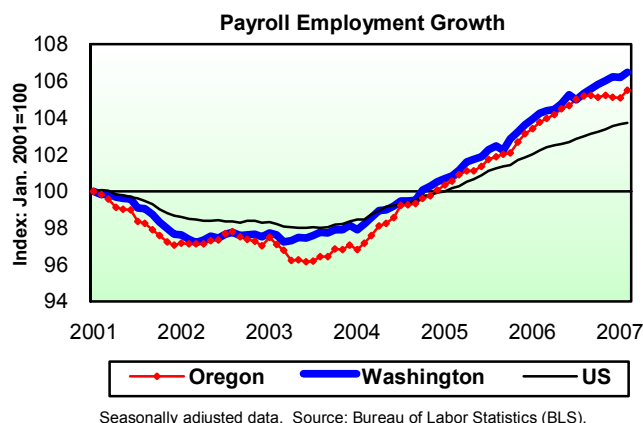


The Pacific Northwest Maintains Steady Course—For Now

The Pacific Northwest has historically been prone to pronounced boom-and-bust cycles. The region's growth tended to be more spectacular in good times and its recessions deeper in bad times than those in the rest of the country. This must be because Washington and Oregon have traditionally relied heavily on a handful of industries—first logging, then aerospace, and, more recently, high-tech—that are all known for their cyclicity.

As the chart below shows, the most recent recession in the United States also affected the region more severely than the nation as a whole. Conversely, the recovery phase, beginning in 2003, produced stronger job growth in both Oregon and Washington.



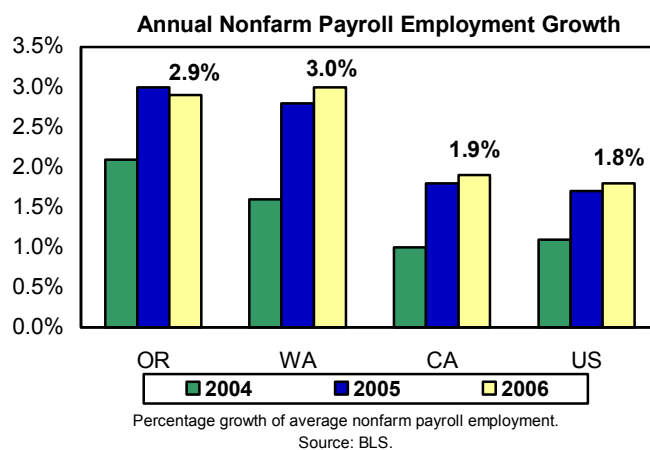
In this chart, the number of nonfarm payroll jobs in January 2001 is indexed at 100, to show cumulative changes since then. As of February 2007, Oregon and Washington had 5.5% and 6.4% more jobs than in 2001, while the United States only managed to add 3.7% more jobs over the same period.

Washington's job growth continues; Oregon slows.

The above chart shows that payroll employment in Oregon hit a plateau in the second half of 2006. Between July 2006 and January 2007, total nonfarm employment fluctuated within a narrow band between 1,710,000 and 1,713,000, before rising to 1,719,000 in February.

Job growth in Washington, on the other hand, remained steady. Because of differing trends in recent months, annual employment growth in Oregon slowed slightly from 3.0% in 2005 to 2.9% in 2006, while growth in Washington accelerated from 2.8% in 2005 to 3.0% in 2006. (See the following chart.)

Of course, payroll employment growth in both states was more than 50% greater in 2006 than in United States and



California. The fact remains that the Pacific Northwest is one of the best performing regional economies in the country.

Unemployment rates in Oregon and Washington have been steady over the past twelve months. In February 2007, the jobless rate in Oregon was 5.3%, little changed from 5.4% in February 2006. At 4.8% in February, the unemployment rate of Washington was unchanged from a year earlier and was at its lowest level since 1999.

