FDIC State Profile

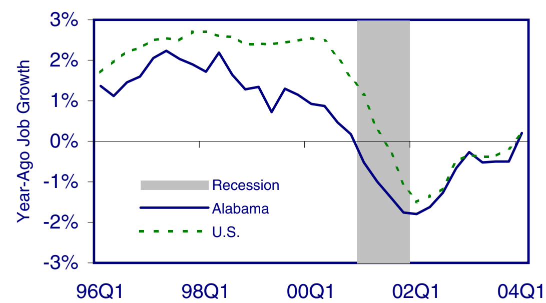
Summer 2004

Alabama

Alabama posted modest job gains in early 2004.

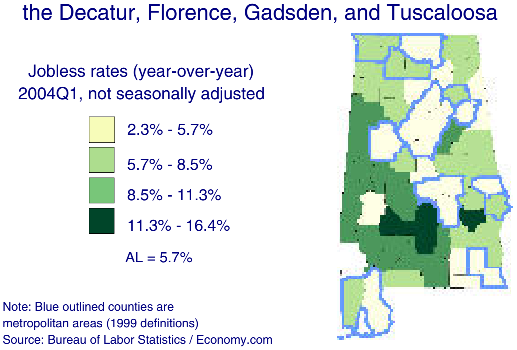
- After three consecutive years of losses, Alabama saw marginal employment gains in first quarter 2004 (See Chart 1). Weakness in the labor markets is underscored by unemployment rates that remain near their recessionary peaks.
- At the end of first quarter 2004, year-over-year job losses were confined to the Decatur, Florence, Gadsden, and Tuscaloosa metropolitan areas. Rural areas actually posted modest increases during the same period (See Map 1).
- Manufacturing job losses stretched into their sixth consecutive year early in 2004, and manufacturing employment posted further declines. In contrast, expansion in automobile manufacturing and the influx of parts suppliers have been a source of growth or stability in larger metropolitan areas. The auto industry accounted for over 30,000 jobs with a payroll of $1.4 billion at mid-year 2003. Moreover, average wages exceeded those in the more traditional industries by a wide margin.
- Despite marginal growth, home values have continued to rise in most metropolitan areas of the state (See Chart 2). The most significant price gains occurred in Birmingham, Gadsden, and Mobile in fourth quarter 2003. Existing home sales statewide increased during the fourth quarter of 2003, rising over 25 percent from a year earlier. Homeowners may be under some stress as the number of loans in foreclosure remained near record levels in 2003. Any increases in interest rates have the potential to further stress marginal borrowers by increasing their debt service burden.
- Slowing job losses may have helped revive state revenue collection in 2003. Nonetheless, Alabama's fiscal challenges continue as the costs of Medicaid and health and pension benefits for state employees continue to rise. In early 2004, the state's Education Trust Fund and General Fund announced a combined shortfall in excess of $500 million. Consequently, the state may be forced to cut costs through a reduction in government employment later in 2004.

Chart 1: Alabama Posted Modest Job Growth in Early 2004



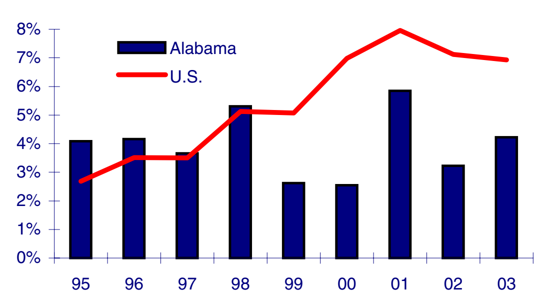
Source: Bureau of Labor Statistics/Haver Analytics

Map 1: Alabama's Job Losses Were Confined to the Decatur, Florence, Gadsden, and Tuscaloosa



Note: Blue outlined counties are metropolitan areas (1999 definitions)
Source: Bureau of Labor Statistics / Economy.com

Chart 2: Alabama Home Prices Continue to Rise in Most Metropolitan Areas



Source: Office of Housing Enterprise Oversight, Haver Analytics

Alabama community banks continue to perform well.

- Despite modest loan growth, net income at Alabama commercial banks achieved a record high in first quarter 2004 of $66 million, up from $58 million a year earlier. The median return on assets (ROA) and median net interest margins (NIM) experienced slight gains of 4 and 7 basis points to 1.14 and 4.17 percent, respectively. This compares to national medians of 1.07 (ROA) and 4.07 (NIM) percent.

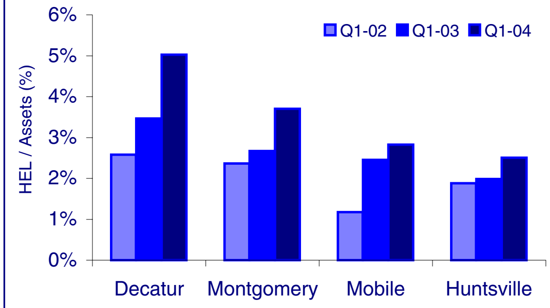
- General asset quality trends remain favorable at most insured institutions headquartered in the state. The median past-due and nonaccrual loan levels declined to 2.37 percent at March 31, 2004, a drop of 67 basis points over the 12-month period. Except for multi-family loans, which experienced a spike in chargeoff activity, asset quality metrics improved across all other loan categories.

