FDIC State Profile

WINTER 2003

Nevada

Employment in Nevada expanded 2.2 percent during the year ending third quarter 2003.

- Nonfarm payroll employment increased at the fastest rate among the 50 states during the year ending third quarter 2003. However, annual job growth was well below the 5.9 percent average rate achieved during the late 1990s (see Chart 1).
- Job growth was primarily centered in the construction, government, and services sectors. The key leisure and hospitality sector, accounting for 28 percent of payroll jobs in the state, expanded by 1.4 percent during the year ending third quarter 2003.
- Employment growth in the state and local government sector may be muted prospectively as the state and local governments struggle with budget issues.

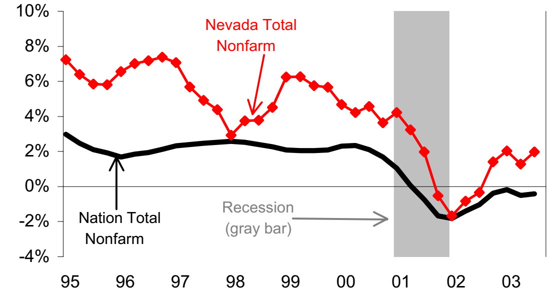
Visitor counts and gaming revenues have improved since 2002, but remain below levels prior to September 11, a major cause of the state's government budget problems.

- Nevada's second quarter 2003 visitor volume declined by 0.6 percent from year-earlier levels, and remained below second quarter 2001 levels (see Chart 2). ***Clark County***, which includes ***Las Vegas***, experienced a 3.3 percent year-over-year visitor decline for second quarter 2003, while ***Washoe County***, which includes ***Reno*** and ***North Lake Tahoe***, experienced a drop of 8.7 percent.
- Statewide gaming revenue declined 1.5 percent between second quarter 2002 and second quarter 2003.
- Strong population growth and increased demand for government services, during a period when state government revenues have remained relatively flat, have contributed to recent state budget challenges.

Commercial real estate (CRE) vacancies rose in the Las Vegas metropolitan statistical area (MSA).

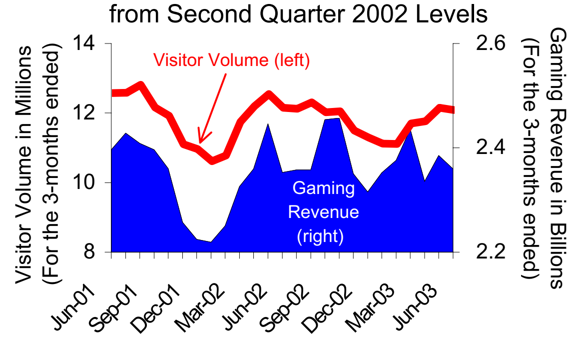
- In the Las Vegas MSA, CRE vacancy rates in office, industrial, and multifamily property types were relatively high in 2002 and first half 2003 (see Chart 3).
- Hotel demand fell from its 2001 level, as reported by the Nevada Commission on Tourism. The second quarter 2003 total occupancy rate in Las Vegas was 85.9 percent, significantly below the second quarter 2001 rate of 90.2 percent.

Chart 1: Nevada Total Nonfarm Employment Growth Outpaced the Nation



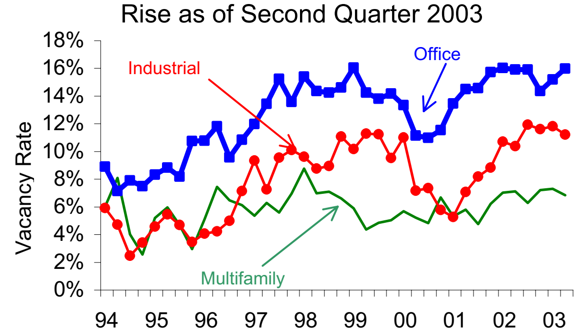
Source: Bureau of Labor Statistics and National Bureau of Economic Research

Chart 2: Nevada's Gaming Revenues Increased from Second Quarter 2002 Levels



Source: Nevada Commission on Tourism

Chart 3: Las Vegas Vacancy Rates Continued to Rise as of Second Quarter 2003



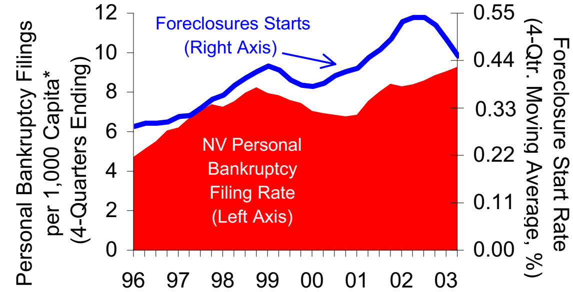
Source: Torto Wheaton Research

- As of June 2003, the median CRE loan-to-Tier 1 capital ratio among Nevada's established community institutions had climbed to a ten-year high of 561 percent, up from 275 percent.[1,2] Elevated construction loan exposures, one of the traditionally higher-risk components of CRE lending, contributed to CRE risks. Nevada-based established community institutions reported a median construction loan-to-Tier 1 capital ratio of 172 percent as of second quarter 2003, more than triple the 45 percent median ratio reported by MSA-based established community institutions nationwide.
- Despite high concentrations, the median past-due CRE loan ratio among established community institutions decreased from 0.50 percent to 0.28 percent during the twelve months ending June 30, 2003.

