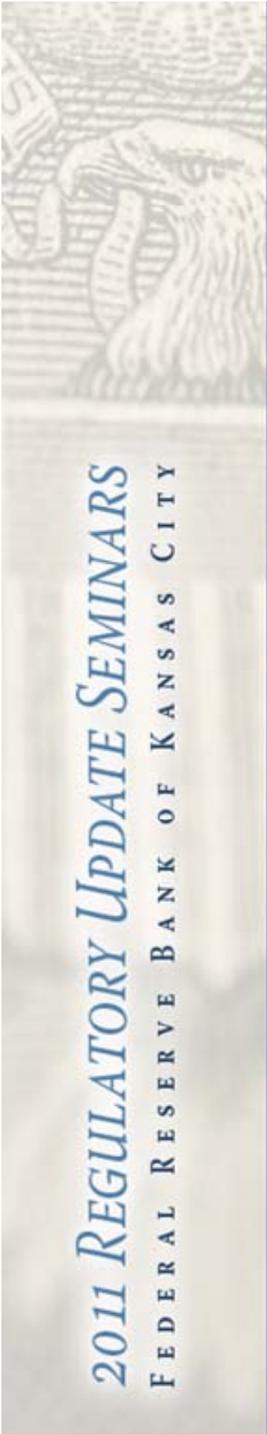


ECONOMIC UPDATE

Jason Henderson
Vice President and
Omaha Branch Executive



²⁰¹¹
Regulatory Update
— SEMINAR —
