

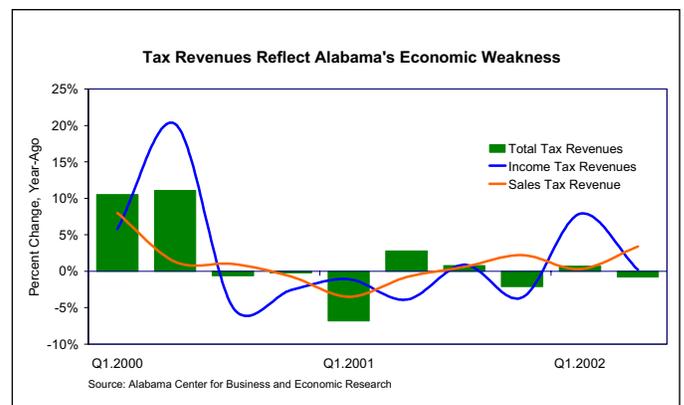
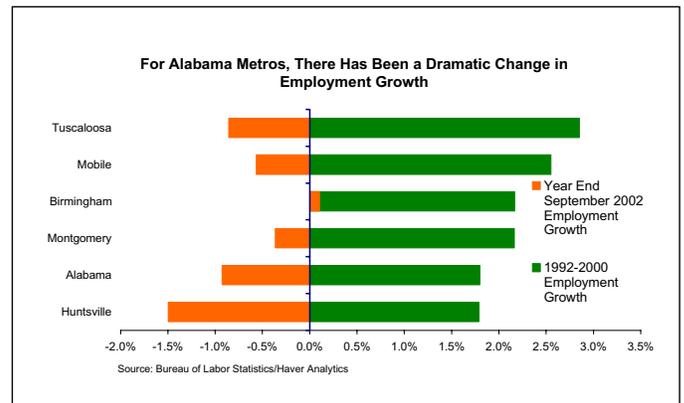
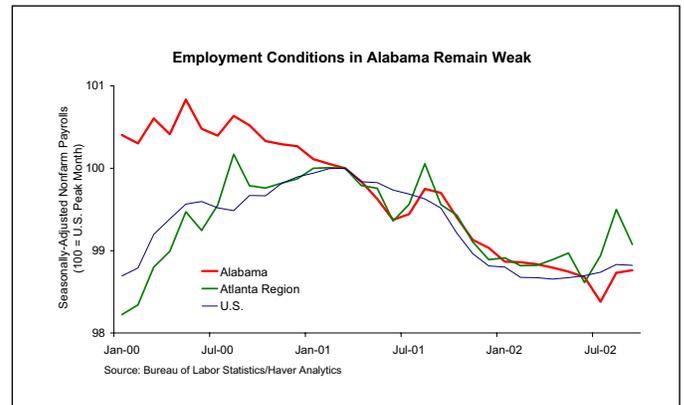
FDIC State Profile

