

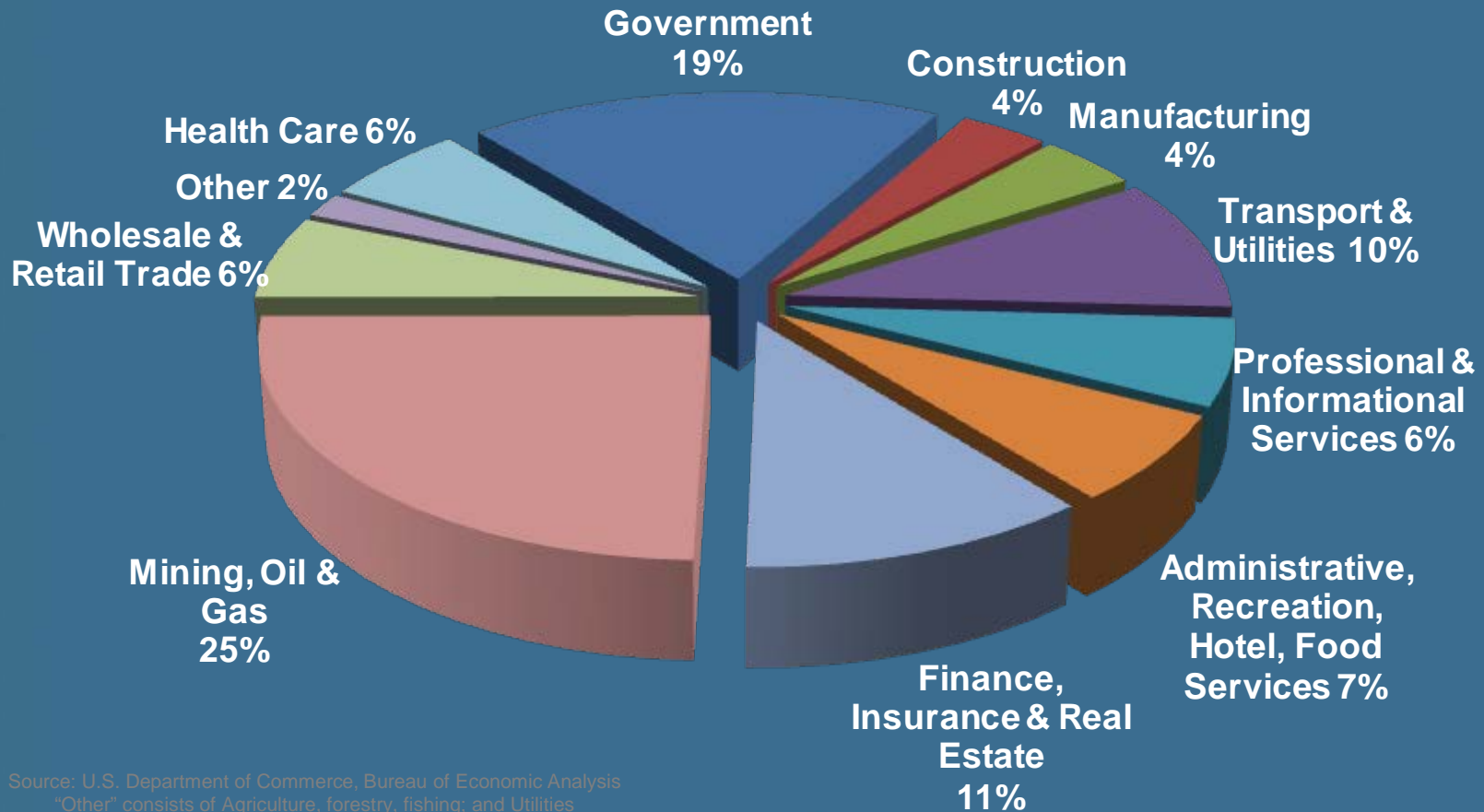


ALASKA'S ECONOMY

Mark Edwards
Vice President, Commercial Loan Officer,
Bank Economist



ALASKA GROSS STATE PRODUCT \$51 BILLION



Source: U.S. Department of Commerce, Bureau of Economic Analysis
"Other" consists of Agriculture, forestry, fishing, and Utilities



