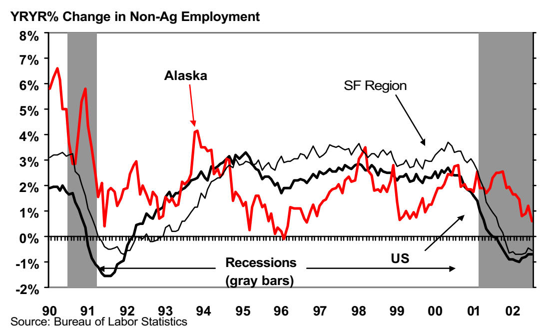
State Profile

WINTER 2002

Alaska

The Alaska economy was one of only four state economies in the San Francisco Region to experience job growth between August 2001 and August 2002.

- Alaska ranked fourth among all states in the nation in the increase in nonfarm payroll employment at 0.7 percent (see chart). Gains in employment in the construction and government sectors offset declines in other sectors.
- Alaska's large government sector (federal, state, and local), representing 26 percent of total payroll jobs, continued to grow in 2002, albeit significantly more slowly than a year ago. Slower growth is attributed, in part, to lower oil royalties and severance taxes, the main sources of state revenue. Oil related revenues fell 32 percent during the fiscal year ending June 2002, reflecting the precipitous decline in oil prices in 2001.

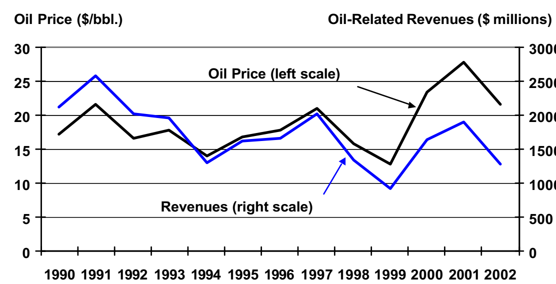


Alaska's Employment Continued to Increase During the National Recession in 2001-02

Source: Bureau of Labor Statistics

State government revenues have varied significantly because of oil price volatility and a downward trend in oil production.

- During the past decade the annual average price of oil has been as low as $12.73 per barrel and as high as $27.85. Since 1990, oil production has fallen by nearly half, to one million barrels per day.
- Volatility in the price of oil and declining production continue to present challenges for state budget planning.

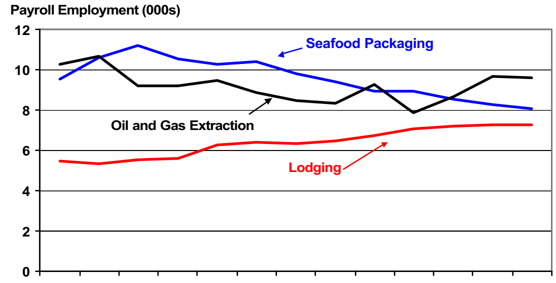


Alaska State Government Oil Revenues Vary With North Slope Oil Price and Production Trends

Note: Data are for Fiscal Years ending June 30.
Source: Alaska Dept. of Revenue, "Revenue Sources; Forecast and Historical Data," Spring 2002

Employment in Alaska's seafood and oil industries shrank, while employment grew in the tourism related sector.

- Employment in the seafood packing industry, one of Alaska's primary employment sectors, continued to decline (see chart). Competition from other countries, such as Chile and Norway, and environmental restrictions have reduced demand for and supply of fish products in the state.
- Employment gains in Alaska's budding tourism sector offset recent losses in the seafood sector. Contrary to the significant decline in tourism nationwide following 9/11, employment in the state's tourism sector held steady in 2002.
- Employment in Alaska's oil sector, which is volatile due to wide swings in oil prices and production volumes, fell in 2002.



