FDIC State Profile

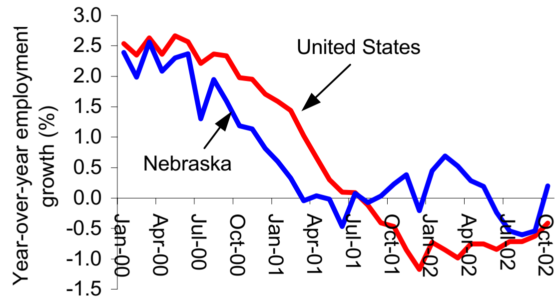
WINTER 2002

Nebraska

The Nebraska economy was less severely affected by the recession than other states.

- Employment growth in Nebraska slowed along with the nation during 2000, but the state lost relatively few jobs in 2001. Declines in manufacturing employment were offset by continued growth in the services and government sectors.
- Larger job losses occurred in mid-2002, however, as government hiring slowed to a near standstill and service sector layoffs began.
- October data provided several positive signs, including an unemployment rate of 3.0 percent, the lowest seen in 11 months, and a return to positive job growth.

Labor Markets in Nebraska Were Only Mildly Affected During the Recent Recession

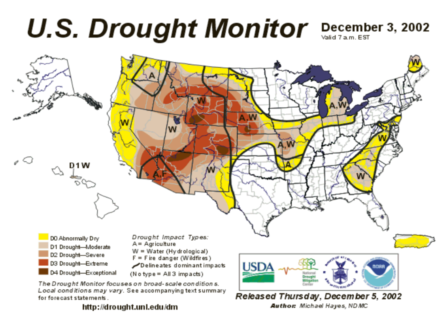


Source: Bureau of Labor Statistics

The drought of 2002 significantly stressed Nebraska's agricultural sector.

- Severe drought conditions adversely affected Nebraska's agricultural sector during the summer and fall of 2002.
- Corn and soybean production was 19 percent below the previous year's levels.
- Cattle production was also disrupted, as shortages of hay and pasture forced ranchers to sell cattle at low prices and liquidate breeding stock.
- Long-term water shortages in the western part of the state are now likely.

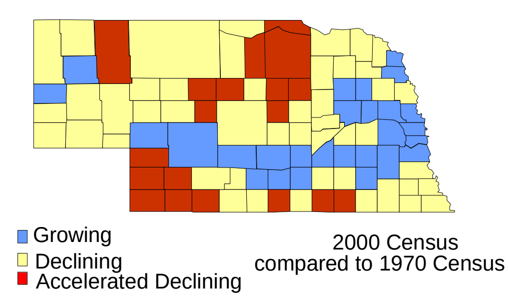
Serious Drought Conditions Persist in Nebraska



Depopulation in rural areas is a continuing challenge.

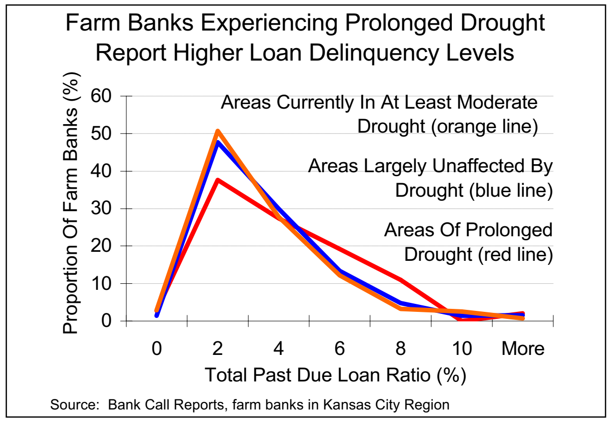
- Sixty-six of Nebraska's 93 counties have lost population since 1970, and 21 of those counties also lost population at an increasing rate in the 1990s.
- Technological changes and consolidation in the agricultural sector have reduced the demand for farm labor, and farmers have become less dependent on nearby small towns to purchase inputs and professional services.
- As a result, people have migrated from rural areas to metropolitan areas to seek better employment opportunities.
- Counties that are losing population at a faster rate could lose their economic viability, as shrinking tax rolls may make essential infrastructure, such as utilities and school systems, difficult to maintain.

Depopulation Affects Most Rural Counties in Nebraska



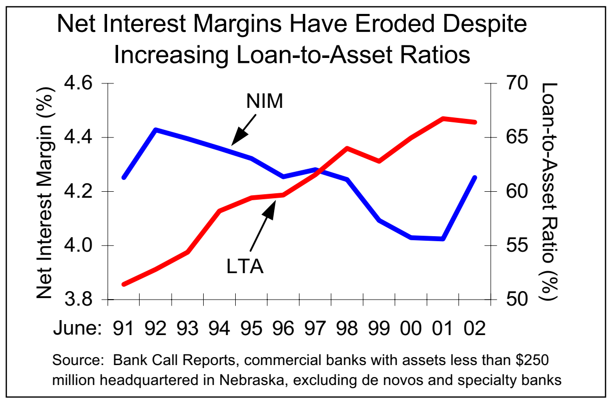
Severe drought conditions threaten asset quality among many of the state's farm banks.

- Much of Nebraska currently is in "severe" to "exceptional" drought, following at least moderate drought conditions in 2001. These weather problems follow four years of very low crop prices that left many farm banks holding substantial levels of carryover debt.
- Although the drought's effects likely will not be fully evident until 2003, farm banks in areas that are experiencing drought for the second year are reporting higher loan delinquency levels (see chart).
- Positively, the June 2002 median capital ratio of 10.3 percent for farm banks headquartered in Nebraska remains high by historical standards and is well above levels during the 1980s farm crisis and 1988 drought.