ALASKA LABOR INDICATORS

- 21 years of consecutive job growth ended in 2009, -0.3%
- 336,200 payroll jobs on average, grew by 1.3%-1.8% a year between 2010-2012, adding 5,300 jobs last year.
- 2012 Alaska Unemployment was 6.6% versus U.S rate of 7.8%. Alaska better than U.S. for 4 years.
- 2012 Anchorage Unemployment was 5.2%, Fairbanks 6.2%, and Mat-Su 8%, Juneau 5%.
- Population - Alaska added roughly 8,000 people in 2012.
- 2010 Census population up 13.3% over decade, 732,298

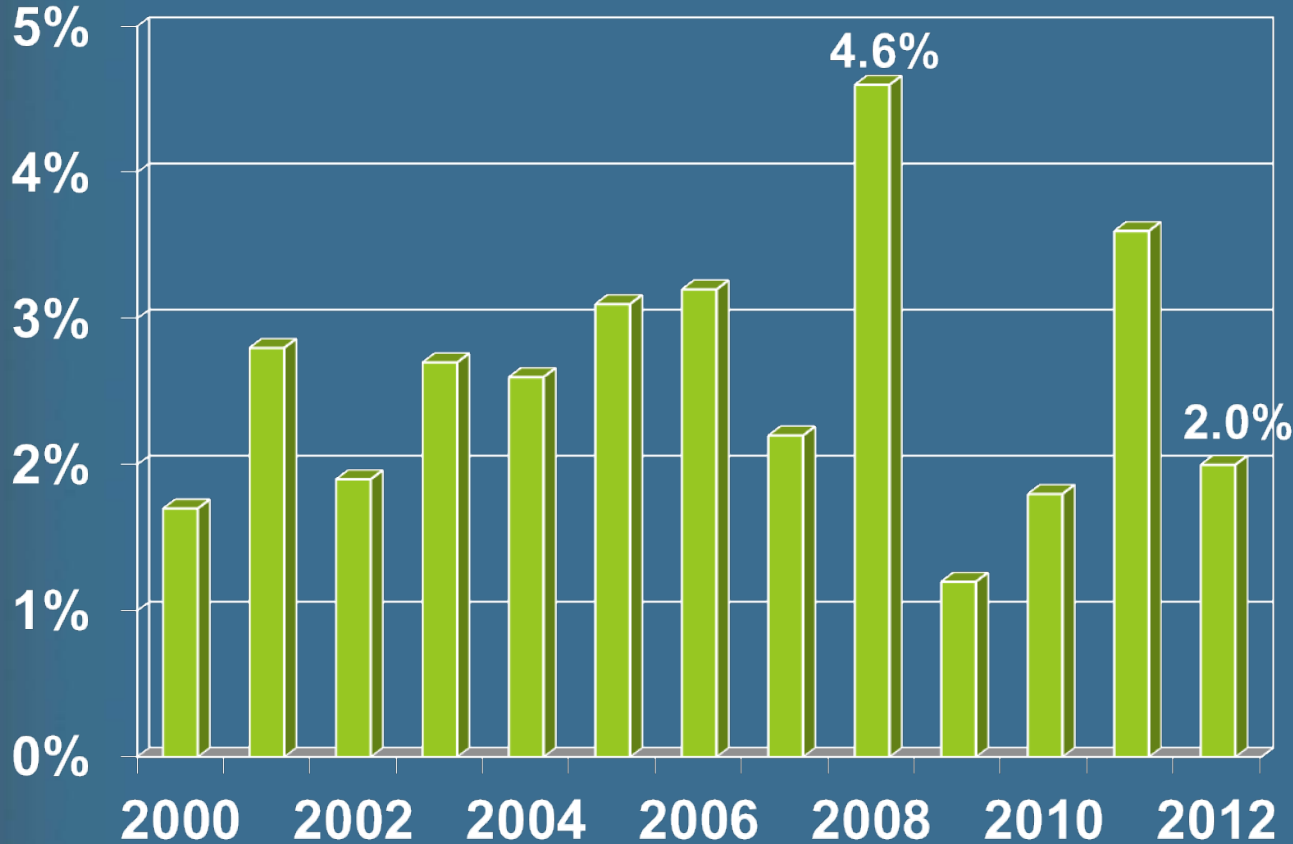


ALASKA CAPITAL INDICATORS

- Personal income in Alaska has grown for fourteen consecutive quarters since the beginning of 2009.
- \$45,529 per capita income ranks Alaska 7th out of 50 states and 9% higher than the national average.
- Income growth was \$846 million in last 12 months, +2.5% led by state government, military, health care, construction, fishing and retail sales.
