

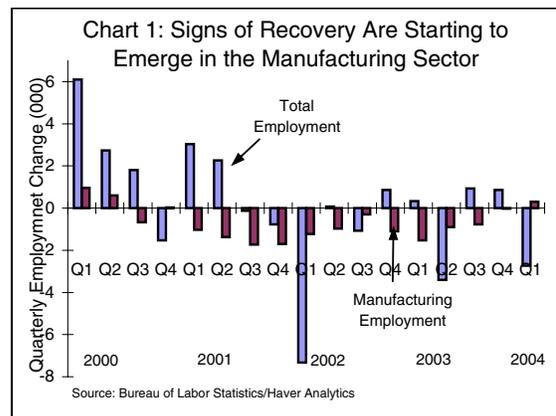
FDIC State Profile

Summer 2004

Nebraska

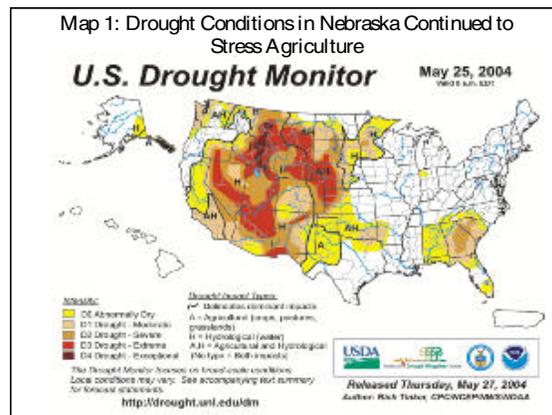
The Nebraska economy remains weak, but manufacturing is showing signs of rebounding.

- Nebraska's economy lost 2,700 jobs in the first quarter 2004, continuing the employment volatility seen over the past two years (See Chart 1).
- Marginal job growth occurred in the manufacturing sector in the first quarter, with a gain of 300 jobs. Gains in the sector were offset by losses in finance and insurance and real estate, and government sectors.
- Despite the job losses, the unemployment rate declined to 3.7 percent in the first quarter, down slightly from 4.0 percent in the fourth quarter. Even with ongoing employment weakness, Nebraska has one of the lowest unemployment rates in the nation.



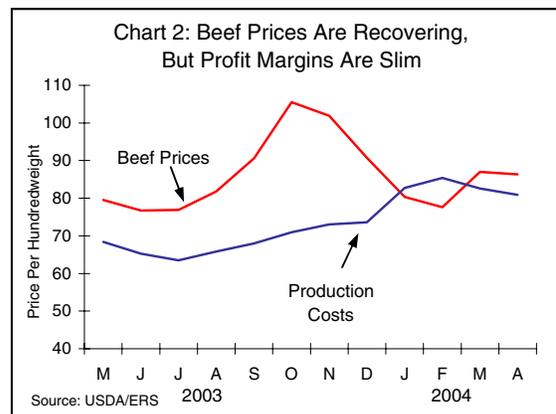
The drought situation improved slightly in 2003, but effects persist.

- Moderate to extreme drought conditions persist in the western part of the state (See Map 1).
- Reservoirs, streams, and farm ponds remain below normal levels, reflecting the accumulating precipitation shortages over the past four years.
- Drought continues to affect wheat production. The United States Department of Agriculture's (USDA) May 16 crop progress report rates 34 percent of the state's wheat condition as "very poor" or "poor" and 42 percent of the pasture and range crop conditions as "very poor" or "poor."



Beef prices have stabilized following the "mad cow" scare.

- In Nebraska, cattle receipts account for 52 percent of the state's agricultural revenue.
- Cattle prices declined sharply in December 2003 following the USDA's announcement of the first U.S. case of bovine spongiform encephalopathy, or "mad cow" disease.
- The spot price for live cattle declined to \$73.80 per hundredweight in the first week of January 2004 when beef export markets quickly shut down. However, prices have since stabilized and are expected to average \$85.00 per hundredweight in 2004.



State Profile

- Beef processors also face increased production costs because of higher feed grain and fuel costs, which are keeping profit margins thin (See Chart 2).

Persistent drought conditions are negatively affecting farm banks in Kansas, Nebraska, and South Dakota.

