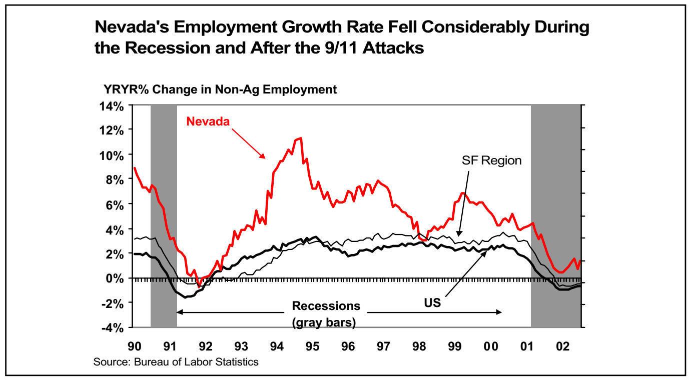
State Profile

WINTER 2002

Nevada

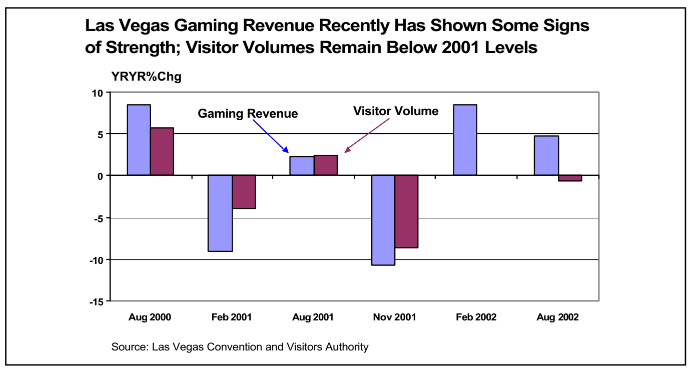
Employment grew faster in Nevada than in any other state during the past year. However, the rate of growth has declined significantly from that of the 1990s.

- Nevada's payroll employment increased 1.2 percent during the year ending August 2002. Regional and national employment declined during this period (see chart). However, the pace of growth declined from the average annual rate of 5.2 percent experienced during the 1990s.
- Employment in the state's key hotel and recreation sector was down 2.4 percent as of August 2002 from a year ago.
- Construction employment in Nevada increased 2.2 percent. The construction sector represented 8.7 percent of total state employment as of 2002, greater than the 5 percent national average.



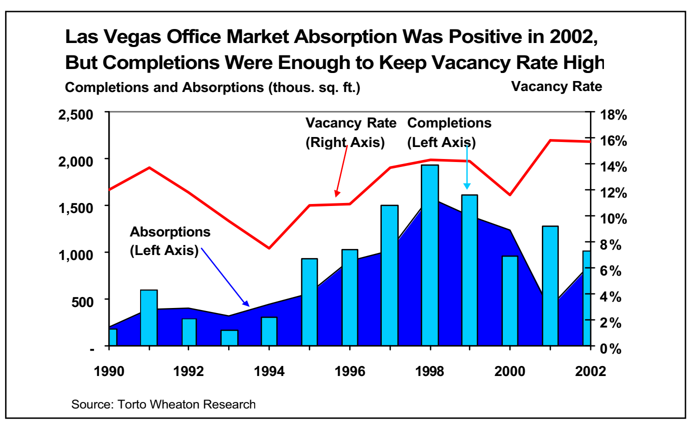
Tourism, based primarily on the gaming industry, is Nevada's key economic driver.

- The U.S. recession and a slowing global economy following 9/11 significantly dampened tourist visits and gaming revenue in Nevada (see chart).
- Gaming revenue was up 4.7 percent from August 2001 to August 2002 in Las Vegas, Nevada's major Metropolitan Statistical Area (MSA). However, visitor volume was slightly below the year earlier level. Compared with the boom year 2000, the visitor count in August was up just 1.7 percent and gaming revenue increased 7.0 percent.



The dramatic slowdown in employment growth has contributed to an increase in CRE vacancy rates.

