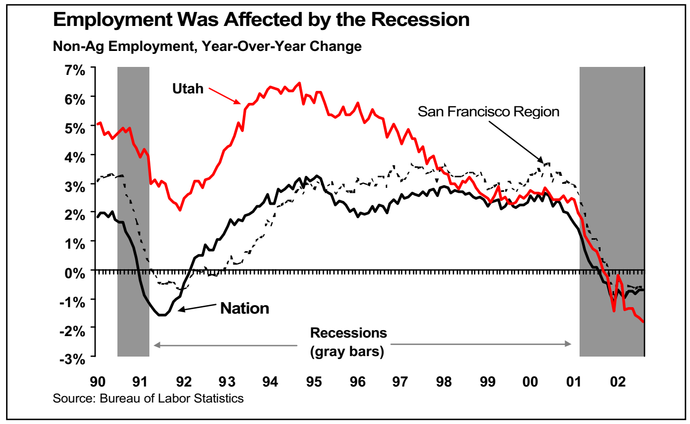
FDIC State Profile

WINTER 2002

Utah

Despite a boost from the Winter Olympics, Utah reported job losses in the first half of 2002.

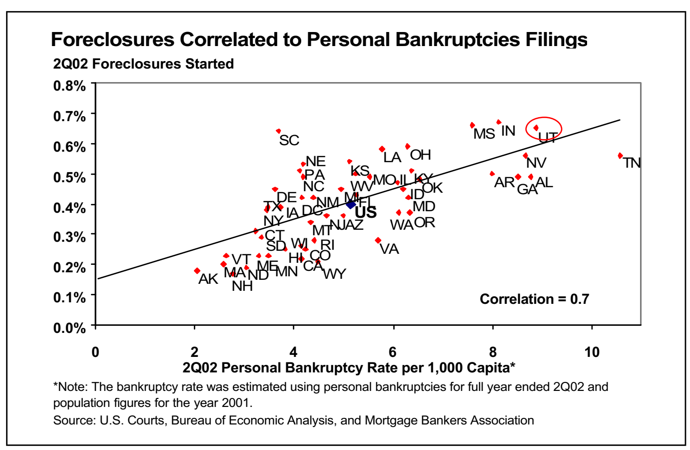
- Early in 2002, the state benefited from a temporary surge of employment in the service sector as a result of the Winter Olympics. However, by August 2002, Utah had reported year-over-year non-ag employment losses of 1.8 percent, the fourth-highest job loss rate in the nation. These job losses reflect weakness in the construction, high-tech, mining, and manufacturing sectors.
- As Olympics-related building ended, employment in the construction sector declined more than 9 percent during the last year, as of August 2002. Construction job losses are significant given that the sector accounts for 6.5 percent of Utah's nonfarm employment base.
- Utah was adversely affected by weakness in the high-tech sector, losing 1,700 relatively high-paying jobs in 2001, according to AeA.[1] This was in part due to a 72 percent drop in venture capital investment in the state, which fell from $665 million in 2000 to $188 million in 2001.
- Manufacturing employment declined by 5 percent year-over-year through August 2002. The state's major manufacturing sectors, which included primary metals, electronics, and transportation equipment, each dropped more than 8 percent over the period.



- Among the states in the Region, Utah had the third largest state and local government sector as a percentage of Gross State Product (GSP) in 2000. Recent shortfalls in tax revenues may affect the spending level of future government projects and accentuate the economic weakness.

Weak job conditions contributed to increasing bankruptcy and foreclosure activity in Utah.

