FDIC State Profile

SUMMER 2003

Nevada

Nonfarm employment growth in Nevada continues to outpace the nation.

- The nonfarm payroll employment growth rate for Nevada was the second fastest of all states during the year ending January 2003. However, the pace of growth at 2.5 percent was well below the 5.3 percent average annual growth rate during the 1990s (see Chart 1).
- Job growth was centered in the construction, services, leisure and hospitality, and government sectors.
- Employment growth in the government sector during the coming year may be muted as the state struggles with a projected $704 million budget deficit over the next two years.

Visitor counts and gaming revenues have fallen in the state.

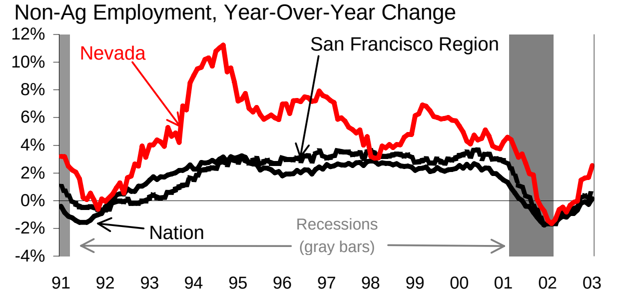
- The state's gaming industry continues to be challenged by the decline in travel following 9/11 and slow growth in the U.S. and global economies.
- Fourth quarter 2002 visitor volume was down 3.6 percent statewide from the comparable 2000 level (see Chart 2). Clark County, which includes Las Vegas, experienced a 3.3 percent visitor decline, while Washoe County, which includes Reno and North Lake Tahoe, faced a drop of 6.0 percent over the period.
- Gross gaming revenue fell 2.2 percent in Clark County from fourth quarter 2000 to fourth quarter 2002. Washoe County receipts, which likely have been affected by the economic downturn in the San Francisco Bay Area, dropped 9.5 percent.

Robust office construction between 1995 and 2001 contributed to rising office vacancies in the Las Vegas metropolitan statistical area (MSA).

- In the Las Vegas MSA, office completion rates generally outpaced absorption rates between 1995 and 2001. However, strengthened office demand and slowed construction during 2002 prompted some improvement in the market's overall office vacancy rate (see Chart 3).
- Hotel demand weakened in the wake of 9/11, but has recovered somewhat since that time. The Nevada Commission on Tourism reports that the fourth quarter hotel occupancy rate in Las Vegas fell from 85 percent in 2000 to 77 percent in 2001, but subsequently rose to 80 percent in 2002.

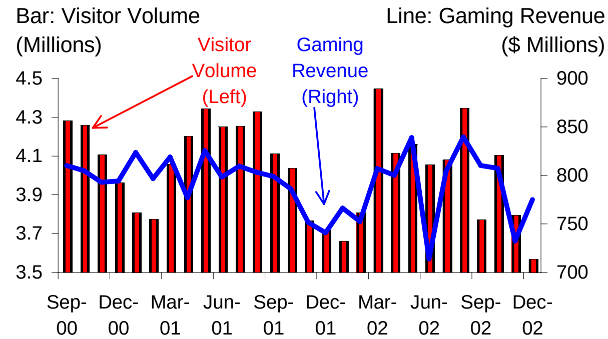
Chart 1: The Nevada Economy is Beginning to Rebound from the Recession

Non-Ag Employment, Year-Over-Year Change



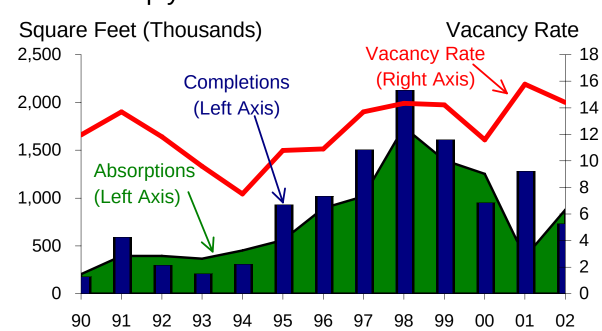
Note: End of 2001 recession projected to be February 2002; official date not yet determined.
Source: Bureau of Labor Statistics

Chart 2: Nevada's Gaming Revenue and Visitor Volumes Remain Below 2000 Levels



Source: Nevada Commision on Tourism

Chart 3: Las Vegas Office Vacancy Rates Rose Sharply in 2001 But Moderated in 2002



Source: Torto Wheaton Research

- Commercial real estate (CRE) market conditions need to be monitored closely due to high CRE loan[1] concentrations among the state's insured institutions. As of December 2002, the median CRE loan-to-Tier 1 capital ratio among Nevada's established community institutions[2] was 511 percent, up from 303 percent ten years earlier. Construction loan exposures, one of the traditionally higher-risk components of CRE lending, contributed materially to the trend.
- Despite high concentrations, the median past-due CRE loan ratio among established community institutions decreased from 1.82 to 1.08 percent during the twelve months ending December 31, 2002.

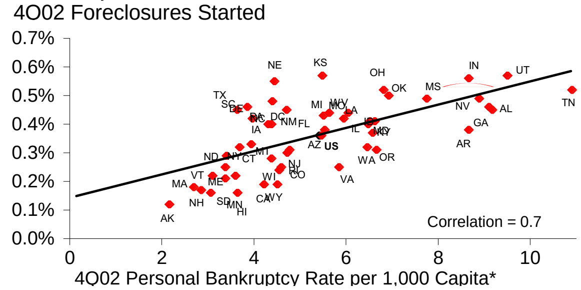
Higher consumer debt loads and a rush to file in anticipation of proposed bankruptcy law changes prompted elevated bankruptcy and foreclosure rates in Nevada during 2001 and 2002.