- The boom years of *Las Vegas* generated dramatic increases in office construction (see chart). Although positive space absorption continued through the recession, absorption has not kept up with completions, and the vacancy rate has increased.
- Property Portfolio Research (PPR) estimates that the annual average occupancy rate in the hotel sector fell from a recent peak of 80 percent in 1999 to 68 percent in 2002. Revenue per Available Room (RevPAR) declined by 27 percent in 2001 and by another 3 percent in 2002.
- PPR also estimates that the Las Vegas retail vacancy rate rose from 16.8 percent in 2001 to 18.8 percent in 2002, and the apartment vacancy rate rose from 7.5 percent to 9.1 percent over the same period.
- Insured institutions headquartered in the Las Vegas MSA area reported some CRE credit softening. Between mid-



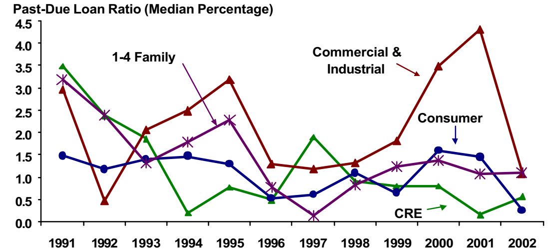
2001 and mid-2002, the median past-due CRE loan[1] ratio among established community[2] institutions increased modestly from 0.56 to 0.61 percent.

- CRE market conditions are relevant given high CRE loan concentrations among the state's insured institutions, in particular those between 3 and 9 years old. As of mid-2002, the median CRE loan-to-Tier 1 capital ratio among Nevada's established community institutions was nearly 500 percent, up from 300 percent ten years earlier. Construction loan exposures, one of the traditionally higher risk components of CRE lending contributed materially to the trend.

Higher consumer debt loads and a rush to file in anticipation of proposed bankruptcy law changes prompted elevated bankruptcy and foreclosure rates in Nevada during 2001 and 2002.

- Through the twelve months ending June 2002, nearly 9 out of every 1,000 people in Nevada filed for personal bankruptcy, a rate significantly higher than the national average and the state's year-ago performance. Nevada's personal bankruptcy filing rate was third only to Utah and Tennessee.
- Clark County, which constitutes the bulk of the Las Vegas MSA and is home to nearly 70 percent of the state's population, reported the highest personal bankruptcy rate in the state during 2001. This is likely a result of the swift economic slowdown experienced in the second half of 2001, related to the MSA's tourism-related sectors.
- Foreclosure starts were also high and increased within the state, averaging 0.59 percent per quarter in the first half of 2002, up from 0.47 percent one year earlier. Nationally, the quarterly average foreclosure start rate was 0.39 percent.

Consumer and 1-4 Family Real Estate Loan Delinquencies in Nevada Declined Between Mid-2001 and Mid-2002



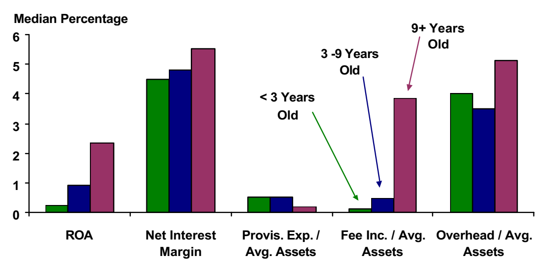
Note: Includes institutions with less than $1 billion in total assets, open more than three years, with consumer loan-to-Tier 1 capital ratios of less than 200 percent. Commercial real estate (CRE) loans include mortgages secured by nonfarm-nonresidential, multifamily, and construction projects.
Source: Washington Bank and Thrift Call Reports (June of each year)

- Despite the state's high personal bankruptcy and foreclosure start rates, Nevada's established community institutions reported flat-to-declining past due 1-4 family real estate and consumer loan ratios between mid-2001 and mid-2002 (see chart). Lower consumer loan delinquencies came with a price — the median net consumer loan loss ratio skyrocketed from 0.02 to 0.71 percent over the same period.

Earnings among Nevada's insured institutions were weak through mid-2002, primarily because of the state's high proportion of newly-chartered institutions (i.e., less than 9 years old).

- The state's median return on average assets (ROA) ratio declined year-over-year through mid-2002 from 0.79 to 0.75 percent, and compared unfavorably to a 1.08 percent median ROA reported elsewhere in the nation.
- Earnings performance varied across institutions. ROA ratios were weakest among newly-chartered banks and thrifts, which accounted for 70 percent of the state's insured institutions (see chart). Nevada's more established institutions reported very high ROAs because 5 of the 11 institutions that were at least 9 years old specialized in high-yielding credit card lending.
- Between mid-2001 and mid-2002, ROA ratios declined among Nevada's newly-chartered (and mainly asset-sensitive) institutions in part because of net interest margin contraction.