Federal Reserve Bank of Kansas City

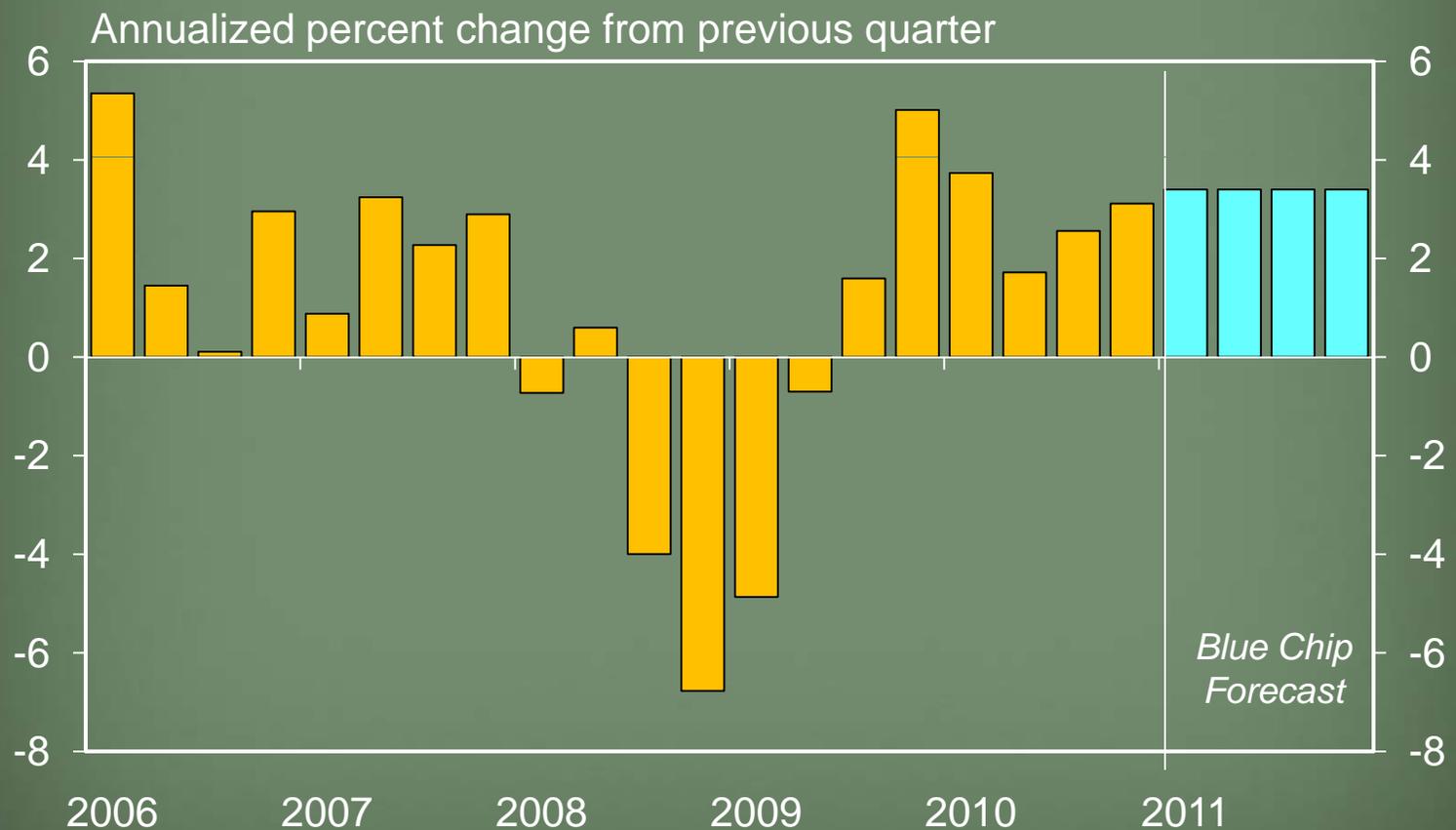


Economic Update

- A Turning Point in the U.S. Economy