- \$19 billion State reserves, \$45 Billion in Permanent Fund
- Anchorage inflation is relatively stable, averaging 2.7% the last decade, up 2% in 2012.



ANCHORAGE INFLATION – 2012



Increasing 2012

Medical	+4.4%
Apparel	+4.1%
Housing	+3.0%
Food	+1.1%
Transport	+1.1%

Decreasing 2012

Energy	-2%
Communications & Education	-1.1%
Recreation	-0.2%

Sources : U.S. Department of Labor, Bureau of Labor Statistics



FORECLOSURE AND DELINQUENCY RATES

1-4 UNIT RESIDENTIAL PROPERTIES

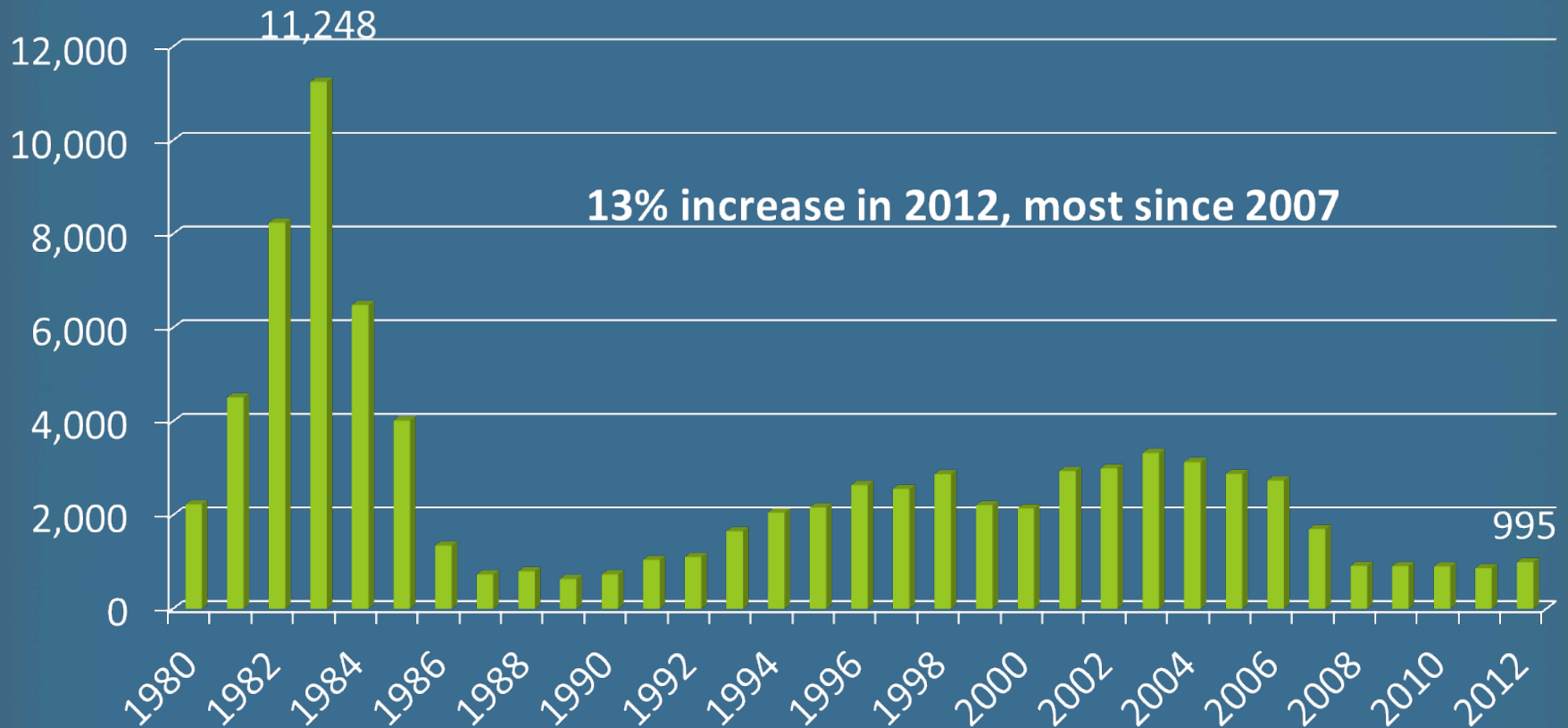
	<i>National Rank</i>	<i>Alaska</i>	<i>U.S.</i>
Delinquencies, total 4Q 2012	3rd best	3.7%	7.5%
Foreclosures, total in progress	3rd best	1.1%	3.7%
Subprime delinquencies	Best in Nation	10%	21.3%
Subprime foreclosures	Best in Nation	2.9%	11.9%