Nevada's Older Institutions Reported Strong Earnings Largely by Virtue of Credit Card Loan Exposures



Source: Nevada Bank and Thrift Call Reports (June 30, 2002)

[1] CRE loans include mortgages secured by nonfarm-nonresidential, multifamily, and construction projects.

[2] Established community institutions are defined as insured institutions opened more than three years, with total assets of less than $1 billion and consumer loan-to-Tier 1 capital ratios of less than 200 percent. The definition also excludes industrial loan companies.

Nevada Insured Institutions at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98	Jun-97
Institutions (#)	37	34	32	26	25	24
Total Assets (in thousands)	40,351,090	33,279,925	36,884,220	26,384,088	23,450,020	23,999,271
New Institutions (# <3 years)	13	12	12	8	9	7
Capital						
Tier 1 Leverage (median)	10.96%	10.55%	12.97%	10.69%	9.25%	9.78%
Asset Quality						
Past-Due and Nonaccrual (median)	1.05%	1.53%	1.59%	1.41%	1.92%	1.91%
Loan Loss Reserves/Total Loans (median)	1.34%	1.50%	1.46%	1.59%	1.60%	1.54%
Loan Loss Reserves/ Noncurrent Loans (median multiple)	1.92	1.95	2.86	2.93	2.93	2.53
Earnings						
Percent Unprofitable	18.92%	20.59%	28.13%	19.23%	16.00%	12.50%
Return on Assets (median)	0.75%	0.79%	0.91%	0.89%	1.10%	1.12%
Net Interest Margin (median)	4.74%	5.11%	5.73%	5.01%	5.73%	6.06%
Yield on Earning Assets (median)	7.01%	8.90%	9.67%	8.50%	9.43%	9.47%
Cost of Funding Earning Assets (median)	1.93%	4.30%	3.96%	3.42%	3.96%	3.36%
Provisions to Avg. Assets (median)	0.50%	0.61%	0.77%	0.53%	0.35%	0.27%
Noninterest Income to Avg. Assets (median)	0.47%	0.48%	0.60%	0.80%	0.79%	0.79%
Overhead to Avg. Assets (median)	3.77%	4.03%	4.38%	4.01%	4.28%	4.37%
Liquidity/Sensitivity						
Loans to Assets (median)	72.53%	69.00%	68.75%	63.65%	63.44%	69.17%
Brokered Deposits (# of Institutions)	11	8	4	4	4	3
Brokered Deps./Assets (median for above inst.)	6.61%	10.08%	0.32%	0.23%	0.70%	0.84%
Noncore Funding to Assets (median)	19.44%	18.71%	15.21%	14.86%	16.20%	13.99%
Loan Concentrations						
Median Commercial RE to Tier 1	324.74%	284.46%	212.15%	196.45%	246.76%	351.56%
Commercial RE = Construction, Multifamily, and Nonres.						
Median Commercial & Industrial to Tier 1	104.92%	107.84%	84.47%	80.47%	95.94%	109.56%
Median Construction to Tier 1	51.08%	80.03%	49.34%	55.41%	78.21%	90.67%
Median Residential RE to Tier 1	21.24%	21.99%	32.10%	26.60%	42.96%	39.14%
Median Consumer to Tier 1	16.62%	23.84%	22.40%	38.74%	52.82%	40.33%
Consumer = Credit Card and other non-RE secured						
Median Agricultural to Tier 1	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Primary Regulator						
FDIC	24	21	18	15	16	16
OCC	8	8	8	8	7	5
FRB	3	3	4	2	2	2
OTS	2	2	2	1	0	1
Asset Distribution						
$0 to $100 million	16	16	15	10	9	13
$100 to $250 million	7	7	7	5	6	3
$250 to $500 million	5	2	2	2	1	0
$500 million to $1 billion	2	2	0	0	1	4
$1 to $3 billion	2	2	4	5	6	2
$3 to $10 billion	5	5	3	4	2	1
Over $10 billion	0	0	1	0	0	1

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Las Vegas NV-AZ	28	39,542,888	75.68%	98.00%
Reno NV	5	590,315	13.51%	1.46%
Not in an MSA	4	217,887	10.81%	0.54%