- Nebraska Enjoys a Farm Boom
- Risks to the U.S. and Nebraska Economy

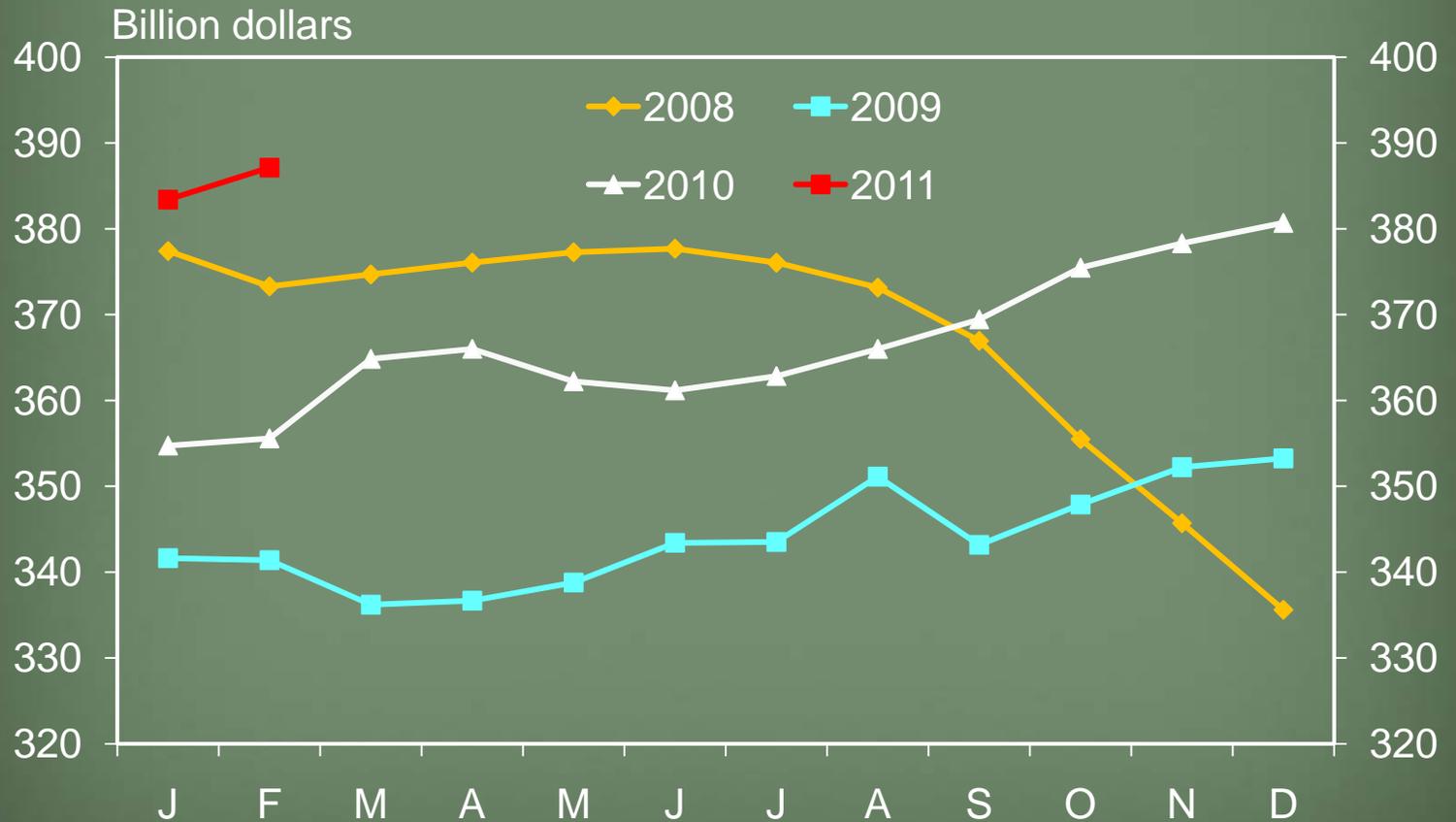
The U.S. Economy Rebounds After a Summer Lull