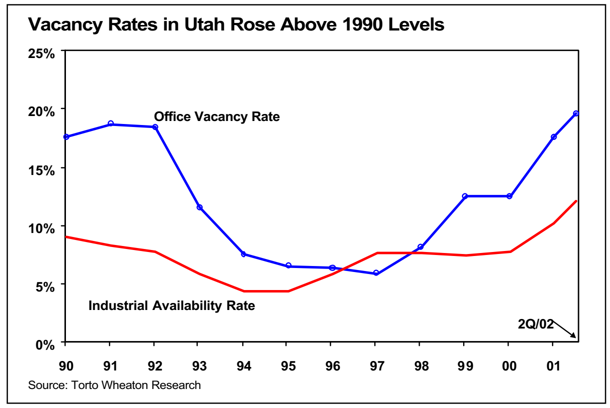
- Utah reported one of the highest bankruptcy and foreclosure start rates in the nation during second quarter 2002 (see chart). The number of personal bankruptcy cases filed in the first six months of 2002 was 13 percent higher than the number filed during the same period in 2001.
- Bankruptcy activity pushed up the median past-due consumer loan ratio from 2.67 to 2.84 percent between mid-2001 and mid-2002. Over the same period the median consumer loan net charge-off ratio more than doubled from 0.51 to 1.03 percent.
- Despite high and increasing foreclosure activity, the state's median past-due 1-4 family mortgage ratio declined from 2.15 to 1.03 percent between mid-2001 and mid-2002.



[1] *Cyberstates 2002: A State-by-State Overview of the High-Technology Industry,* AeA, June 2002, http://aeanet.org/PressRoom/idmk_cs2002_Utah.asp

Commercial real estate (CRE) market deterioration in the Salt Lake City market, could adversely affect a significant number of insured institutions.

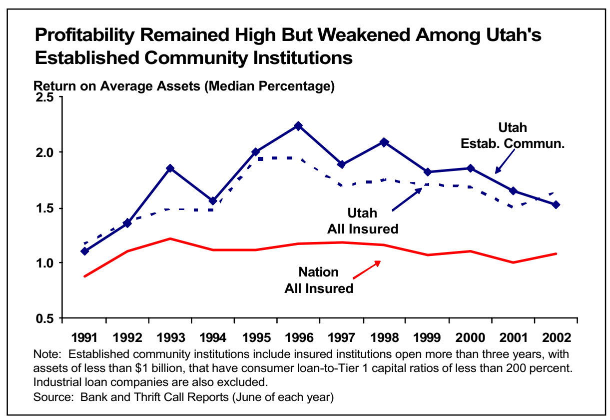
- The office vacancy rate in the *Salt Lake City* metropolitan statistical area (MSA) was 20 percent as of second quarter 2002, up sharply over the past two years. This was due, in part, to weakness in the high tech sector (see chart). Vacancy rates in the MSA's retail, multifamily, and industrial property sectors also deteriorated over the period, although not as dramatically.
- Hotels in the Salt Lake City MSA benefited early in 2002 from Winter Olympics visitors, but by March 2002, occupancy rates dropped well below their March 2001 levels.
- Deterioration in Salt Lake City's CRE markets is concerning because most established community[2] institutions headquartered within the MSA held high CRE loan[3] concentrations. The median CRE loan-to-total asset ratio among these institutions was 49 percent as of June 2002, up from 14 percent in mid-1992. Rising construction and development (C&D) loan concentrations, one of the riskier components of CRE lending, contributed materially to the trend. Over the ten year period ending June 2002, the median C&D loan-to-total asset ratio reported among Salt Lake City established community institutions grew more than eleven-fold, from 2 to 23 percent.



- Softer CRE conditions may have adversely affected credit quality among banks operating in the market. Established community institutions in the Salt Lake City MSA reported a second quarter 2002 median past-due CRE loan ratio of 2.24 percent, up from 1.99 percent one year earlier. This is the highest median past-due CRE loan ratio of any major MSA in the San Francisco Region.[4]

Net interest margin (NIM) declines pressured year-over-year earnings performance among Utah's established community institutions.

- The median return on average assets (ROA) ratio reported by all Utah-based insured institutions in second quarter 2002 increased year-over-year from 1.50 to 1.64 percent, largely because of reduced overhead-to-average asset ratios.
- Institutions with industrial loan company charters or credit card lending niches, which accounted for nearly 42 percent of all insured institutions headquartered in the state, boosted median ROA performance. These institutions typically report higher asset yields and profitability because they pursue higher-risk, specialty lending niches.
- Improved overhead efficiencies were not sufficient to overcome NIM compression among Utah's more traditional, established community institutions, which reported a median ROA of 1.53 percent, down from 1.66 percent in mid-2001 (see chart).



