

# FDIC State Profile

Spring 2004

## Nebraska

The Nebraska economy was less severely affected by the 2001 national recession than other states in the Region.

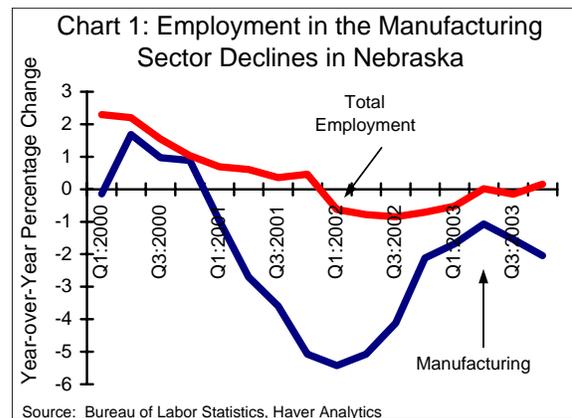
- Nebraska's economy posted modest overall job growth in the fourth quarter 2003 (See Chart 1).
- However, job losses continued to plague the manufacturing sector in the fourth quarter, with a loss of 800 jobs. For the year, the sector lost 2,200.
- The unemployment rate declined to 3.7 percent in the fourth quarter, down slightly from 3.9 percent in the third quarter. Nebraska has one of the lowest unemployment rates in the nation.

**Drought situation improves in 2003, but effects persist.**

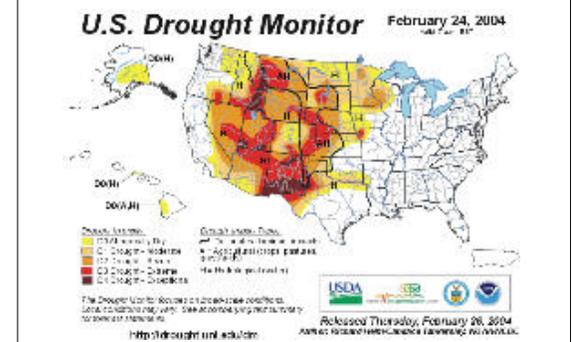
- Moderate to extreme drought conditions persist in the western part of the state (See Map 1).
- Reservoirs, streams, and farm ponds remain below normal levels, reflecting the accumulating precipitation shortages over the past four years.
- The United States Department of Agriculture's (USDA) February 3 crop progress report rates 9 percent of the state's wheat condition as "Very poor" and 19 percent as "Poor".

**Beef prices decline after healthy gains in 2003**

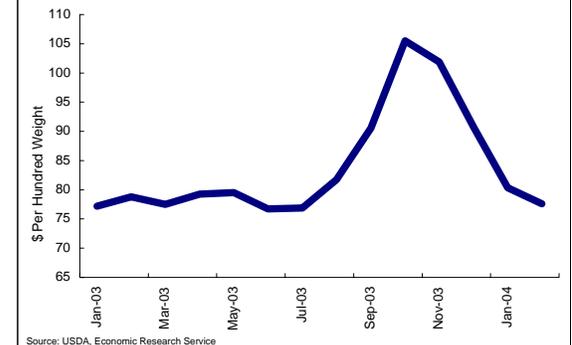
- Cattle prices declined sharply in the last week of 2003 following the USDA's announcement of the first U.S. case of bovine spongiform encephalopathy (BSE), or "mad cow" disease.
- The spot price for live cattle dropped to \$73.80 per hundredweight in the first week of January 2004, down from \$87.85 just a week earlier as beef export markets quickly shut down (See Chart 2). In addition to falling cattle prices, some beef processors throughout the Region announced layoffs until export demand resumes.
- In Nebraska, cattle receipts account for 52 percent of the state's agricultural revenue.



**Map 1: Severe Drought Conditions Remain a Risk in Nebraska**



**Chart 2: Beef Prices Decline Sharply After a Single Case of "Mad Cow" is Found in the United States**



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### Persistent Drought Conditions Are Negatively Affecting Agricultural Producers and Farm Banks

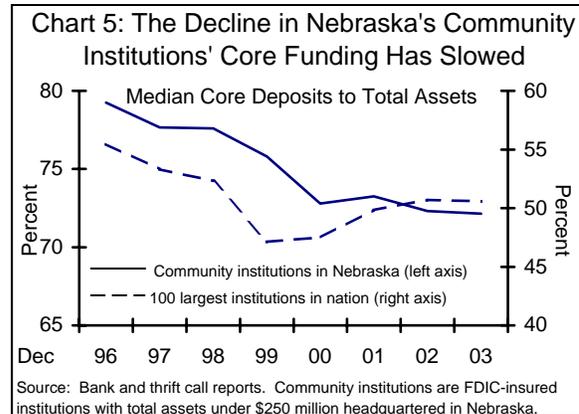
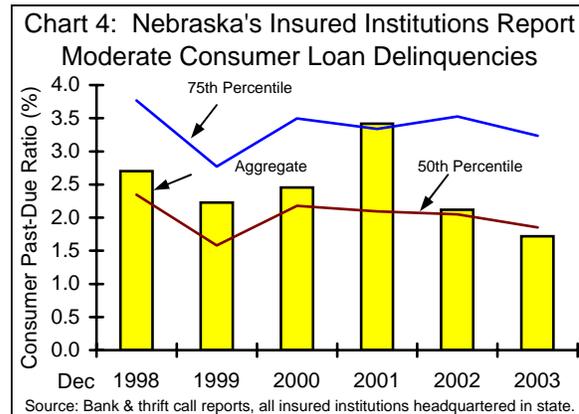
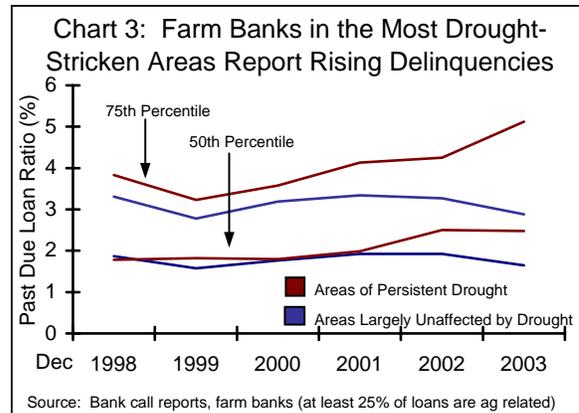
- Farm banks in the most drought-stricken areas are experiencing rising stress in their agricultural loan portfolios as reduced agricultural production negatively impacts farmers' debt service ability (See Chart 3).
- Moreover, farmland values in some western agricultural districts stagnated or declined in 2002-03, for the first time since the 1980s Agriculture Crisis, Declining land values could significantly weaken farm loan collateral margins.