Source: Mortgage Bankers Association of America Seasonally adjusted rates based on 4th quarter 2012 data.



ALASKA BUILDING PERMITS

Number of new, privately owned housing, 1-5 units authorized



Source : U.S. Census Bureau



TECHNOLOGY

- Alaskans have to be active participants in the global economy. The internet, satellites and airplanes have brought the world closer together than ever before.
- Information is widely available and labor is more mobile, putting downward pressure on unskilled wages.
- Alaskans have to have access to modern technology and be trained to use it.
- Poker Flats, Kodiak launch facility, thermal and wind power, directional drilling with low surface impact.
- National missile defense technology at Fort Greely.



LAND AND NATURAL RESOURCES

- Value of the land itself, the mineral rights below, natural resource, timber, seafood, energy.
- It is not a coincidence that Anchorage, Fairbanks, Mat-Su are centers of economic development. Private land was available from past homesteads, land lotteries.
- Land most underutilized asset, no private capital formation.
- Monetized oil underground into a stock/bond/real estate portfolio in Permanent Fund, spins off billions in interest.
- Billion dollar project list – ANWR, NPR-A, OCS, gas line, coal development, Pebble and Donlin Creek mines



ENERGY ISSUES

- Easy oil is gone, high cost in-field drilling is the future.
- Heavily subsidized exploration vs. heavily taxed production.
- High oil prices driving global energy investment, but it is going elsewhere because of our progressive tax system.
- Off shore Beaufort and Chukchi Seas have great potential. Offshore progress? Shell's \$4 billion effort
- Federal limitation on NPR-A will restrict access to many energy rich areas and potentially a corridor for Chukchi Sea