[2] Established community institutions are defined as insured institutions open more than three years, with less than $1 billion in total assets, and that have consumer loan-to-Tier 1 capital ratios of less than 200 percent. Industrial loan companies are also excluded from the definition.

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

[4] Based upon a comparison of second quarter 2002 median past-due CRE loan ratios within 20 markets, where at least 5 established community institutions with CRE loans were headquartered.

Utah Insured Institutions at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98	Jun-97
Institutions (#)	60	62	59	53	53	50
Total Assets (in thousands)	128,527,071	125,842,298	72,791,427	47,149,057	40,567,922	37,507,755
New Institutions (# <3 years)	13	13	12	11	12	8
Capital						
Tier 1 Leverage (median)	12.56%	13.04%	12.43%	12.49%	13.08%	13.76%
Asset Quality						
Past-Due and Nonaccrual (median)	3.41%	3.64%	2.67%	3.15%	3.49%	2.86%
Loan Loss Reserves/Total Loans (median)	1.65%	1.65%	1.60%	1.70%	1.76%	1.78%
Loan Loss Reserves/ Noncurrent Loans (median multiple)	1.55	1.57	1.66	1.86	1.77	2.31
Earnings						
Percent Unprofitable	10.00%	14.52%	15.25%	9.43%	9.43%	14.00%
Return on Assets (median)	1.64%	1.50%	1.69%	1.71%	1.75%	1.70%
Net Interest Margin (median)	5.59%	5.79%	5.94%	5.86%	6.13%	6.86%
Yield on Earning Assets (median)	8.00%	9.29%	9.37%	8.94%	9.40%	9.99%
Cost of Funding Earning Assets (median)	2.26%	3.57%	3.64%	3.12%	3.33%	3.22%
Provisions to Avg. Assets (median)	0.46%	0.48%	0.24%	0.30%	0.29%	0.30%
Noninterest Income to Avg. Assets (median)	1.30%	1.37%	1.60%	1.84%	2.03%	1.67%
Overhead to Avg. Assets (median)	3.89%	4.87%	4.25%	4.44%	4.61%	4.55%
Liquidity/Sensitivity						
Loans to Assets (median)	74.10%	67.04%	66.07%	64.43%	64.42%	68.73%
Brokered Deposits (# of Institutions)	29	25	20	17	12	16
Brokered Deps./ Assets (median for above inst.)	23.85%	24.62%	35.56%	9.62%	8.66%	2.87%
Noncore Funding to Assets (median)	24.57%	19.86%	20.15%	17.70%	12.00%	12.96%
Loan Concentrations						
Median Commercial & Industrial to Tier 1	100.07%	83.13%	79.42%	90.19%	77.80%	64.16%
Median Commercial RE to Tier 1	72.99%	68.64%	66.27%	105.01%	69.62%	86.24%
Commercial RE = Construction, Multifamily, and Nonres.						
Median Consumer to Tier 1	45.84%	50.05%	57.12%	55.89%	72.13%	80.24%
Consumer = Credit Card and other non-RE secured						
Median Construction to Tier 1	33.01%	28.30%	18.98%	46.98%	26.33%	30.98%
Median Residential RE to Tier 1	25.37%	20.58%	29.63%	51.44%	37.59%	49.94%
Median Agricultural to Tier 1	0.00%	0.00%	0.00%	0.02%	0.00%	0.00%
Primary Regulator						
FDIC	43	43	39	35	35	33
OCC	7	8	9	8	8	8
FRB	6	6	6	6	7	7
OTS	4	5	5	4	3	2
Asset Distribution						
$0 to $100 million	27	29	27	26	30	31
$100 to $250 million	9	11	12	10	13	10
$250 to $500 million	12	8	8	7	3	2
$500 million to $1 billion	3	5	2	3	2	2
$1 to $3 billion	5	5	5	4	2	2
$3 to $10 billion	1	1	2	1	1	1
Over $10 billion	3	3	3	2	2	2

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Salt Lake City-Ogden UT	41	125,897,265	68.33%	97.95%
Not in an MSA	12	1,395,074	20.00%	1.09%
Provo-Orem UT	7	1,234,732	11.67%	0.96%