- Growth in most lending categories was modest in the state, but construction and development lending has been robust. At Alabama commercial banks, median C&D loans jumped 90 basis points over the year earlier period, climbing to 6.4 percent of assets at March 31, 2004. Growth in this loan category was driven primarily by banks located in the Huntsville and Columbus GA-AL MSAs (See Chart 3). A resilient residential real estate market has continued to fuel building in these underlying areas.

- Larger institutions in the state continued to add to their commercial and industrial (C&I) loan portfolios at the end of 1st quarter 2004.[1] As a percentage of assets, aggregate C&I loans at these banks grew 100 basis points to 14 percent at March 31, 2004, up from 13 percent a year earlier. Given the extent of interstate operations at these larger institutions, growth in this loan segment may be taking place outside the state. Meanwhile C&I loan growth at banks with a more local presence, primarily the community institutions, continued to suffer.

- Although down slightly year-over-year, capital levels of institutions headquartered in Alabama remain in good shape to handle unexpected increases in asset quality problems. Median Tier 1 capital was strong at 9.5 percent and above the national median of 9.3 percent. Furthermore, median reserve coverage of noncurrent loans improved to 1.8 times, but remained just below the national median of 1.9 times.

Chart 3: Growth in Home Equity Lending is Picking up in Several MSAs



Source: Bank Call Reports March 31st.

[1]Larger institutions have assets greater than $1 billion.

Alabama at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	163	161	168	170	169
Total Assets (in thousands)	218,746,000	207,330,712	190,356,503	187,053,658	181,330,103
New Institutions (# < 3 years)	7	7	9	7	6
New Institutions (# < 9 years)	17	15	13	10	9

Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	9.50	9.76	9.44	9.48	9.73

Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	2.37%	2.99%	2.74%	2.74%	2.67%
Past-Due and Nonaccrual >= 5%	24	34	25	33	34
ALLL/Total Loans (median %)	1.35%	1.36%	1.32%	1.28%	1.25%
ALLL/Noncurrent Loans (median multiple)	1.76	1.42	1.36	1.49	1.43
Net Loan Losses/Loans (aggregate)	0.33%	0.39%	0.43%	0.36%	0.28%

Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	12	9	10	12	9
Percent Unprofitable	7.36%	5.59%	5.95%	7.06%	5.33%
Return on Assets (median %)	1.12	1.09	1.17	1.06	1.19
25th Percentile	0.76	0.81	0.78	0.68	0.84
Net Interest Margin (median %)	4.06%	4.05%	4.17%	3.99%	4.28%
Yield on Earning Assets (median)	5.66%	6.11%	6.99%	8.37%	8.24%
Cost of Funding Earning Assets (median)	1.62%	2.08%	2.82%	4.40%	4.05%
Provisions to Avg. Assets (median)	0.16%	0.20%	0.20%	0.16%	0.16%
Noninterest Income to Avg. Assets (median)	0.70%	0.69%	0.69%	0.69%	0.68%
Overhead to Avg. Assets (median)	2.79%	2.78%	2.73%	2.80%	2.76%

Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	73.64%	70.62%	73.35%	72.65%	71.05%
Loans to Assets (median %)	60.03%	60.82%	60.97%	61.14%	58.63%
Brokered Deposits (# of Institutions)	50	43	37	39	33
Bro. Deps./Assets (median for above inst.)	3.96%	3.65%	3.47%	2.22%	2.48%
Noncore Funding to Assets (median)	24.59%	24.01%	23.82%	23.85%	22.32%
Core Funding to Assets (median)	62.64%	64.27%	65.00%	64.37%	66.58%

Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	107	104	108	110	109
National	21	20	22	23	24
State Member	24	26	27	25	24
S&L	4	4	5	5	5
Savings Bank	7	7	6	7	7
Stock and Mutual SB	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	102	13,654,768	62.58%	6.24%
Birmingham AL	20	180,987,825	12.27%	82.74%
Mobile AL	8	1,155,862	4.91%	0.53%
Dothan AL	7	969,303	4.29%	0.44%
Montgomery AL	4	16,939,469	2.45%	7.74%
Florence AL	4	805,318	2.45%	0.37%
Decatur AL	4	1,714,046	2.45%	0.78%
Tuscaloosa AL	3	494,714	1.84%	0.23%
Huntsville AL	3	583,200	1.84%	0.27%
Anniston AL	3	235,824	1.84%	0.11%
Gadsden AL	2	288,002	1.23%	0.13%
Columbus GA-AL	2	312,061	1.23%	0.14%
Auburn-Opelika AL	1	605,608	0.61%	0.28%