WINTER 2002

Alabama

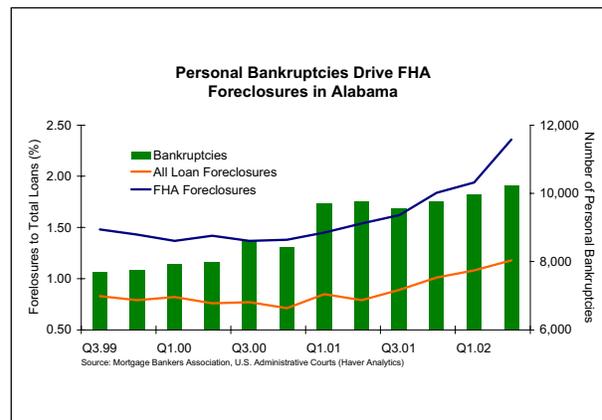
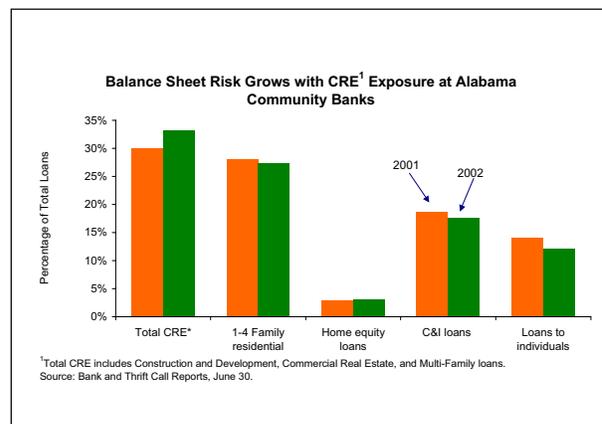
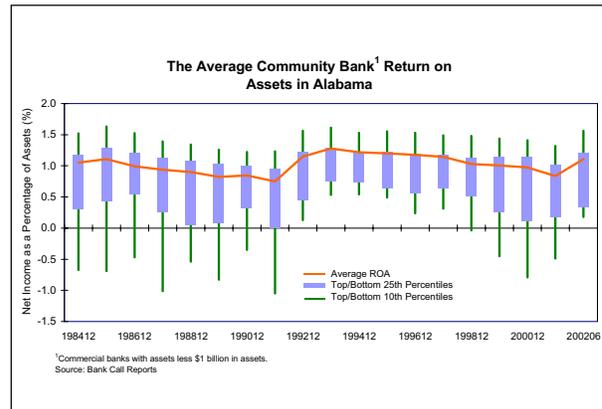
Alabama's economic conditions remain weak as layoffs remained at record levels during the first half of 2002.

- A recovery in employment growth has remained elusive in Alabama. In September 2002, employment in the state was down nearly 0.9 percent from one year earlier, slightly worse than the national average. Weak economic conditions may persist as layoffs have occurred at a record pace during the first half of the year.
- Alabama entered the recession before the nation. State payrolls peaked in mid-2000 (see **Chart 1**), more than six months before employment at the national level reached its zenith. In terms of employment losses, the recent recession in Alabama has been more severe than during the 1990/1991 downturn.
- The relative deterioration in economic conditions is reflected by the change in the pace of job creation. During the expansion of the 1990s, Alabama job growth averaged close to two percent annually compared with the recent year-over-year decline of nearly 0.9 percent (see **Chart 2**)— a decline of nearly 300 basis points. This divergence in performance has been more apparent in some metropolitan areas such as **Tuscaloosa** and **Huntsville**.
- Manufacturing losses have had a disproportionate effect on Alabama's non-metropolitan counties where manufacturing accounts for one-quarter of all jobs, compared to roughly 13 percent in metropolitan areas. Moreover, industries that have suffered the most have tended to be concentrated in rural and smaller metropolitan areas. The textiles and apparel industries have been hit hardest by the recent recession with layoffs concentrated in **Florence** and counties south of that metropolitan area. In contrast, transportation equipment manufacturing employment has continued to expand, particularly in larger metropolitan areas. Continued growth in this industry is likely, given a new Hyundai plant slated for **Montgomery**.
- The recent recession has adversely affected Alabama's state finances. Prior to the recession, revenues grew at a year-over-year rate just over ten percent (see **Chart 3**). As income growth declined, however, sales and income tax revenue collections weakened considerably.



General conditions at Alabama community banks have remained sound, but heightened balance sheet risk combined with economic weakness could lead to asset quality concerns.

- Overall performance at Alabama community banks improved over the 12-month period ending June 30, 2002. On a merger adjusted basis, net income rose 38 percent driven by improvements in net interest margins (see **Chart 4**). During the year, aggressive interest rate cuts by the Federal Reserve helped to bolster profitability as the combination of core deposits (64 percent of assets) and noncore borrowings (26 percent of assets) proved beneficial and led to lower funding costs at these banks.
- Despite a rather stable loans-to-assets ratio, earnings from the loan portfolio were augmented by a shift in loan mix resulting in greater exposure to higher yielding commercial real estate (CRE) loans, which helped add to profitability. At period end, CRE loans accounted for 16 percent of assets, up from 14 percent at June 30, 2001 and 600 basis points higher than the Atlanta Region as a whole. (see **Chart 5**). Since growth in this higher risk segment has occurred during a period of weaker economic conditions, it needs to be monitored carefully. Positively, problems in CRE loan quality have not yet materialized and charge-off levels remain relatively low and in line with Regional conditions. However, noncurrent loan levels have trended higher over the past two periods and finished June 30, 2002 at 1.53 percent.
- Personal bankruptcy filings have continued to increase throughout the state and have been highly correlated with FHA foreclosure levels during this cycle (see **Chart 6**). Although non-current 1-to-4 family loan levels have trended down in each of the past two periods and finished June 30, 2002 at 0.87 percent, 1-to-4 family charge-offs hit their highest point over the past 12-quarters at 0.30 percent at period end, consistent with the increasing trend of non-business bankruptcy filings.