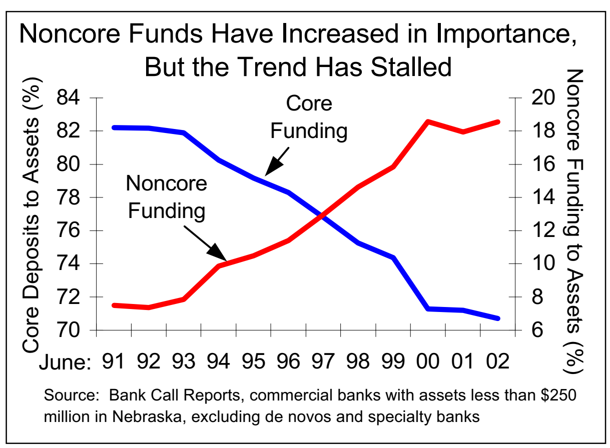
Community banks continue to face challenges in maintaining net interest margins.

- Net interest margins (NIMs) declined steadily in the 1990s because of strong and increasing loan and funding competition, as well as depopulation trends in rural areas.
- Recent NIM fluctuations, both positive and negative, are attributable to Federal Reserve interest rate actions, and do not signal an end to the longer-term trend of NIM erosion.
- Generally, banks that accept greater credit risk by making more loans are rewarded with higher NIMs. However, this did not hold true in the 1990s, as community bank NIMs declined despite the dramatic increases in loan-to-asset (LTA) levels (see chart).
- Economic slowdowns typically result in declining LTA ratios, and community bank NIMs could be pressured downward should LTA levels revert to historically normal levels.



Nebraska's community banks continue to face funding challenges.

- Utilization of core funds to support assets declined steadily during the 1990s because of negative population trends, competitive forces from larger banks and nonbanks, and significant disintermediation of funds into the stock and bond markets. (see chart)
- To counter declining deposits, community banks headquartered in Nebraska increased reliance on noncore funds, such as large time deposits and borrowings.
- The use of borrowings, mostly Federal Home Loan Bank advances, increased dramatically in the 1990s. The proportion of banks with borrowings making up at least 10 percent of total funds increased from 8 percent in June 1997 to 28 percent in June 2002.
- The current economic slowdown and large stock market losses have temporarily halted the core funding erosion as investors moved funds back into banks.



Nebraska at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98
Institutions (#)	288	291	304	322	338
Total Assets (in thousands)	46,730,104	44,971,057	45,547,819	42,423,664	37,329,057
New Institutions (# < 3 years)	6	6	3	7	11
New Institutions (# < 9 years)	19	18	15	18	20
Capital					
Tier 1 Leverage (median)	9.53	9.63	9.76	9.69	9.70
Asset Quality					
Past-Due and Nonaccrual (median %)	2.11%	2.21%	1.67%	1.88%	1.80%
Past-Due and Nonaccrual ≥ 5%	45	42	26	35	37
ALLL/Total Loans (median %)	1.52%	1.53%	1.51%	1.61%	1.47%
ALLL/Noncurrent Loans (median multiple)	1.43	1.43	1.93	1.66	1.70
Net Loan Losses/Loans (aggregate)	0.50%	0.41%	0.40%	0.54%	0.62%
Earnings					
Unprofitable Institutions (#)	14	10	5	6	9
Percent Unprofitable	4.86%	3.44%	1.64%	1.86%	2.66%
Return on Assets (median %)	1.19	1.13	1.23	1.20	1.29
25th Percentile	0.85	0.75	0.90	0.83	0.99
Net Interest Margin (median %)	4.22%	4.08%	4.25%	4.14%	4.26%
Yield on Earning Assets (median)	7.00%	8.24%	8.21%	7.87%	8.25%
Cost of Funding Earning Assets (median)	2.82%	4.21%	3.96%	3.82%	4.03%
Provisions to Avg. Assets (median)	0.07%	0.08%	0.04%	0.06%	0.03%
Noninterest Income to Avg. Assets (median)	0.49%	0.49%	0.47%	0.49%	0.49%
Overhead to Avg. Assets (median)	2.67%	2.66%	2.60%	2.61%	2.56%
Liquidity/Sensitivity					
Loans to Deposits (median %)	81.45%	80.83%	79.96%	74.67%	76.31%
Loans to Assets (median %)	66.12%	66.62%	65.07%	62.74%	64.48%
Brokered Deposits (# of Institutions)	77	77	81	94	110
Bro. Deps./Assets (median for above inst.)	2.99%	2.42%	2.22%	2.94%	2.75%
Noncore Funding to Assets (median)	16.41%	15.87%	15.87%	12.88%	11.61%
Core Funding to Assets (median)	71.07%	71.24%	72.12%	74.90%	75.80%
Bank Class					
State Nonmember	178	182	184	196	204
National	77	78	85	93	100
State Member	18	16	20	20	21
S&L	5	5	5	5	5
Savings Bank	10	10	10	8	8
Mutually Insured	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	239	15,206,710	82.99%	32.54%
Omaha NE-IA	34	27,319,476	11.81%	58.46%
Lincoln NE	12	3,924,943	4.17%	8.40%
Sioux City IA-NE	3	278,975	1.04%	0.60%

Source: Bank and Thrift Call Reports