FDIC State Profile

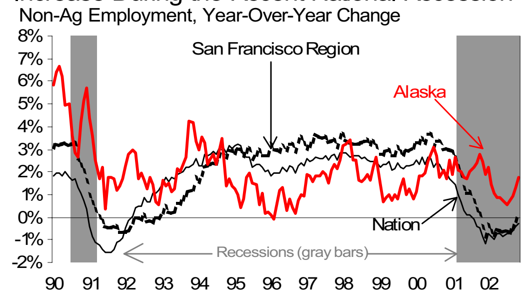
Spring 2003

Alaska

The Alaska economy posted the third fastest rate of employment growth in the nation during the year ending November 2002.

- Employment growth in Alaska slowed modestly during the national recession (see **Chart 1**). Slower growth is attributable, in part, to lower oil royalties and severance taxes, primary sources of state and local government revenue.
- Employment in the state's significant government sector (federal, state, and local), representing 27 percent of total payroll jobs, continued to grow in 2002, albeit more slowly than during the previous year.

Chart 1: Employment in Alaska Continued to Increase During the Recent National Recession

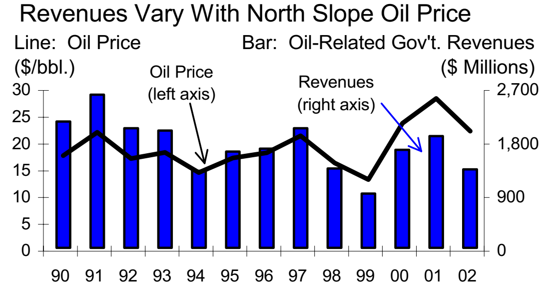


Source: Bureau of Labor Statistics

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 (see **Chart 2**). Since 1990, oil production has fallen by almost half — to one million barrels per day.
- Oil-related revenues fell 30 percent during fiscal year 2002 (ending June 2002), reflecting the precipitous decline in oil prices in 2001.
- Political instability in the Middle East and Venezuela has contributed to rising oil prices, a trend that could benefit state government revenues in Alaska.

Chart 2: Alaska State Government Oil Revenues Vary With North Slope Oil Price

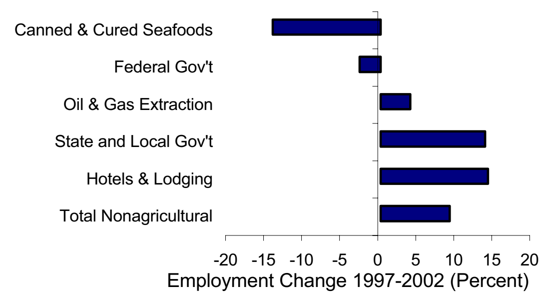


Note: Data are for Fiscal Years ending June 30.
Source: Alaska Dept. of Revenue, "Revenue Sources; Forecast and Historical Data," Fall 2002

Lodging and state and local government have represented key employment growth sectors in Alaska during the past five years.

- Employment in the lodging and state and local government sectors has grown, even during the recent national recession (see **Chart 3**). Although declining in most other parts of the nation, the Alaska tourism sector expanded somewhat during 2002. For example, the number of inbound cruise ship visitors increased 14 percent during the 2002 summer season compared with the previous year.
- Employment in the seafood packing industry declined from 1997 through 2002. Competition from other countries, for example, Chile and Norway, and environmental restrictions have reduced demand for and supply of fish products in the state.

Chart 3: Job Growth in Key Sectors Varied Dramatically During the Past Five Years

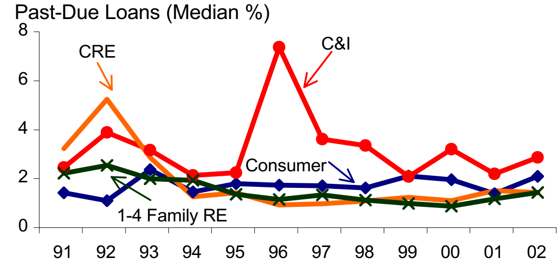


Source: Bureau of Labor Statistics

Asset quality among insured institutions headquartered in Alaska deteriorated between late 2001 and late 2002.

- Loan delinquency and net charge-off ratios rose among the state's insured institutions year over year as of September 2002. The median past-due loan ratio rose from 1.52 to 1.62 percent during the period. The median net charge-off ratio increased from 0.18 to 0.27 percent.
- Delinquency increases occurred in multiple loan segments. Between third quarter 2001 and third quarter 2002, median residential real estate, consumer, and commercial and industrial (C&I) loan delinquency ratios increased while the median past-due ratio for commercial real estate loans declined modestly (see **Chart 4**).

Chart 4: Insured Institutions Based in Alaska Reported Higher Delinquency Ratios

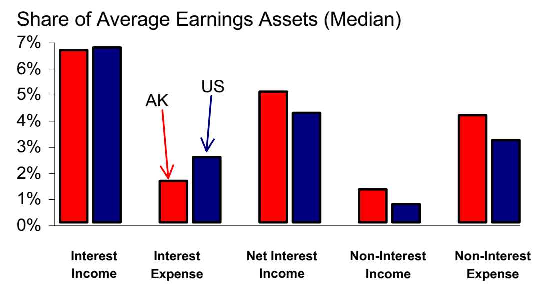


Notes: C&I = commercial and industrial. Commercial real estate (CRE) includes nonfarm-nonresidential, multifamily, and construction loans.
Source: Alaska Bank and Thrift Call Reports (September of each year)

Lower interest rates boosted net interest margins (NIMs) and overall earnings performance.