Alabama at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98
Institutions (#)	126	130	133	133	142
Total Assets (in thousands)	19,265,071	18,510,917	18,964,273	17,859,647	17,281,088
New Institutions (# < 3 years)	9	7	5	2	0
New Institutions (# < 9 years)	13	10	8	5	7
Capital					
Tier 1 Leverage (median)	9.15	9.10	9.40	8.90	9.19
Asset Quality					
Past-Due and Nonaccrual (median %)	2.42%	2.60%	2.40%	2.55%	2.40%
Past-Due and Nonaccrual ≥ 5%	16	29	20	22	22
ALLL/Total Loans (median %)	1.30%	1.24%	1.25%	1.21%	1.24%
ALLL/Noncurrent Loans (median multiple)	1.44	1.45	1.41	1.73	1.62
Net Loan Losses/Loans (aggregate)	0.41%	0.47%	0.32%	0.34%	0.23%
Earnings					
Unprofitable Institutions (#)	6	10	7	8	1
Percent Unprofitable	4.76%	7.69%	5.26%	6.02%	0.70%
Return on Assets (median %)	1.20	1.06	1.14	1.19	1.24
25th Percentile	0.85	0.65	0.93	0.90	0.99
Net Interest Margin (median %)	4.37%	4.11%	4.36%	4.33%	4.42%
Yield on Earning Assets (median)	7.06%	8.37%	8.45%	8.11%	8.45%
Cost of Funding Earning Assets (median)	2.79%	4.33%	4.13%	3.88%	4.13%
Provisions to Avg. Assets (median)	0.24%	0.19%	0.19%	0.19%	0.20%
Noninterest Income to Avg. Assets (median)	0.69%	0.71%	0.71%	0.70%	0.75%
Overhead to Avg. Assets (median)	2.79%	2.84%	2.79%	2.89%	2.95%
Liquidity/Sensitivity					
Loans to Deposits (median %)	77.12%	76.24%	75.03%	70.08%	71.28%
Loans to Assets (median %)	63.44%	63.18%	61.65%	60.23%	60.57%
Brokered Deposits (# of Institutions)	33	30	27	25	22
Bro. Deps./Assets (median for above inst.)	3.62%	1.82%	2.39%	1.18%	1.50%
Noncore Funding to Assets (median)	23.22%	24.12%	23.59%	19.44%	18.22%
Core Funding to Assets (median)	66.03%	65.04%	66.04%	70.09%	70.80%
Bank Class					
State Nonmember	90	92	94	94	95
National	18	20	21	23	30
State Member	18	18	18	16	17
S&L	0	0	0	0	0
Savings Bank	0	0	0	0	0
Mutually Insured	0	0	0	0	0
MSA Distribution					
	# of Inst.	Assets	% Inst.	% Assets	
No MSA	83	11,065,429	65.87%	57.44%	
Birmingham AL	9	2,124,558	7.14%	11.03%	
Mobile AL	7	739,311	5.56%	3.84%	
Dothan AL	6	786,232	4.76%	4.08%	
Florence AL	4	753,695	3.17%	3.91%	
Montgomery AL	3	360,524	2.38%	1.87%	
Huntsville AL	3	475,606	2.38%	2.47%	
Decatur AL	3	1,447,558	2.38%	7.51%	
Columbus GA-AL	2	275,017	1.59%	1.43%	
Auburn-Opelika AL	2	570,252	1.59%	2.96%	
Anniston AL	2	194,481	1.59%	1.01%	
Tuscaloosa AL	1	305,228	0.79%	1.58%	
Gadsden AL	1	167,180	0.79%	0.87%	