U.S. Real GDP Growth



Consumer Spending Rises

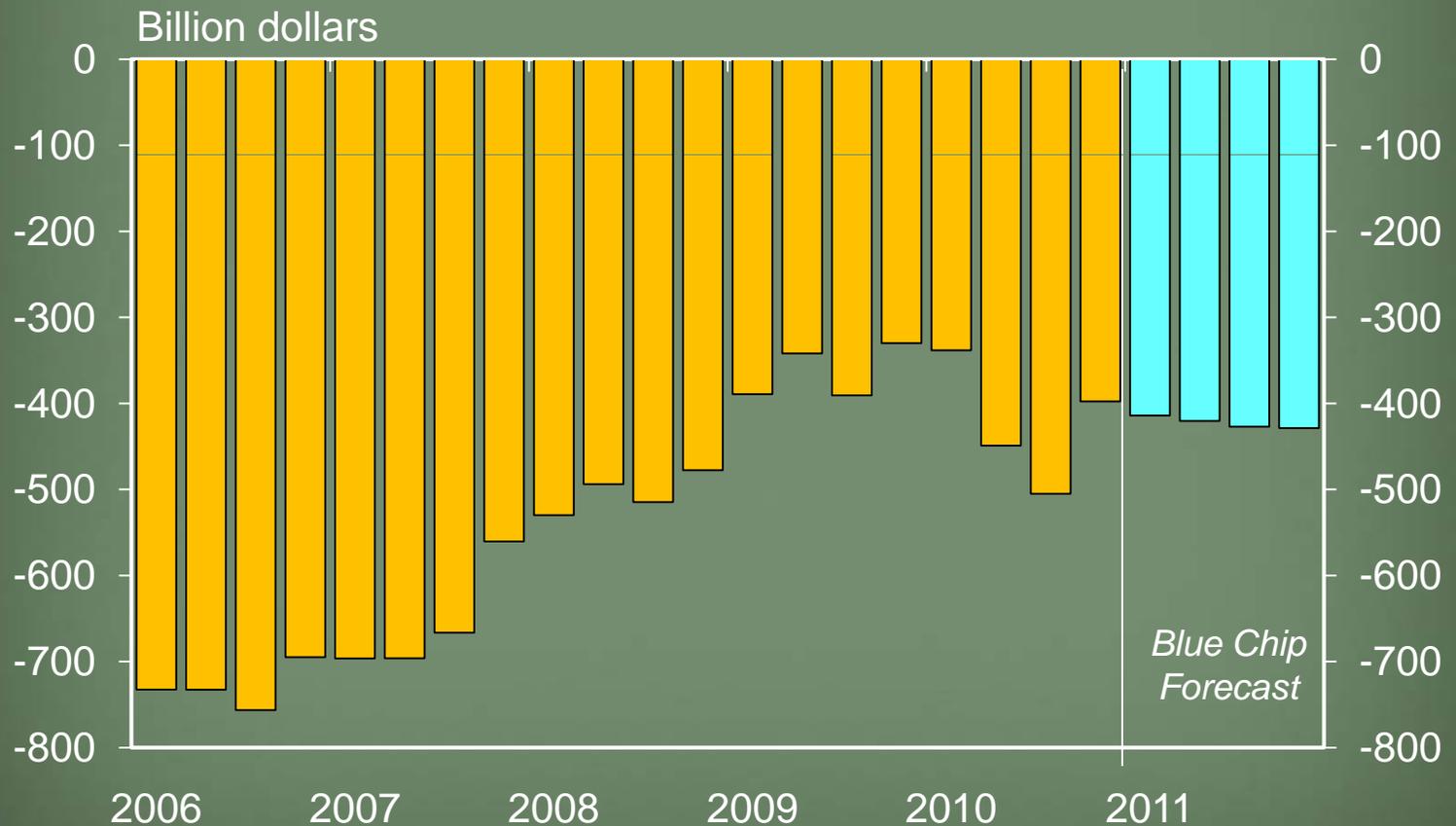
Monthly Retail and Food Sales



Source: U.S. Census Bureau

Net Exports are Expected to Hold Steady

