FDIC State Profile

Fall 2004

Nevada

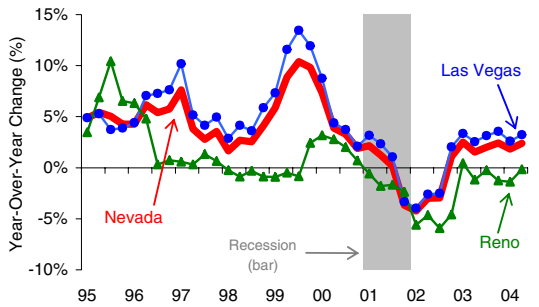
Nevada continued to lead the nation in job growth, reporting 4.5 percent growth year-over-year in second quarter 2004.

- Both the Las Vegas and Reno metropolitan statistical areas (MSAs) shared in the strong job growth, ranking first and fourth among all MSAs nationwide.
- Construction was the fastest growing sector during the quarter, and accounted for about 25 percent of all jobs added in the state. The professional & business services and retail trade sectors also posted strong job growth, together accounting for another 30 percent of all jobs added.
- The leisure and hospitality sector, which accounts for about 30 percent of Nevada's total jobs, posted solid growth of 2.4 percent in second quarter 2004. Growth was completely driven by the Las Vegas MSA where tourism employment continues to grow (See Chart 1). Las Vegas visitor volume, gaming revenue, and occupancy levels through June 2004 all improved from 2003 levels. With the exception of the Bellagio expansion, no major construction projects are scheduled for completion through the rest of 2004, but the opening of Wynn Las Vegas, scheduled for April 2005, could boost tourism activity in Southern Nevada. In comparison, the Reno MSA reported slightly fewer jobs in the leisure and hospitality sector in second quarter 2004 compared to year ago levels.

Growth in the number of businesses in Nevada continued to outpace the national rate, ranking 3rd nationally in 2003.

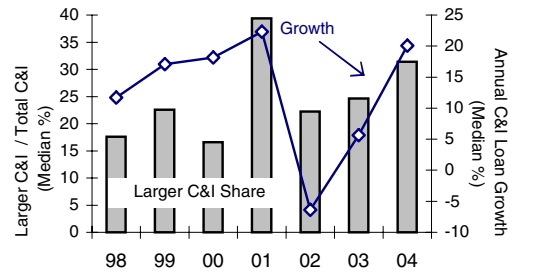
- The number of firms in Nevada increased 3.4 percent during 2003. Although growth has moderated from the state's high of 6.9 percent in 1994, it nevertheless reflects the current economic strength in the state. Also, Nevada reported a 31 percent decline in the number of business bankruptcies in the state during 2003, after enduring year-over-year increases since 2000.
- Strong business conditions boosted commercial loan growth rates among the state's insured institutions. Among banks and thrifts opened at least three years, the median year-over-year commercial and industrial loan growth rate was 20 percent in June 2004, led mainly by growth

Chart 1: Employment Growth in the Leisure and Hospitality Sector Is All in the Las Vegas MSA



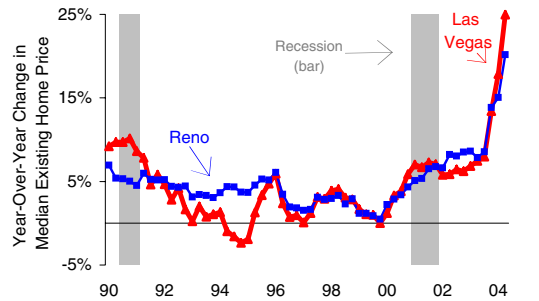
Source: Bureau of Labor Statistics; National Bureau of Economic Research

Chart 2: C&I Loan Growth Accelerated, Due in Part to Increases in Larger Business Loans



Note: Includes all insured institutions based in Nevada opened at least three years. Larger commercial and industrial (C&I) loans have original balances of over $1 million.
Source: FDIC (June of each year)

Chart 3: Las Vegas and Reno Home Price Gains Reached Record Highs in 2004



Source: Office of Federal Housing Oversight (OFHEO)

in larger business loans (those with original amounts of more than $1 million) (See Chart 2).

Commercial real estate (CRE) conditions improved in the Las Vegas MSA, but institutions remain vulnerable to market fundamentals given their high CRE and C&D loan concentrations.

- ***Torto Wheaton Research*** reported that Las Vegas office vacancy rates declined slightly to 15.1 percent in second quarter 2004, down from 16 percent one-year earlier. Industrial vacancy rates fell from 11.3 percent to 8.0 percent over the same period. Office and industrial vacancy rates remained significantly higher than cyclical lows attained in the mid-1990s, but are comparable to rates reported across the nation's major real estate markets. According to ***Property and Portfolio Research***, multifamily vacancy rates also improved year-over-year, declining from 7.5 percent to 5.6 percent.

- As of June 2004, the median CRE loan-to-Tier 1 capital ratio among Nevada's established community institutions had climbed to 565 percent, up slightly from a year earlier.[1,2] The group's median concentration in construction and development (C&D) loans, one of the traditionally higher-risk components of CRE lending, moderated to 166 percent of Tier 1 capital in mid 2004. However, this still remains more than triple the 55 percent median ratio reported by MSA-based established community institutions nationwide.

- Already low past-due rates for CRE loans among established community institutions decreased to 0.19 percent during second quarter 2004. Low interest rates have continued to benefit borrowers.