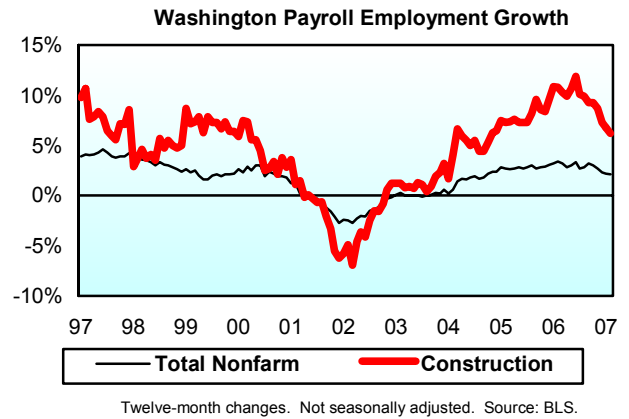
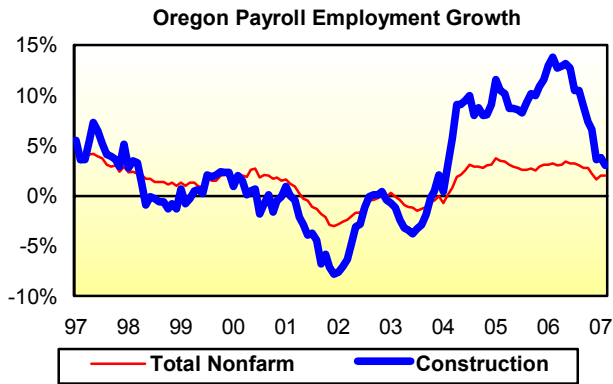
The bloom is off the housing boom.

A strong housing market was one of the factors that sustained the region's economic expansion in the past few years. During 2006, the region emerged as one of the best performing residential real estate markets in the nation.

In terms of one-year home price appreciation, Washington ranked fourth and Oregon fifth in the nation—after Utah (+17.6%), Wyoming (+14.3%), and Idaho (+14.0%)—as of the fourth quarter of 2006, according to the Office of Federal Housing Enterprise Oversight (OFHEO). Among metropolitan statistical areas and divisions, Bend, Oregon (+21.4%), and Wenatchee, Washington (+20.9%), were the hottest markets in the country.

The Pacific Northwest is among the healthiest markets in the country in terms of the much publicized subprime loan problems. All of its local markets have subprime delinquency ratios below the national average. In fact, Corvallis, Oregon, had the lowest percentage of subprime loans 60 or more days past due in the United States as of December last year.

Still, the pace of home price appreciation moderated in 2006. In Washington, year-over-year appreciation slowed to 13.7% in the fourth quarter from the most recent peak of



19.6% in the first quarter of 2006. Price appreciation in Oregon similarly slowed to 13.5% in the fourth quarter from 21.2% in the first quarter of 2006.

The two charts on this page show that construction job growth has been stronger than total nonfarm employment growth since 2004 in both states. The building industry has been an extremely important job-growth engine for the region. However, the momentum of the construction sector has waned lately, and this trend is more pronounced in Oregon. This has contributed to the more subdued performance of the Oregon economy.

Service sector job growth remains robust.

While the contribution of the housing boom has lessened, the service sector continues to add jobs in the Pacific Northwest. The fastest growing industry in Oregon between February 2006 and February 2007 was the leisure and hospitality service sector, which grew 5.7%. Much of

the sector’s growth was related to food service establishments.

In Washington, the information and communication sector was the best-performing sector with 8.1% growth during the same 12-month period. Out of the 7,800 new jobs gained by this sector, the software publishing industry accounted for 5,100. In terms of actual number of jobs, the professional and business service sector contributed most, with 14,400 new positions.

With the housing market slowdown, employment growth in the Pacific Northwest will be a little slower in 2007 than last year, though we expect the region to beat the national average again. All in all, the coming deceleration will be modest compared with the economic rollercoaster rides that region experienced in the past.

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Economic Forecast – April 2007

UNITED STATES	2005	2006	2007	2008
Real GDP Growth (%)	3.2	3.3	2.5	3.2
Unemployment (%)	5.1	4.6	4.7	4.9
Payroll Employment	1.7	1.9	1.2	0.8
CPI Change (%)	3.4	3.2	2.1	2.2
Federal Funds Rate (%)	3.2	5.0	5.2	4.8
OREGON				
Employment Growth (%)	3.0	3.0	1.2	1.4
Personal Income Growth	5.5	6.0	5.4	5.4
WASHINGTON				
Employment Growth (%)	2.8	3.0	2.1	1.6
Personal Income Growth	2.9	7.2	6.5	5.6

Bold: Actual.

The information in this report is based on data available as of April 2, 2007, and has been obtained from sources believed to be reliable, but its accuracy, completeness, and interpretation are not guaranteed. We do not think it should necessarily be relied upon as the sole source of information and opinion.