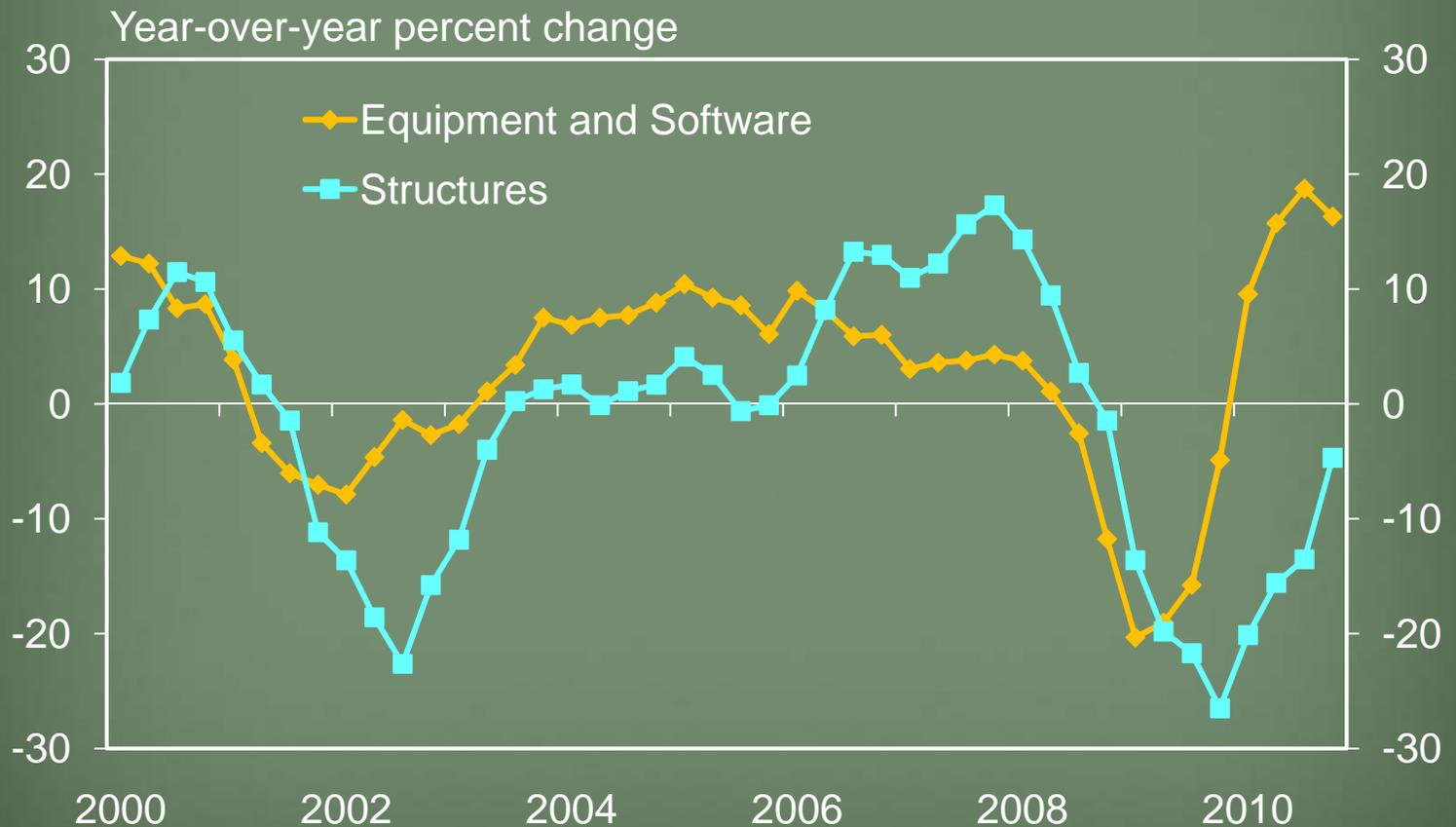
U.S. Real Net Exports



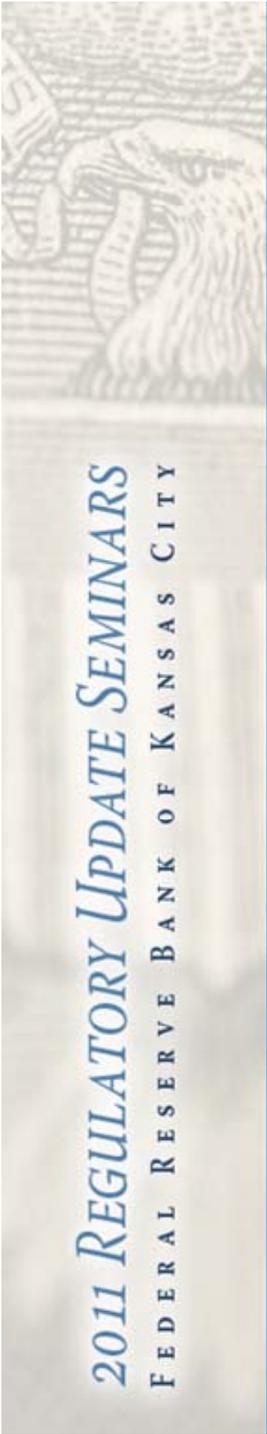
Source: Bureau of Economic Analysis and Blue Chip Economic Indicators

