State Profile

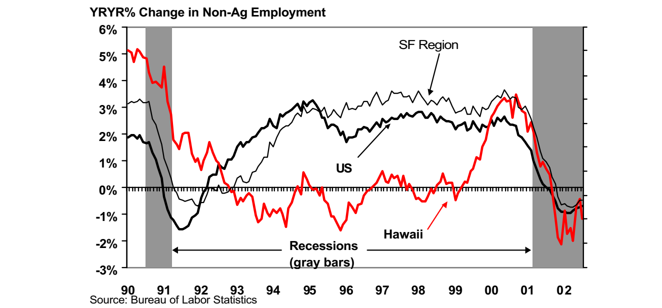
WINTER 2002

Hawaii

Employment in Hawaii has not recovered from the effects of 9/11 on the tourism sector and a weak Japanese economy.

- Hawaii's total payroll employment fell by 1.17 percent during the year ending August 2002. Hawaii's rate of growth ranks in the bottom twenty percent of states nationwide (see chart).
- Employment in all major sectors declined, except government; construction; and finance, insurance, and real estate.
- As of August 2002, lodging employment was down 5.9 percent from a year ago.

Employment Declines in Hawaii Surpassed National and Regional Declines Following 9/11

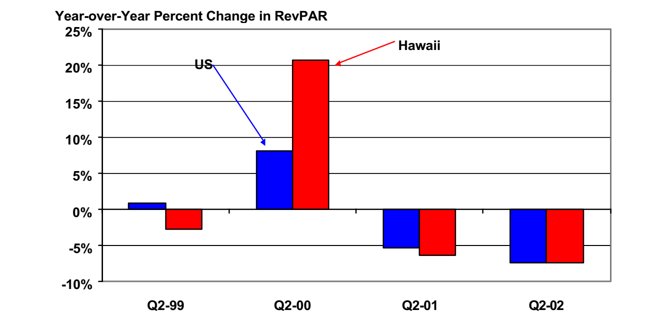


Source: Bureau of Labor Statistics

Hotel receipts fell in 2001 and 2002 after a year of dramatic gains in 2000.

- Hawaii's important tourism industry continues to be affected adversely by the lingering effects of the recessions in Japan and the U.S. as well as the slowdown in travel activity following 9/11.
- Revenue per Available Room (RevPAR) in the Honolulu MSA declined for the years ending second quarter 2001 and 2002 (see chart). The occupancy rate also fell from 74.6 percent in second quarter 2000 to 68.5 percent in second quarter 2002.

Hotel RevPAR in the Honolulu MSA Declined Slightly More than the National Average During 2001

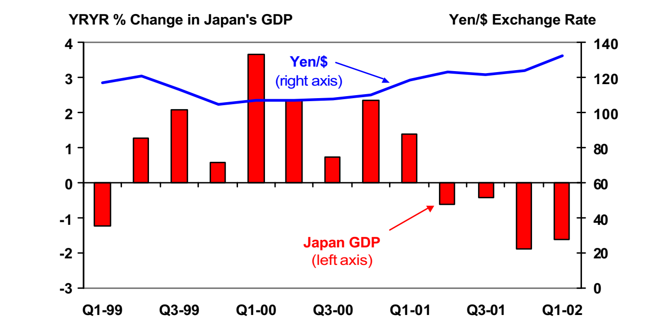


Source: Torto Wheaton Research

The recession in Japan, travel concerns following 9/11, and an unfavorable exchange rate have reduced Japanese visitor counts, negatively affecting an important source of revenue for Hawaii.

- Recent low economic growth in Japan and a rising cost of the dollar in terms of the yen likely have been factors in reduced Japanese visitors (see chart). Between 1997 and 2001, annual visitors from Japan fell 32 percent. As of August 2002, year-to-date Japanese visitors declined 21 percent compared with the same period in 2001.
- U.S. mainland tourists have begun to make up for the decline in the number of Japanese visitors. However, the State estimates that the loss of visitors from Japan continues to affect the economy because of spending pattern differences. For example, in 2001 Japanese visitors spent approximately $235 per day, well above the $154 average total daily expenditures for all U.S. tourists.

Japan's Economic Troubles Suggest Continued Problems for Hawaii's Tourism Industry

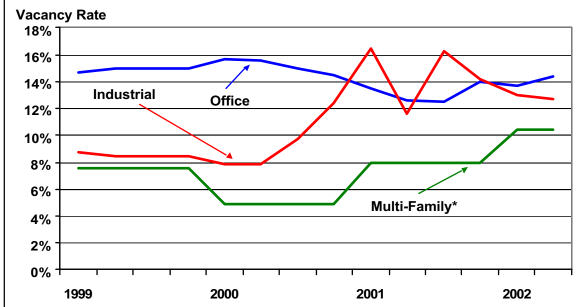


Source: Federal Reserve Board and St. Louis Federal Reserve Bank

Vacancy rates have risen among some real estate property types in Hawaii.

- The office vacancy rate in the *Honolulu* Metropolitan Statistical Area (MSA), which consists of the island of Oahu, remains high (see chart).
- The industrial vacancy rate, which includes warehouse space, has risen dramatically, and may present a problem for commercial real estate (CRE) lenders.
- Oahu's multi-family residential vacancy rate has increased as a result of a slowing economy, net out migration, and a rebound in single family home purchases.
- Softening CRE conditions adversely affected credit quality among insured institutions headquartered in the state. Between mid-2001 and mid-2002, the median past-due CRE loan[1] ratio increased from 0.68 to 1.27 percent.