- Through the twelve months ending December 2002, nearly 9 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 second highest in the San Francisco Region behind Utah (see Chart 4).
- Clark County (the bulk of the Las Vegas MSA and home to nearly 70 percent of the state's population) reported the highest personal bankruptcy rate in the state during 2002.
- The Mortgage Bankers Association of America reported that foreclosure starts in Nevada averaged 0.51 percent per quarter during 2002, up from 0.48 percent one year earlier and well above a national quarterly average of 0.37 percent.
- Despite the state's high personal bankruptcy and foreclosure start rates, established community institutions based in Nevada reported declining median past-due 1-4 family real estate and consumer loan ratios. However the median net consumer loan loss ratio increased from 0.16 to 1.24 percent among the group during the year ending December 31, 2002.

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

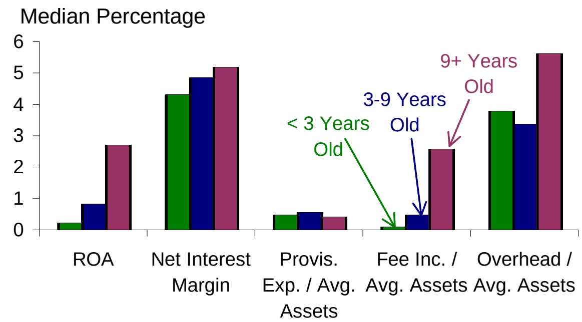
[2] Established community institutions are defined as insured institutions opened more than three years, with total assets of less than $1 billion. The definition also excludes industrial loan companies and specialty consumer lenders.

Chart 4: Foreclosures Correlated to Personal Bankruptcies in the Fourth Quarter 2002



*Note: The bankruptcy rate was estimated using personal bankruptcies for full year ended 4Q02 and population figures for the year 2001.
Source: U.S. Courts, Bureau of Econ. Analysis, and Mortgage Bankers Assoc.

Chart 5: Credit Card Loan Exposures Drove Profits Higher Among Older Insured Institutions



Source: Nevada Bank and Thrift Call Reports (December 31, 2002)

Earnings reported by Nevada-based insured institutions were weak through fourth quarter 2002, primarily because of the high proportion of younger institutions.

- The median return on average assets (ROA) ratio reported by insured institutions based in Nevada increased slightly during 2002 from 0.71 to 0.88 percent, but remained well below the national median of 1.06 percent.
- Earnings performance varied among insured institutions, depending on age and asset niche. ROA ratios were weakest among banks and thrifts under 9 years old, which represented 67 percent of the state's insured institutions as of year-end 2002 (see Chart 5). Insured institutions in operation longer than 9 years reported very high ROAs, in part because 6 of the 12 institutions in this group specialize in high-yielding credit-card loans or fee-rich mortgage banking. Excluding these specialty institutions, the median ROA among insured institutions open at least 9 years was a more modest 1.34 percent.

Nevada at a Glance

General Information	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Institutions (#)	36	36	34	29	27
Total Assets (in thousands)	40,525,445	35,378,221	38,659,793	32,732,413	27,577,075
New Institutions (# < 3 years)	9	11	12	9	8
New Institutions (# < 9 years)	24	26	24	19	16

Capital	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Tier 1 Leverage (median)	10.01	10.27	11.57	12.51	9.97

Asset Quality	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Past-Due and Nonaccrual (median %)	1.57%	1.59%	1.71%	1.49%	1.39%
Past-Due and Nonaccrual > = 5%	4	1	2	6	5
ALLL/Total Loans (median %)	1.33%	1.47%	1.46%	1.55%	1.50%
ALLL/Noncurrent Loans (median multiple)	1.91	1.95	2.78	2.10	3.61
Net Loan Losses/Loans (aggregate)	1.65%	3.98%	2.69%	2.66%	2.61%

Earnings	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Unprofitable Institutions (#)	4	8	9	8	7
Percent Unprofitable	11.11%	22.22%	26.47%	27.59%	25.93%
Return on Assets (median %)	0.88	0.71	0.93	0.78	1.04
25th Percentile	0.40	0.07	-0.42	-0.28	-0.36
Net Interest Margin (median %)	4.84%	4.88%	5.55%	5.21%	5.41%
Yield on Earning Assets (median)	7.01%	8.31%	9.82%	8.86%	9.33%
Cost of Funding Earning Assets (median)	1.80%	3.73%	4.01%	3.50%	3.43%
Provisions to Avg. Assets (median)	0.46%	0.53%	0.73%	0.72%	0.46%
Noninterest Income to Avg. Assets (median)	0.47%	0.48%	0.61%	0.70%	0.73%
Overhead to Avg. Assets (median)	3.71%	3.76%	4.28%	4.29%	4.19%

Liquidity/Sensitivity	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Loans to Deposits (median %)	88.51%	86.78%	81.81%	84.93%	71.63%
Loans to Assets (median %)	74.24%	71.85%	68.71%	69.03%	62.09%
Brokered Deposits (# of Institutions)	14	10	6	4	3
Bro. Deps./Assets (median for above inst.)	6.86%	7.21%	7.19%	0.30%	0.29%
Noncore Funding to Assets (median)	19.17%	19.27%	15.10%	14.31%	14.63%
Core Funding to Assets (median)	66.16%	65.51%	68.53%	70.16%	72.85%

Bank Class	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
State Nonmember	23	22	20	16	17
National	7	8	8	8	8
State Member	3	3	4	3	2
S&L	0	0	0	0	0
Savings Bank	2	2	2	2	0
Mutually Insured	1	1	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Las Vegas NV-AZ	26	39,138,050	72.22%	96.58%
Reno NV	6	1,149,310	16.67%	2.84%
No MSA	4	238,085	11.11%	0.59%