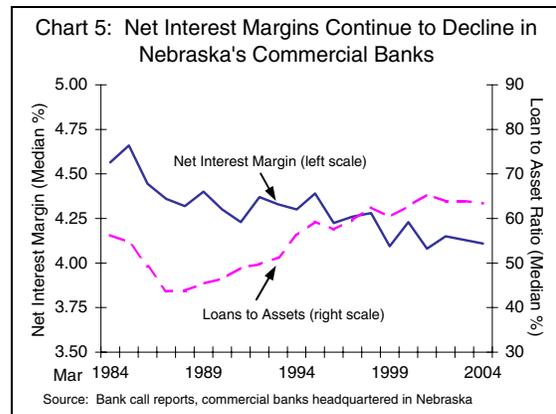
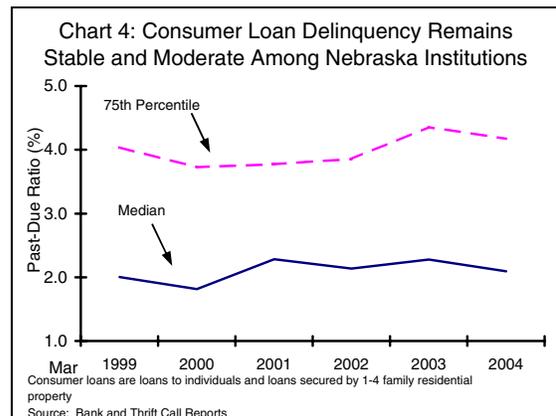
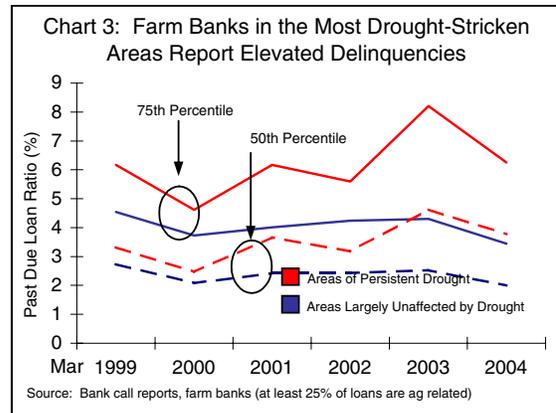
- Four years of persistent drought throughout much of the Region's western states has reduced agricultural output and lowered river and stream flows, reservoir pool elevations, and water tables of underground aquifers substantially.
- As a result, farm banks in the most drought-stricken areas are experiencing elevated delinquencies in their loan portfolios, as reduced farm production negatively impacts farmers' debt service ability (See Chart 3).
- Moreover, in some western agricultural districts, farmland values stagnated or declined in the last two years, the first decline since the farm crisis in the mid-1980s. Declining land values could significantly weaken farm loan collateral margins.

Nebraska's insured institutions continue to report satisfactory consumer loan quality.

- Consumer loan quality among Nebraska's insured institutions remains satisfactory.
- Delinquency ratios declined in 2004, following three years of increases during the worst of the economic downturn (See Chart 4). All but the top quartile of institutions reported past-due ratios of 4.17 percent or less at March 2004.
- Net charge-offs remain negligible as well, and loan-loss reserve coverage remains strong.

Commercial banks in Nebraska continue to experience declining net interest margins.

- Net interest margins (NIMs) generally have been declining since 1995, except for some recent short-term volatility coinciding with interest rate movements over the past few years (See Chart 5).
- This NIM compression has occurred despite consistent growth in loan-to-assets ratios (LTAs). LTAs are now at levels not seen since 1979, preceding the 1980s agricultural crisis. The high LTAs at that time largely resulted from excessive lending to farm borrowers during a period of speculative farmland investing.
- Nebraska's commercial banks are currently generating the lowest profit per dollar of credit exposure than at any time during the past 25 years. Regardless, asset quality remains sound and capital protection remains strong.



Nebraska at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	269	278	289	292	311
Total Assets (in thousands)	45,989,862	48,986,533	45,898,978	45,032,475	44,016,081
New Institutions (# < 3 years)	2	4	6	7	3
New Institutions (# < 9 years)	14	17	19	18	16
Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	9.66	9.67	9.45	9.59	9.54
Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	2.58%	3.27%	2.94%	2.95%	2.11%
Past-Due and Nonaccrual >= 5%	58	80	71	59	61
ALLL/Total Loans (median %)	1.61%	1.61%	1.57%	1.52%	1.60%
ALLL/Noncurrent Loans (median multiple)	1.66	1.48	1.55	1.73	2.19
Net Loan Losses/Loans (aggregate)	0.59%	0.43%	0.45%	0.40%	0.37%
Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	10	12	16	11	5
Percent Unprofitable	3.72%	4.32%	5.54%	3.77%	1.61%
Return on Assets (median %)	1.15	1.11	1.15	1.14	1.22
25th Percentile	0.80	0.72	0.81	0.75	0.84
Net Interest Margin (median %)	4.09%	4.11%	4.12%	4.05%	4.20%
Yield on Earning Assets (median)	5.79%	6.35%	7.00%	8.35%	8.09%
Cost of Funding Earning Assets (median)	1.74%	2.21%	2.90%	4.32%	3.90%
Provisions to Avg. Assets (median)	0.03%	0.05%	0.03%	0.04%	0.03%
Noninterest Income to Avg. Assets (median)	0.52%	0.52%	0.48%	0.48%	0.49%
Overhead to Avg. Assets (median)	2.68%	2.69%	2.64%	2.65%	2.63%
Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	78.94%	76.74%	77.25%	78.79%	74.89%
Loans to Assets (median %)	63.47%	64.12%	63.90%	65.48%	62.92%
Brokered Deposits (# of Institutions)	82	82	75	77	82
Bro. Deps./Assets (median for above inst.)	2.13%	2.29%	2.45%	2.30%	2.00%
Noncore Funding to Assets (median)	16.44%	16.51%	15.35%	15.42%	13.70%
Core Funding to Assets (median)	71.86%	71.33%	72.06%	72.03%	74.53%
Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	168	173	178	183	187
National	70	74	77	78	89
State Member	20	20	19	16	20
S&L	5	5	5	5	5
Savings Bank	6	6	10	10	10
Stock and Mutual SB	0	0	0	0	0
MSA Distribution		# of Inst.	Assets	% Inst.	% Assets
No MSA		223	16,196,908	82.90%	35.22%
Omaha NE-IA		31	24,706,211	11.52%	53.72%
Lincoln NE		12	4,781,309	4.46%	10.40%
Sioux City IA-NE		3	305,434	1.12%	0.66%