Honolulu Industrial and Multi-Family Residential Vacancy Rates Have Risen Since 2000

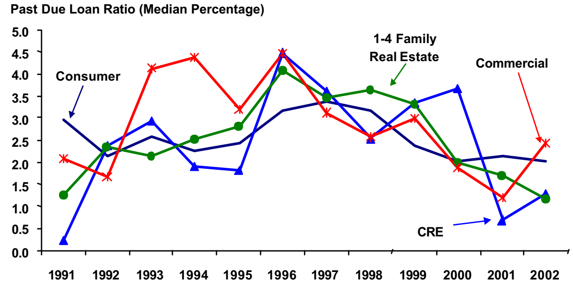


*Multi-Family vacancy rates are based on annual data
Source: Torto Wheaton Research

Hawaii's insured institutions reported improved performance during the year ending second quarter 2002; however, vulnerabilities remain.

- Most of the state's insured institutions reported improved return on average asset ratios. Net interest margins and earnings benefited from declining interest rates and a steepening yield curve in 2001 and 2002, primarily because most of the state's 9 insured institutions are either large, liability-sensitive banks, or thrifts specializing in long-term mortgages.
- Hawaii's median overall past-due loan ratio declined between mid-2001 and mid-2002. However, commercial credit conditions softened. The median past-due commercial and industrial (C&I) loan ratio increased year-over-year from 1.18 to 2.42 percent. Despite increases in CRE and C&I past-due loan ratios, delinquency levels are manageable and below peaks reported in the mid-1990s.

Past-Due Commercial and Commercial Real Estate Ratios Trended Up in 2002



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

[1] Commercial real estate loans include mortgages secured by non-farm-noresidential, multifamily, and construction projects.

Hawaii Insured Institutions at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98	Jun-97
Institutions (#)	9	10	12	14	17	18
Total Assets (in thousands)	29,677,680	30,016,132	30,898,875	30,360,664	31,019,226	28,549,024
New Institutions (# <3 years)	0	0	0	0	0	0
Capital						
Tier 1 Leverage (median)	8.80%	8.81%	8.22%	8.65%	9.38%	9.17%
Asset Quality						
Past-Due and Nonaccrual (median)	1.52%	1.78%	2.02%	3.11%	3.53%	4.43%
Loan Loss Reserves/Total Loans (median)	1.95%	1.81%	1.79%	1.70%	1.72%	1.67%
Loan Loss Reserves/ Noncurrent Loans (median multiple)	1.71	1.32	0.59	0.77	0.57	0.51
Earnings						
Percent Unprofitable	11.11%	0.00%	16.67%	21.43%	17.65%	16.67%
Return on Assets (median)	1.01%	0.93%	0.73%	0.64%	0.66%	0.82%
Net Interest Margin (median)	4.27%	4.13%	4.32%	4.30%	4.22%	4.20%
Yield on Earning Assets (median)	6.53%	8.05%	7.94%	7.61%	8.40%	8.38%
Cost of Funding Earning Assets (median)	1.86%	3.74%	3.80%	3.46%	4.01%	4.16%
Provisions to Avg. Assets (median)	0.19%	0.22%	0.27%	0.37%	0.30%	0.21%
Noninterest Income to Avg. Assets (median)	0.94%	0.64%	0.58%	0.60%	0.49%	0.51%
Overhead to Avg. Assets (median)	2.76%	2.84%	3.02%	3.34%	3.50%	3.14%
Liquidity/Sensitivity						
Loans to Assets (median)	57.40%	63.43%	70.41%	65.95%	70.84%	72.14%
Brokered Deposits (# of Institutions)	0	2	3	5	5	6
Brokered Deps./Assets (median for above inst.)	na	0.11%	0.02%	0.06%	0.21%	0.49%
Noncore Funding to Assets (median)	30.89%	34.53%	32.80%	29.07%	31.40%	28.37%
Loan Concentrations						
Median Residential RE to Tier 1	209.03%	238.38%	229.93%	237.36%	249.00%	295.42%
Median Commercial RE to Tier 1	137.61%	103.71%	113.27%	115.43%	115.82%	107.31%
Commercial RE = Construction, Multifamily, and Nonres.						
Median Commercial & Industrial to Tier 1	84.86%	99.88%	91.22%	84.69%	2.12%	3.03%
Median Consumer to Tier 1	31.77%	33.47%	20.02%	19.32%	15.66%	19.19%
Consumer = Credit Card and other non-RE secured						
Median Construction to Tier 1	22.16%	14.26%	13.87%	12.12%	13.47%	15.25%
Median Agricultural to Tier 1	0.67%	0.50%	0.59%	0.52%	0.77%	1.52%
Primary Regulator						
FDIC	5	7	8	10	12	13
OCC	1	1	1	1	1	1
FRB	1	0	0	0	0	0
OTS	2	2	3	3	4	4
Asset Distribution						
$0 to $100 million	1	2	3	5	7	7
$100 to $250 million	0	0	0	0	0	0
$250 to $500 million	2	2	3	2	3	3
$500 million to $1 billion	1	1	2	3	2	3
$1 to $3 billion	2	2	1	1	2	2
$3 to $10 billion	3	2	2	2	2	2
Over $10 billion	0	1	1	1	1	1

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Honolulu HI	9	29,677,680	100.00%	100.00%