Nevada's residential real estate market experienced significant price increases in second quarter 2004, which may warrant monitoring given the rapid pace of new homebuilding.

- ***Office of Federal Housing Enterprise Oversight (OFHEO)*** data indicates that Las Vegas and Reno MSAs saw 25 and 20 percent year-over-year growth rates in the median sales price of existing single family homes, respectively, compared to a national average increase of 9 percent (See Chart 3).

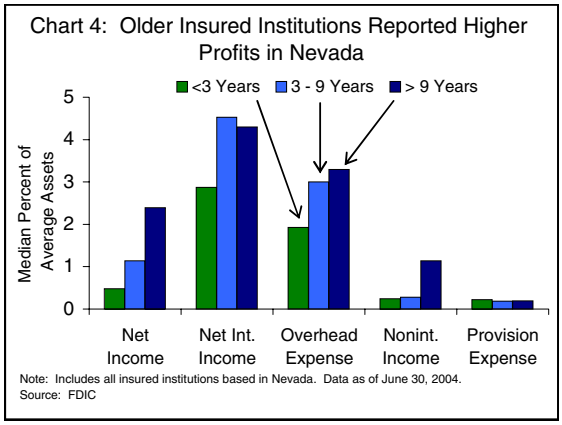
- Residential construction also boomed. Nevada authorized 19 new residential building permits per thousand residents in 2003, a faster pace than any other state in the nation and three times the national rate. However, increasing land prices and construction input costs could pressure builder cash flows, in particular should home sales volumes slow or housing appreciation decelerate. In July 2004, the lumber and wood products and iron and steel producer price indices were up were both up significantly, relative to year-earlier levels.

Earnings reported by Nevada-based insured institutions improved through second quarter 2004, because of higher net interest margins, lower relative overhead burdens, and lower provision expenses.

- The median return on average assets (ROA) ratio reported by insured institutions based in Nevada increased to 1.24 percent through mid-2004, up from 1.02 percent one-year earlier, and significantly above the national median of 1.03 percent. The high number of credit card institutions in the state tends to drive this performance.

- Year-to-date through June 2004, earnings varied among insured institutions, depending on age and asset niche. ROA ratios remained lower, albeit improved, among banks and thrifts under 9 years old, which represented nearly two-thirds of the state's insured institutions (See Chart 4).

- Institutions in operation longer than 9 years reported a very high median ROA of 2.39 percent, in part because many of them specialize in high-yielding credit-card loans or fee-rich mortgage banking.



[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-04	Jun-03	Jun-02	Jun-01	Jun-00
Institutions (#)	36	37	37	34	32
Total Assets (in thousands)	53,384,474	43,734,772	40,306,642	33,279,925	36,884,220
New Institutions (# < 3 years)	4	7	13	12	12
New Institutions (# < 9 years)	24	24	26	25	22

Capital	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Tier 1 Leverage (median)	9.13	9.78	10.96	10.55	12.97

Asset Quality	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Past-Due and Nonaccrual (median %)	0.76%	1.01%	1.05%	1.53%	1.59%
Past-Due and Nonaccrual >= 5%	1	2	2	4	4
ALLL/Total Loans (median %)	1.19%	1.33%	1.34%	1.50%	1.46%
ALLL/Noncurrent Loans (median multiple)	2.65	2.25	1.92	1.95	2.86
Net Loan Losses/Loans (aggregate)	3.09%	1.70%	1.62%	3.37%	2.62%

Earnings	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Unprofitable Institutions (#)	0	6	7	7	9
Percent Unprofitable	0.00%	16.22%	18.92%	20.59%	28.13%
Return on Assets (median %)	1.24	1.02	0.75	0.79	0.91
25th Percentile	0.67	0.48	0.42	0.25	-0.15
Net Interest Margin (median %)	4.77%	4.57%	4.74%	5.11%	5.73%
Yield on Earning Assets (median)	5.98%	6.40%	7.01%	8.90%	9.67%
Cost of Funding Earning Assets (median)	1.17%	1.52%	1.93%	4.30%	3.96%
Provisions to Avg. Assets (median)	0.18%	0.28%	0.50%	0.61%	0.77%
Noninterest Income to Avg. Assets (median)	0.35%	0.45%	0.47%	0.48%	0.60%
Overhead to Avg. Assets (median)	3.00%	3.33%	3.77%	4.03%	4.38%

Liquidity/Sensitivity	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Loans to Deposits (median %)	80.37%	83.35%	84.52%	85.80%	83.58%
Loans to Assets (median %)	70.67%	71.38%	72.53%	69.00%	68.75%
Brokered Deposits (# of Institutions)	20	19	11	8	4
Bro. Deps./Assets (median for above inst.)	7.53%	5.19%	6.61%	10.08%	0.32%
Noncore Funding to Assets (median)	14.25%	19.49%	19.44%	18.71%	15.21%
Core Funding to Assets (median)	75.71%	68.01%	65.84%	65.25%	67.58%

Bank Class	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
State Nonmember	24	24	24	21	18
National	7	8	8	8	8
State Member	3	3	3	3	4
S&L	0	0	0	0	0
Savings Bank	2	2	2	2	2
Stock and Mutual SB	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Las Vegas NV-AZ	25	47,109,594	69.44%	88.25%
Reno NV	7	5,975,433	19.44%	11.19%
No MSA	4	299,447	11.11%	0.56%