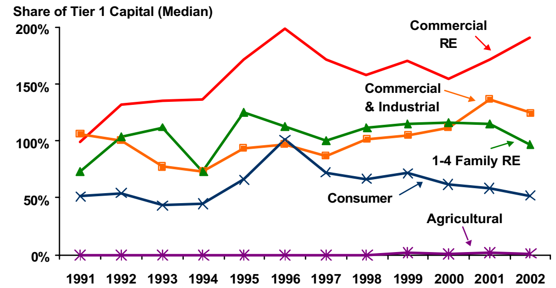
Oil and Gas Extraction, Seafood Packaging, and Lodging Now Close to Same Level of Employment

Source: Bureau of Labor Statistics / Haver Analytics
* 2002 data estimated based on 8-months of data

Asset quality among Alaska's insured institutions deteriorated significantly between mid-2001 and mid-2002.

- Despite benign economic conditions within the state, loan delinquency and net charge-off ratios rose among the state's insured institutions during the one-year period ending June 30, 2002. The median past- due loan ratio rose from 1.39 to 1.98 percent during this period. The median annualized net charge-off ratio increased from 0.16 to 0.31 percent.
- Residential and commercial real estate (CRE) delinquency ratios increased among the state's community[1] institutions; however, past-due ratios for other major loan categories declined. Weakening CRE loan performance is a concern given the relatively high CRE exposure held by the state's insured institutions (see chart).

Commercial Real Estate Credits Dominate Most Insured Institution Loan Portfolios in Alaska

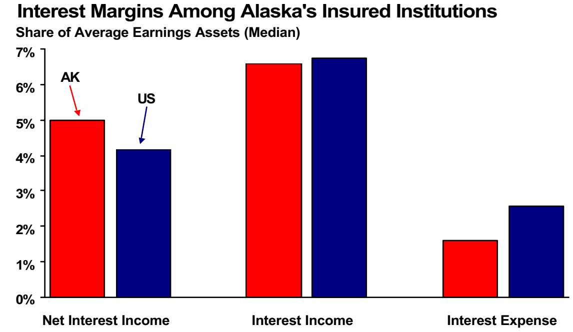


Note: Commercial real estate (RE) includes mortgages secured by nonfarm-nonresidential, multifamily, and construction projects.
Source: Alaska Bank and Thrift Call Reports (June of each year)

Lower interest rates boosted net interest margins and overall earnings performance.

- The median return on average assets (ROA) ratio rose from 1.09 to 1.18 percent between second quarter 2001 and second quarter 2002, buoyed by wider net interest margins (NIMs).
- NIMs compared favorably to national medians, primarily because of very low interest expense levels relative to earning assets.
- Strong NIMs have supported relatively high overhead. As of mid-2002, the median noninterest expense-to-average asset ratio among the state's insured institutions was 3.73 percent, much higher than the national median of 2.90 percent (see chart).

Low Funding Costs Contributed to Relatively High Net Interest Margins Among Alaska's Insured Institutions

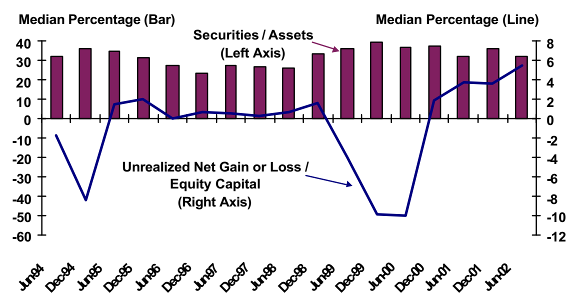


Source: Alaska Bank and Thrift Call Reports (June of each year)

Rising interest rates could impair revenue from securities gains.

- As of mid-2002, securities typically represented one-third of the assets held by Alaska's insured institutions.
- During the low interest rate environment of 2001, all of the state's insured institutions recognized securities gains. Through mid-2002, 75 percent of institutions sold securities to generate income.
- Unrealized securities gains also provide an important capital cushion. As of mid-2002, the median unrealized securities gains-to-equity capital ratio was 5.6 percent. In sharp contrast, unrealized net securities losses represented 10 percent of equity capital during the rising rate environment of 2000 (see chart).
- Should interest rates rise, debt securities prices would likely fall, eroding unrealizable and realizable gains on securities.