Business Investment Strengthens

Nonresidential Fixed Investment



Source: Bureau of Economic Analysis

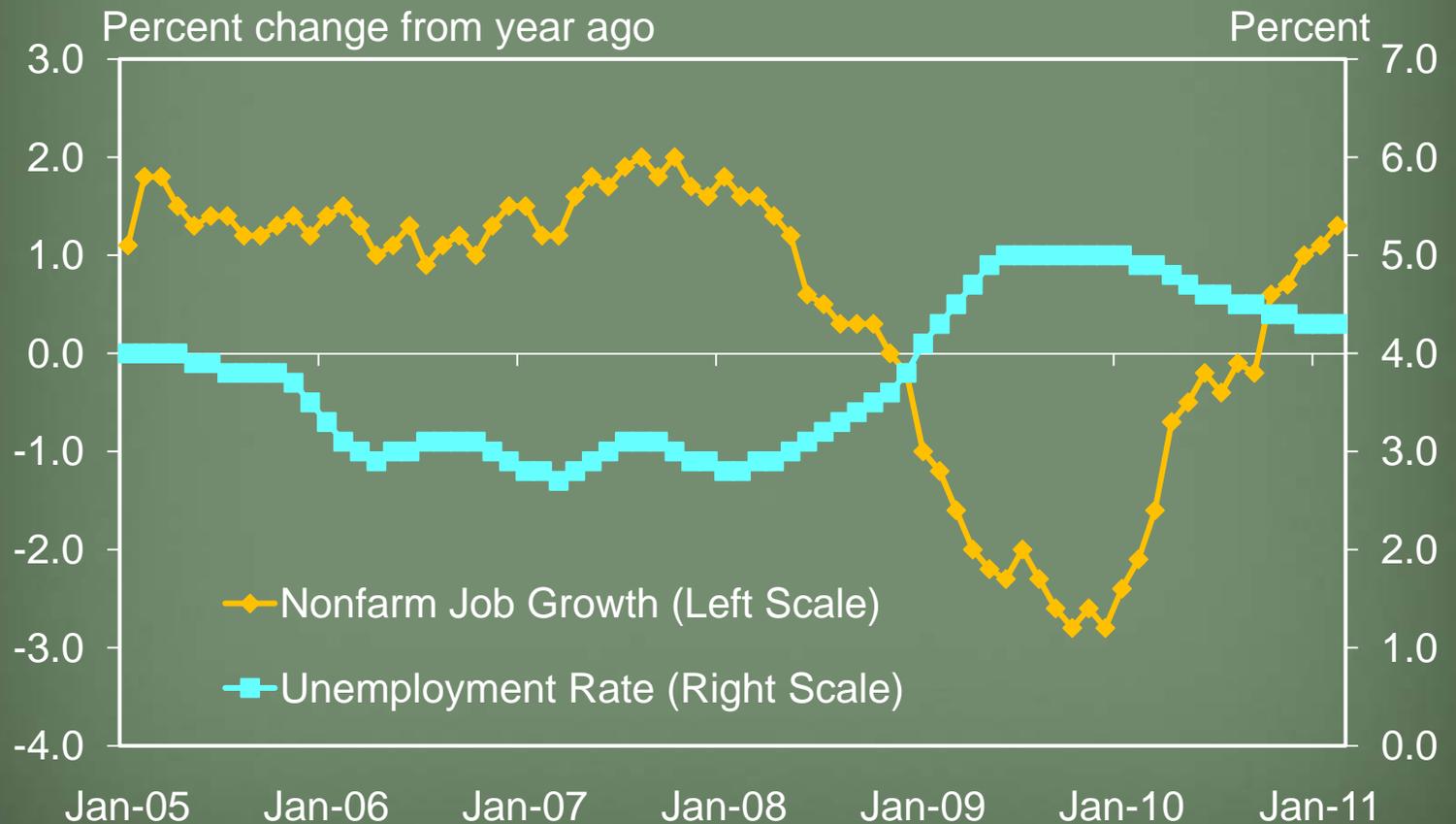


Economic Update

- A Turning Point in the U.S. Economy
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Tight Labor Markets in Nebraska