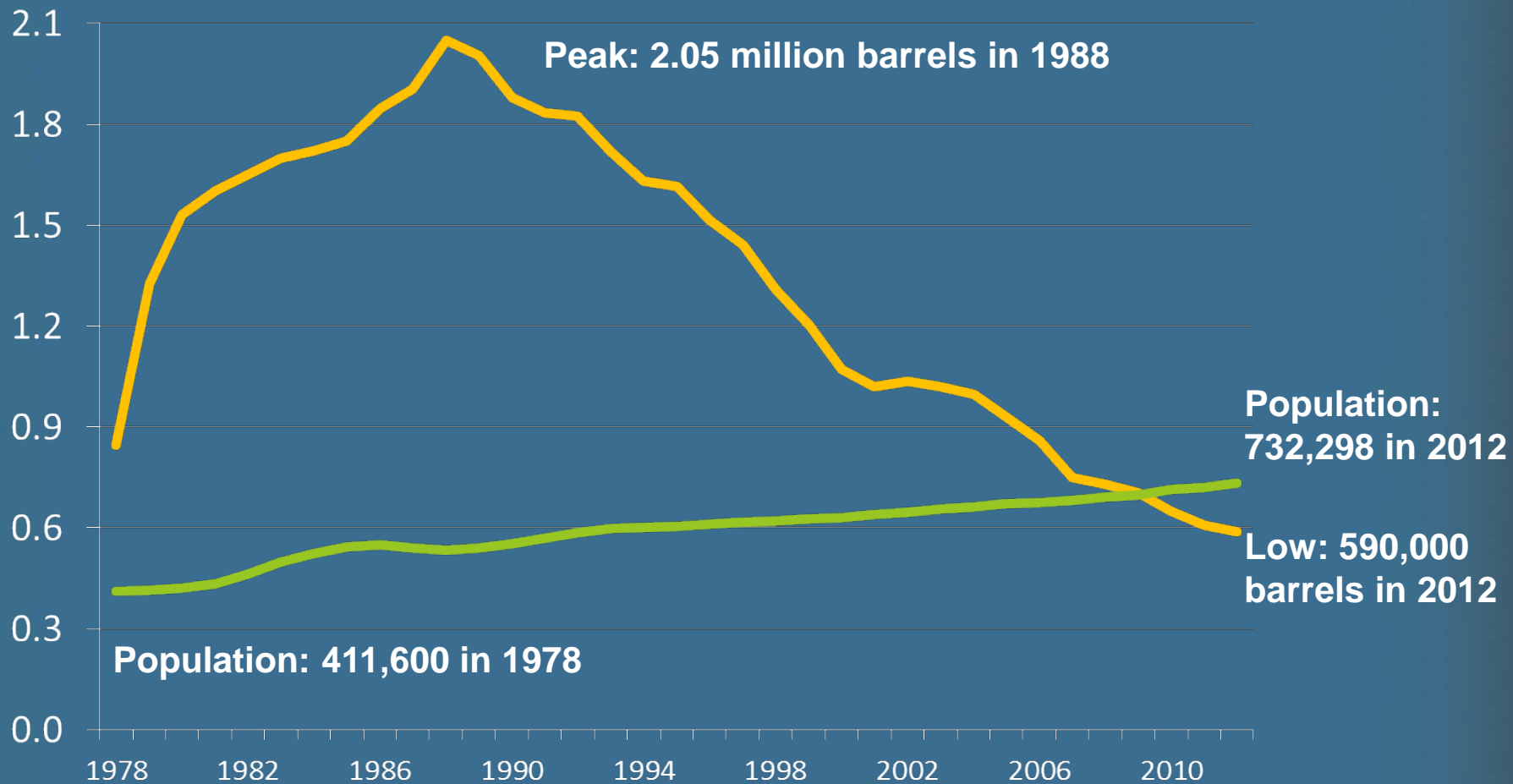


ENERGY ISSUES

- Pt. Thomson progress to provide gas condensate for TAPS pipeline, roughly 10,000 bpd.
- Cook Inlet gas shortage - gas line, imports, or new sources?
- Shale gas revolution – revive Alaska or cause price crash?
- Why are we conceding 10 year development timelines when other states develop projects in 2 or 3 years?