- As of September 2002, the median return on assets (ROA) ratio for Alaska's eight insured institutions was essentially unchanged from the previous year at 1.20 percent, although six of the eight insured institutions reported improved ROAs.
- NIMs compared favorably to national medians, primarily because of low interest expense levels relative to earning assets.
- Strong NIMs have supported fairly high overhead. As of late 2002, the median noninterest expense-to-average earning asset ratio among the state's insured institutions was 4.11 percent, much higher than the national median of 3.15 percent (see **Chart 5**).

Chart 5: Low Funding Costs Contributed to Relatively High Net Interest Margins in Alaska

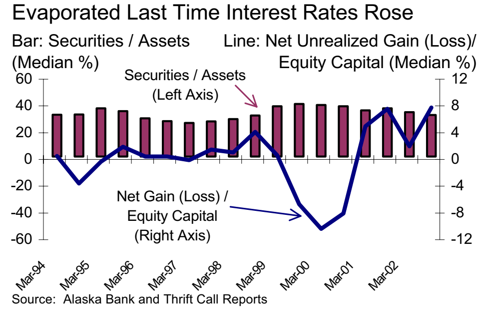


Source: Alaska Bank and Thrift Call Reports (September 30, 2002)

Rising interest rates could impair revenue from securities gains.

- As of September 2002, securities represented about one-third of the assets held by insured institutions headquartered in Alaska.
- During the low interest rate environment of 2001, all of the state's insured institutions recognized securities gains. Through September 2002, six of the eight insured institutions headquartered in the state sold securities, in two cases accounting for over 15 percent of pre-tax income.
- Unrealized securities gains also provide an important capital cushion. As of third quarter 2002, the median net unrealized securities gains-to-equity capital ratio was 7.3 percent. In contrast, the state'e median net unrealized securities losses-to-equity capital ratio exceeded 10 percent during the rising rate environment of 2000 (see **Chart 6**).

Chart 6: Unrealized Securities Gains in Alaska Evaporated Last Time Interest Rates Rose



Source: Alaska Bank and Thrift Call Reports

- Should interest rates rise, debt securities prices likely would fall, eroding unrealized and realized gains on securities.

Alaska at a Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Institutions (#)	8	8	8	8	8
Total Assets (in thousands)	7,115,141	6,633,480	6,279,169	5,733,816	5,334,849
New Institutions (# < 3 years)	0	0	0	0	0
New Institutions (# < 9 years)	0	0	0	1	1

Capital	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Tier 1 Leverage (median)	8.89	8.81	9.25	9.18	9.22

Asset Quality	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Past-Due and Nonaccrual (median %)	1.62%	1.52%	1.60%	1.49%	1.52%
Past-Due and Nonaccrual >= 5%	0	1	0	0	0
ALLL/Total Loans (median %)	1.29%	1.29%	1.36%	1.37%	1.29%
ALLL/Noncurrent Loans (median multiple)	2.17	2.36	1.90	2.88	3.88
Net Loan Losses/Loans (aggregate)	0.26%	0.26%	0.02%	0.10%	0.25%

Earnings	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Unprofitable Institutions (#)		0	0	0	0
Percent Unprofitable	0.00%	0.00%	0.00%	0.00%	0.00%
Return on Assets (median %)	1.20	1.21	1.04	1.12	1.30
25th Percentile	0.87	0.69	1.03	0.91	1.06
Net Interest Margin (median %)	5.01%	4.79%	4.69%	5.03%	5.12%
Yield on Earning Assets (median)	6.52%	7.91%	8.24%	8.00%	8.41%
Cost of Funding Earning Assets (median)	1.51%	2.93%	3.26%	2.97%	3.34%
Provisions to Avg. Assets (median)	0.17%	0.12%	0.05%	0.10%	0.08%
Noninterest Income to Avg. Assets (median)	1.08%	0.86%	0.73%	1.04%	1.07%
Overhead to Avg. Assets (median)	3.72%	3.87%	4.01%	4.14%	4.12%

Liquidity/Sensitivity	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Loans to Deposits (median %)	59.13%	62.22%	69.31%	64.23%	69.47%
Loans to Assets (median %)	48.75%	48.66%	51.32%	50.09%	56.33%
Brokered Deposits (# of Institutions)	1	1	2	2	2
Bro. Deps./Assets (median for above inst.)	1.06%	1.15%	0.78%	0.77%	0.90%
Noncore Funding to Assets (median)	19.45%	21.21%	19.97%	20.65%	21.30%
Core Funding to Assets (median)	70.20%	63.34%	68.00%	69.44%	68.85%

Bank Class	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
State Nonmember	3	3	3	3	3
National	3	3	3	3	3
State Member	0	0	0	0	0
S&L	0	0	0	0	1
Savings Bank	1	1	1	1	0
Mutually Insured	1	1	1	1	1

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Anchorage AK	4	6,312,216	50.00%	88.72%
No MSA	4	802,925	50.00%	11.28%