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

- Over the year ending June 30, 2003, the personal bankruptcy rate in Nevada was exceeded only by Tennessee and Utah among the 50 states. In addition, the personal bankruptcy rate has been increasing in the state (see Chart 4).
- Despite the rise in personal bankruptcies over the past year, the annual average foreclosure start rate declined to 0.44 percent as of June 2003, down from 0.53 percent one year earlier (see Chart 4). Although improved, Nevada's foreclosure start rate was still well above the national average of 0.35 percent.
- Among Nevada-based established community institutions, the median past-due consumer loan ratio increased from 0.29 percent to 0.37 percent over the 12 months ending June 2003, but for many of these institutions, second quarter consumer loan net charge-off ratios declined over the period. Residential mortgage loan delinquencies were also relatively steady. Improved mortgage performance may partially reflect the lack of portfolio seasoning in the wake of high mortgage refinancing activity over the past few years.

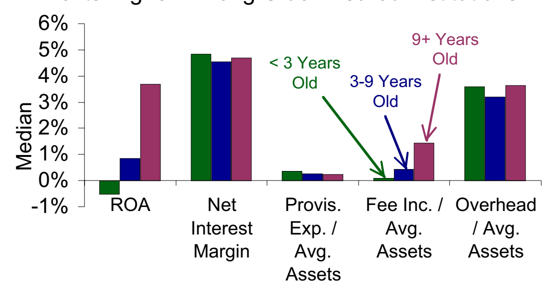
Chart 4: Nevada's Foreclosure Starts Abated But Personal Bankruptcy Filings Rose Further



*2003 personal bankruptcy filing rate calculated using 2002 population figure

Sources: U.S. Courts and Mortgage Bankers Association via Haver Analytics

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



Source: Nevada Bank and Thrift Call Reports (June 30, 2003)

Earnings reported by Nevada-based insured institutions improved through the first half of 2003, because of lower provision and overhead expenses.

- The median return on average assets (ROA) ratio reported by insured institutions based in Nevada increased during the twelve-month period ending June 30, 2003 from 0.75 percent to 1.02 percent. The ratio, however, remained slightly below the national median of 1.06 percent.
- Second quarter 2003 earnings performance varied among insured institutions, depending on age and asset niche. ROA ratios were weakest among banks and thrifts under nine years old, which represented 65 percent of the state's insured institutions (see Chart 5). Insured institutions in operation longer than nine years reported a very high median ROA of 3.70, in part because six of the thirteen 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 longer than nine years remains strong at 1.32 percent.

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

[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 other specialty institutions.

Nevada at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	37	37	34	32	26
Total Assets (in thousands)	43,734,772	40,306,642	33,279,925	36,884,220	26,384,088
New Institutions (# < 3 years)	7	13	12	12	8
New Institutions (# < 9 years)	24	26	25	22	15

Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	9.78	10.96	10.55	12.97	10.69

Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	0.99%	1.05%	1.53%	1.59%	1.41%
Past-Due and Nonaccrual ≥ 5%	2	2	4	4	2
ALLL/Total Loans (median %)	1.31%	1.34%	1.50%	1.46%	1.59%
ALLL/Noncurrent Loans (median multiple)	2.25	1.92	1.95	2.86	2.93
Net Loan Losses/Loans (aggregate)	1.70%	1.62%	3.37%	2.62%	2.62%

Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	6	7	7	9	5
Percent Unprofitable	16.22%	18.92%	20.59%	28.13%	19.23%
Return on Assets (median %)	1.02	0.75	0.79	0.91	0.89
25th Percentile	0.48	0.42	0.25	-0.15	0.32
Net Interest Margin (median %)	4.57%	4.74%	5.11%	5.73%	5.01%
Yield on Earning Assets (median)	6.40%	7.01%	8.90%	9.67%	8.50%
Cost of Funding Earning Assets (median)	1.52%	1.93%	4.30%	3.96%	3.42%
Provisions to Avg. Assets (median)	0.28%	0.50%	0.61%	0.77%	0.53%
Noninterest Income to Avg. Assets (median)	0.45%	0.47%	0.48%	0.60%	0.80%
Overhead to Avg. Assets (median)	3.33%	3.77%	4.03%	4.38%	4.01%

Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	83.77%	84.52%	85.80%	83.58%	83.41%
Loans to Assets (median %)	71.38%	72.53%	69.00%	68.75%	63.65%
Brokered Deposits (# of institutions)	19	11	8	4	4
Bro. Deps./Assets (median for above inst.)	5.19%	6.61%	10.08%	0.32%	0.23%
Noncore Funding to Assets (median)	19.56%	19.44%	18.71%	15.21%	14.86%
Core Funding to Assets (median)	67.04%	65.84%	65.25%	67.58%	72.47%

Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	23	23	21	18	15
National	8	8	8	8	8
State Member	3	3	3	4	2
S&L	0	0	0	0	0
Savings Bank	2	2	2	2	1
Mutually Insured	1	1	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Las Vegas NV-AZ	26	41,216,717	70.27%	94.24%
Reno NV	7	2,248,838	18.92%	5.14%
No MSA	4	269,217	10.81%	0.62%