ALASKA OIL PRODUCTION 1978-2011

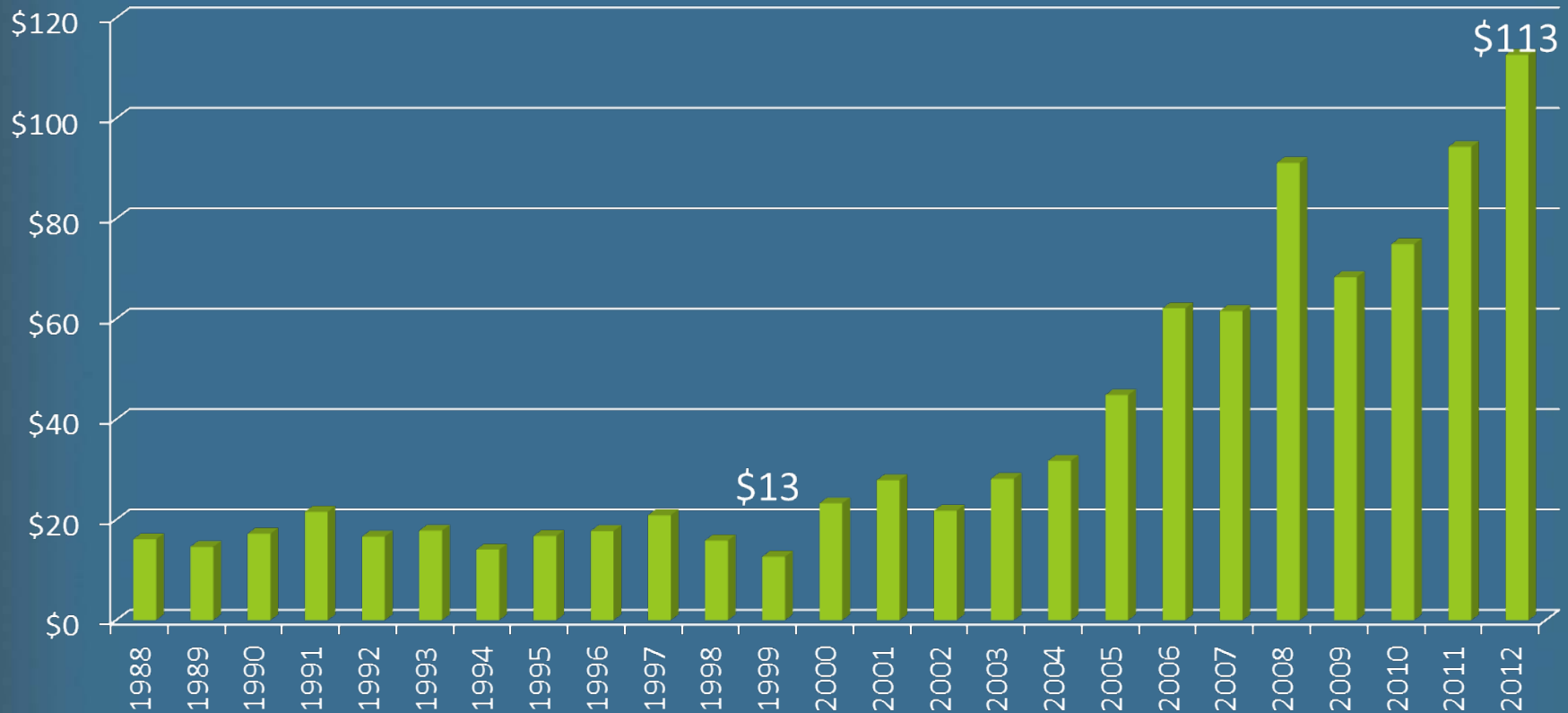


Source: Alaska Department of Revenue, Tax Division; Alaska Department of Labor
and Employment. Represents State fiscal year (July to June)



ALASKA NORTH SLOPE AVERAGE ANNUAL PRICES

Dollars per Barrel



Source: Alaska Department of Revenue, Tax Division Prices are for the State fiscal year, July to June.



STATE GOVERNMENT SPENDING 2006-2012

As oil prices and tax rates rose, spending increased.

