8 percent a year earlier. The office vacancy rate of 17.7 percent was similar to the prior five



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quarters, and rents continued falling. Vacancy rates for retail and warehouse space were fairly stable.

### Earnings weakened modestly at community institutions

- Among Wisconsin's 287 community institutions,<sup>1</sup> first-quarter 2004 return on assets (ROA) fell about 20 basis points relative to a year earlier yet remained well above 1 percent (See Table 1). In recent quarters, lower noninterest income was a major factor in the decline of ROA.
- Reduced income taxes and provision expenses helped buffer the impact on ROA of lower noninterest income. The contribution from security gains has tapered off since early 2003, as has the decline in noninterest expenses.

### Loan growth at community institutions was uneven, while credit quality improved.

- Lending for commercial real estate projects and for construction and development has been rising at community banks since a 2002 pause; the pace of lending rose noticeably in the past few quarters.
- Home equity loans held by Wisconsin community banks rose 45 percent in the past year. In contrast, 1-4 family mortgages rose by slightly over two percent, perhaps reflecting slower growth in home sales or insured institutions' securitization and sales of mortgages. The modest growth also could reflect a growing role of national mortgage lenders in the Wisconsin marketplace.
- Loans to individuals were the only major loan category to decline (See Table 2). This development likely reflects that many households restructured their balance sheets and used their home equity as a source of borrowing power.
- Past-due loan ratios fell for many loan types in the past year (See Chart 4). Sharply higher charge-offs in fourth quarter 2003—especially for loans to individuals, commercial and industrial loans, and construction and development loans—contributed to the declines in first quarter, and faster growth in loan portfolios also may have played a role.

**Table 1: Lower Noninterest Income Was Major Contributor to Decline in First-Quarter Income**

Income statement contribution (as a percentage of average assets)			
	3 months ended March 31		Basis point change
	2003	2004	
Net Interest Income	3.61	3.54	-0.07
Noninterest Income	1.03	0.77	-0.26
Noninterest Expense	-2.72	-2.70	0.02
Provision Expense	-0.16	-0.12	0.04
Security Gains & Losses	0.06	0.04	-0.02
Income Taxes	-0.49	-0.38	0.11
Net Income (ROA)	1.33	1.15	-0.18

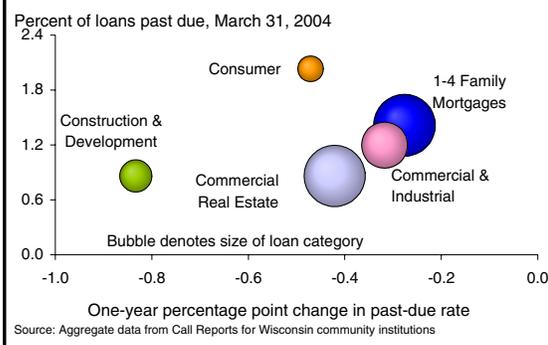
Source: Aggregate data from Call Reports for Wisconsin community institutions

**Table 2: Loans Secured by Real Estate Were Major Source of Portfolio Expansion in Past Year**

Loans outstanding (\$ millions)			
	3 months ended March 31		Change
	2003	2004	
1-4 Family Residential	8,507	8,698	191
Commercial Real Estate	6,996	8,498	1,502
Commercial and Industrial	4,695	4,839	144
Construction/Development	1,700	2,378	678
Consumer	1,620	1,495	-125
Home Equity	858	1,241	383
All Other	2,790	3,022	232
Net Loans and Leases	27,166	30,171	3,005

Source: Aggregate data from Call Reports for Wisconsin community institutions

**Chart 4: Past-Due Rates Are Lower Across Major Loan Categories**



<sup>1</sup>Community institutions are insured institutions with less than \$1 billion in assets, excluding new (less than three years old) and specialty banks and thrifts.