Unrealized Securities Gains Could Evaporate in a Rising Rate Environment



Source: Alaska Bank and Thrift Call Reports

[1] Defined as insured institutions holding less than $1 billion in total assets.

Alaska Institutions at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98	Jun-97
Institutions (#)	8	8	8	8	8	8
Total Assets (in thousands)	6,700,345	6,400,774	5,740,763	5,611,575	5,150,640	4,925,017
New Institutions (# <3 years)	0	0	0	0	0	0
Capital						
Tier 1 Leverage (median)	8.96%	8.96%	9.47%	9.18%	9.38%	9.37%
Asset Quality						
Past-Due and Nonaccrual (median)	1.98%	1.39%	1.90%	1.55%	2.04%	2.23%
Loan Loss Reserves/Total Loans (median)	1.26%	1.20%	1.34%	1.35%	1.25%	1.21%
Loan Loss Reserves/ Noncurrent Loans (median multiple)	1.31	2.50	3.80	5.34	2.07	1.86
Earnings						
Percent Unprofitable	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Return on Assets (median)	1.18%	1.09%	1.19%	1.03%	1.28%	1.06%
Net Interest Margin (median)	4.99%	4.78%	5.11%	5.01%	5.14%	5.16%
Yield on Earning Assets (median)	6.59%	8.05%	8.28%	7.96%	8.39%	8.25%
Cost of Funding Earning Assets (median)	1.59%	3.26%	3.30%	2.95%	3.36%	3.46%
Provisions to Avg. Assets (median)	0.16%	0.12%	0.08%	0.08%	0.11%	0.09%
Noninterest Income to Avg. Assets (median)	1.05%	0.89%	1.09%	1.05%	1.05%	0.91%
Overhead to Avg. Assets (median)	3.73%	4.00%	4.09%	3.99%	4.14%	4.01%
Liquidity/Sensitivity						
Loans to Assets (median)	47.71%	49.52%	51.81%	51.41%	58.49%	57.34%
Brokered Deposits (# of Institutions)	1	1	2	2	2	1
Brokered Deps./Assets (median for above inst.)	1.20%	1.20%	0.78%	0.79%	0.93%	0.54%
Noncore Funding to Assets (median)	18.44%	20.13%	18.66%	18.85%	20.75%	21.27%
Loan Concentrations						
Median Commercial RE to Tier 1	190.61%	172.14%	154.40%	169.97%	158.24%	171.45%
Commercial RE = Construction, Multifamily, and Nonres.						
Median Commercial & Industrial to Tier 1	124.64%	137.12%	112.04%	105.51%	101.63%	87.25%
Median Residential RE to Tier 1	97.47%	114.93%	115.98%	114.67%	111.82%	100.10%
Median Consumer to Tier 1	52.10%	58.60%	61.96%	71.83%	66.91%	72.53%
Consumer = Credit Card and other non-RE secured						
Median Construction to Tier 1	31.24%	31.58%	25.59%	24.08%	18.57%	15.27%
Median Agricultural to Tier 1	1.52%	1.92%	0.97%	2.16%	0.00%	0.10%
Primary Regulator						
FDIC	4	4	4	4	4	4
OCC	3	3	3	3	3	3
FRB	0	0	0	0	0	0
OTS	1	1	1	1	1	1
Asset Distribution						
$0 to $100 million	1	1	1	1	1	1
$100 to $250 million	3	3	3	3	4	4
$250 to $500 million	1	1	1	1	1	1
$500 million to $1 billion	1	1	1	1	0	0
$1 to $3 billion	1	1	2	2	2	2
$3 to $10 billion	1	1	0	0	0	0
Over $10 billion	0	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Anchorage AK	4	5,927,929	50.00%	88.47%
Not in an MSA	4	772,416	50.00%	11.53%