### Nebraska's Insured Institutions' Consumer Loan Portfolios Do Not Show Stress Seen in Bankruptcy Filings

- The economic recession has hit Nebraskan workers fairly hard. In 2003, personal bankruptcy filings were up 11.7 percent over one year ago, following an annual increase of 12 percent in 2002.
- So far, this stress has not become visible in consumer loan portfolios of Nebraska's insured institutions. An examination of Nebraska's consumer loan portfolios from a variety of vantage points reveals that delinquencies remain low and have been stable to downward trending (See Chart 4).
- Net charge-off rates also remained low, although they generally have increased over the past three years. The median charge-off rate was 0.21 percent as of year-end 2003.

### Community Institutions in Nebraska Continue to Experience Declining Core Funding

- After a brief respite in 2001, Nebraska's community institutions' reported continued core funding erosion. However, the rate of decline was much less pronounced than in previous years (See Chart 5)
- Nebraska's community institutions apparently did not benefit as much from the influx of funds into the nation's banking system from investors seeking shelter from a weak economy and falling stock markets.
- Rural Nebraska's growing elderly population and net out-migration will continue to pressure core funding in the long-term. As elderly depositors pass away, their deposits often follow their heirs who typically have migrated from rural areas to metropolitan areas.



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### Nebraska at a Glance

<b>General Information</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Institutions (#)	270	281	290	291	315
Total Assets (in thousands)	45,606,409	48,209,661	46,600,261	45,171,214	44,264,765
New Institutions (# < 3 years)	3	4	6	4	6
New Institutions (# < 9 years)	14	18	18	15	17
<b>Capital</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Tier 1 Leverage (median)	9.69	9.54	9.50	9.50	9.33
<b>Asset Quality</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Past-Due and Nonaccrual (median %)	1.85%	2.08%	2.06%	1.77%	1.60%
Past-Due and Nonaccrual >= 5%	37	30	40	30	29
ALLL/Total Loans (median %)	1.56%	1.53%	1.57%	1.47%	1.56%
ALLL/Noncurrent Loans (median multiple)	2.01	2.09	1.95	2.20	2.05
Net Loan Losses/Loans (aggregate)	0.51%	0.52%	0.62%	0.42%	0.50%
<b>Earnings</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Unprofitable Institutions (#)	6	9	18	12	9
Percent Unprofitable	2.22%	3.20%	6.21%	4.12%	2.86%
Return on Assets (median %)	1.05	1.10	0.97	1.10	1.11
25th Percentile	0.73	0.77	0.61	0.79	0.79
Net Interest Margin (median %)	4.20%	4.29%	4.10%	4.21%	4.19%
Yield on Earning Assets (median)	6.17%	6.96%	7.98%	8.39%	7.97%
Cost of Funding Earning Assets (median)	2.02%	2.69%	3.90%	4.21%	3.83%
Provisions to Avg. Assets (median)	0.11%	0.13%	0.12%	0.08%	0.10%
Noninterest Income to Avg. Assets (median)	0.54%	0.52%	0.51%	0.48%	0.51%
Overhead to Avg. Assets (median)	2.81%	2.79%	2.75%	2.73%	2.69%
<b>Liquidity/Sensitivity</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Loans to Deposits (median %)	79.45%	79.78%	77.58%	79.22%	74.75%
Loans to Assets (median %)	64.73%	65.45%	64.83%	64.95%	62.71%
Brokered Deposits (# of Institutions)	81	83	80	82	90
Bro. Deps./Assets (median for above inst.)	2.30%	2.58%	2.45%	2.60%	2.21%
Noncore Funding to Assets (median)	17.06%	16.48%	15.37%	15.48%	13.71%
Core Funding to Assets (median)	71.02%	71.21%	72.44%	72.23%	74.99%
<b>Bank Class</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
State Nonmember	170	175	179	184	190
National	70	75	78	76	90
State Member	19	18	18	16	21
S&L	5	5	5	5	5
Savings Bank	6	8	10	10	9
Stock and Mutual SB	0	0	0	0	0
<b>MSA Distribution</b>		<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>
No MSA		224	16,249,224	82.96%	35.63%
Omaha NE-IA		31	24,335,334	11.48%	53.36%
Lincoln NE		12	4,718,856	4.44%	10.35%
Sioux City IA-NE		3	302,995	1.11%	0.66%