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### Wisconsin at a Glance

<b>General Information</b>	<b>Mar-04</b>	<b>Mar-03</b>	<b>Mar-02</b>	<b>Mar-01</b>	<b>Mar-00</b>
Institutions (#)	310	312	320	344	360
Total Assets (in thousands)	109,480,196	104,855,680	102,841,317	99,577,517	93,968,671
New Institutions (# < 3 years)	4	9	13	13	10
New Institutions (# < 9 years)	27	28	32	30	26
<b>Capital</b>	<b>Mar-04</b>	<b>Mar-03</b>	<b>Mar-02</b>	<b>Mar-01</b>	<b>Mar-00</b>
Tier 1 Leverage (median)	9.71	9.45	9.29	9.00	9.07
<b>Asset Quality</b>	<b>Mar-04</b>	<b>Mar-03</b>	<b>Mar-02</b>	<b>Mar-01</b>	<b>Mar-00</b>
Past-Due and Nonaccrual (median %)	1.93%	2.43%	2.42%	2.17%	1.66%
Past-Due and Nonaccrual >= 5%	26	43	40	35	18
ALLL/Total Loans (median %)	1.24%	1.27%	1.23%	1.20%	1.19%
ALLL/Noncurrent Loans (median multiple)	1.36	1.44	1.38	1.75	2.23
Net Loan Losses/Loans (aggregate)	0.13%	0.25%	0.25%	0.18%	0.07%
<b>Earnings</b>	<b>Mar-04</b>	<b>Mar-03</b>	<b>Mar-02</b>	<b>Mar-01</b>	<b>Mar-00</b>
Unprofitable Institutions (#)	8	7	13	15	12
Percent Unprofitable	2.58%	2.24%	4.06%	4.36%	3.33%
Return on Assets (median %)	1.09	1.24	1.17	1.01	1.05
25th Percentile	0.73	0.94	0.83	0.69	0.77
Net Interest Margin (median %)	3.90%	3.97%	4.03%	3.74%	3.96%
Yield on Earning Assets (median)	5.55%	6.04%	6.87%	8.08%	7.89%
Cost of Funding Earning Assets (median)	1.64%	2.12%	2.82%	4.40%	3.98%
Provisions to Avg. Assets (median)	0.10%	0.11%	0.10%	0.10%	0.09%
Noninterest Income to Avg. Assets (median)	0.57%	0.70%	0.55%	0.54%	0.50%
Overhead to Avg. Assets (median)	2.70%	2.70%	2.64%	2.63%	2.63%
<b>Liquidity/Sensitivity</b>	<b>Mar-04</b>	<b>Mar-03</b>	<b>Mar-02</b>	<b>Mar-01</b>	<b>Mar-00</b>
Loans to Deposits (median %)	84.10%	81.59%	83.98%	87.17%	84.95%
Loans to Assets (median %)	70.79%	68.90%	70.23%	72.20%	71.17%
Brokered Deposits (# of Institutions)	141	136	134	153	143
Bro. Deps./Assets (median for above inst.)	3.65%	3.39%	2.75%	2.94%	2.96%
Noncore Funding to Assets (median)	15.97%	15.43%	15.39%	16.02%	14.98%
Core Funding to Assets (median)	72.10%	72.94%	73.62%	72.42%	73.51%
<b>Bank Class</b>	<b>Mar-04</b>	<b>Mar-03</b>	<b>Mar-02</b>	<b>Mar-01</b>	<b>Mar-00</b>
State Nonmember	201	200	205	214	215
National	42	45	49	51	54
State Member	28	27	25	39	49
S&L	7	8	8	8	12
Savings Bank	17	16	16	13	8
Stock and Mutual SB	15	16	17	19	22
<b>MSA Distribution</b>	<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>	
No MSA	171	20,358,517	55.16%	18.60%	
Milwaukee-Waukesha WI PMSA	42	49,015,582	13.55%	44.77%	
Madison WI	22	8,416,571	7.10%	7.69%	
Appleton-Oshkosh-Neenah WI	12	3,315,293	3.87%	3.03%	
Wausau WI	10	1,673,942	3.23%	1.53%	
Minneapolis-St Paul MN-WI	8	1,136,901	2.58%	1.04%	
La Crosse WI-MN	8	4,503,160	2.58%	4.11%	
Janesville-Beloit WI	8	1,250,773	2.58%	1.14%	
Eau Claire WI	8	1,105,718	2.58%	1.01%	
Sheboygan WI	5	721,416	1.61%	0.66%	
Racine WI PMSA	5	3,360,803	1.61%	3.07%	
Green Bay WI	5	13,754,755	1.61%	12.56%	
Duluth-Superior MN-WI	4	462,508	1.29%	0.42%	