General fund operating budget

<u>2006</u>	<u>2012</u>		+ 154%
\$2.4 Billion	\$6.1 Billion		

General fund capital budget

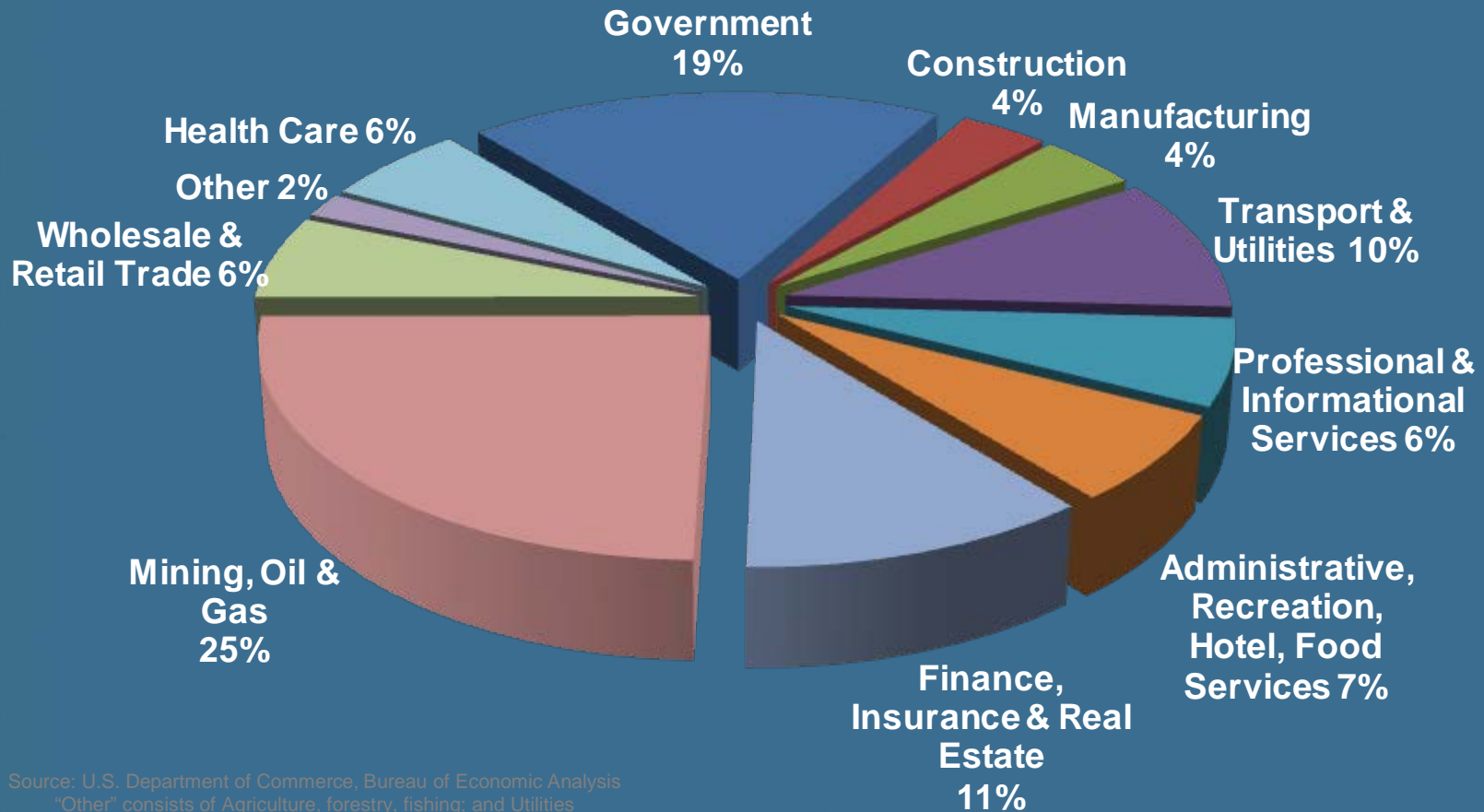
<u>2006</u>	<u>2012</u>		+ 339%
\$378 Million	\$1.7 Billion		

•

Source: Alaska Legislative Finance Division – Fiscal Summary



ALASKA GROSS STATE PRODUCT \$51 BILLION



Source: U.S. Department of Commerce, Bureau of Economic Analysis
"Other" consists of Agriculture, forestry, fishing, and Utilities



THROUGH THE PRISM OF JUNEAU

- Many Legislators view economic policy in terms of how much money flows to Juneau, not to the private sector.
- Don't confuse the State of Alaska government budget with the state of Alaska economy.
- Billions in new investment dollars entering Alaska and thousands of new private sector jobs.
- Unlock the untapped potential of our economy and take more control, rather than depend on ever-rising oil prices to bail us out.





THANK YOU

Mark Edwards
Vice President, Commercial Loan Officer,
Bank Economist