Nebraska's Job Growth and Unemployment Rate



Source: BLS

Stronger Retail Activity in Nebraska

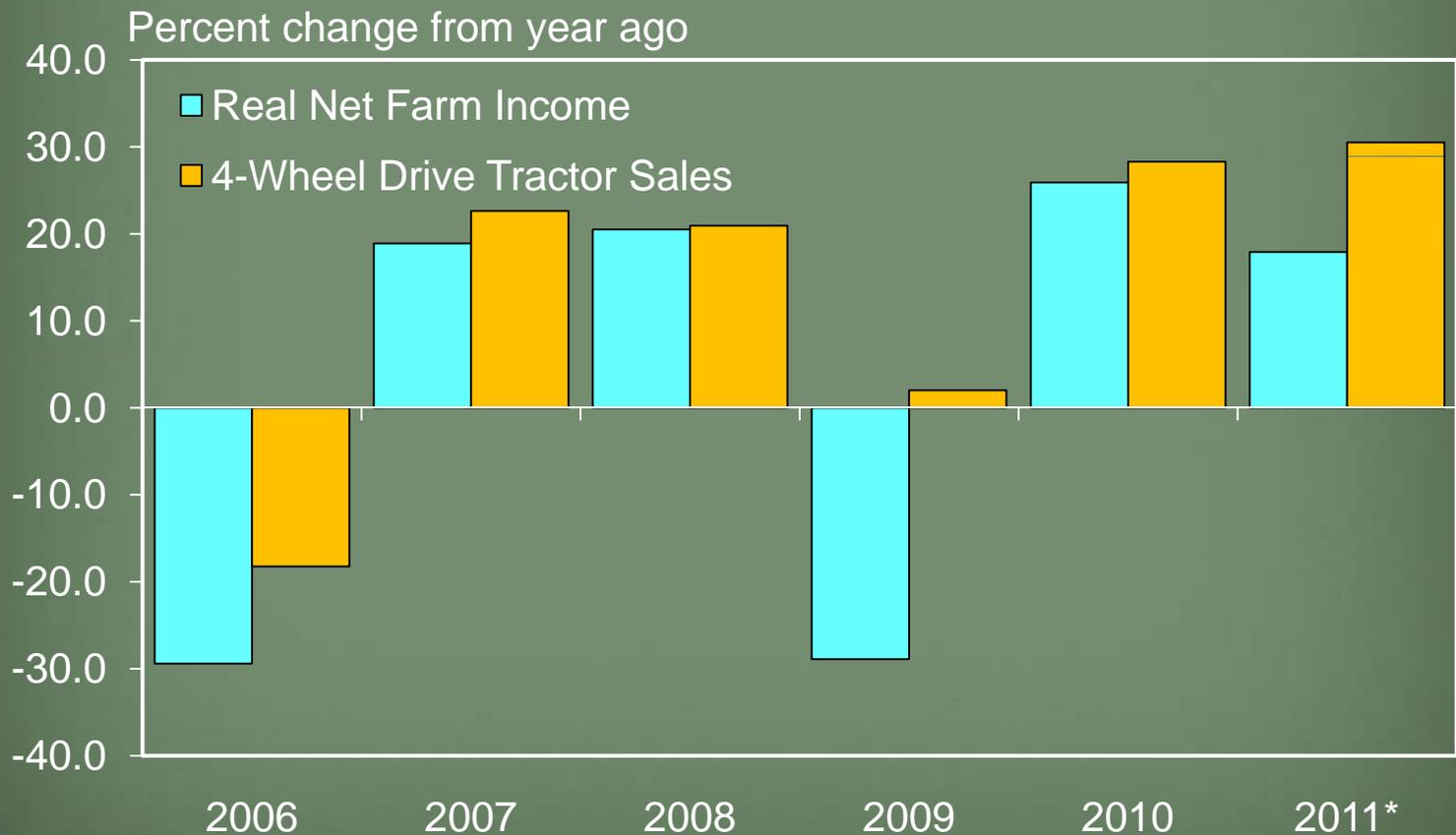
Nebraska's Retail Jobs and Sales Growth



Source: BLS and Nebraska Dept. of Revenue

Stronger Farm Incomes Boost Agricultural Equipment Sales

U.S. Net Farm Incomes and Tractor Sales

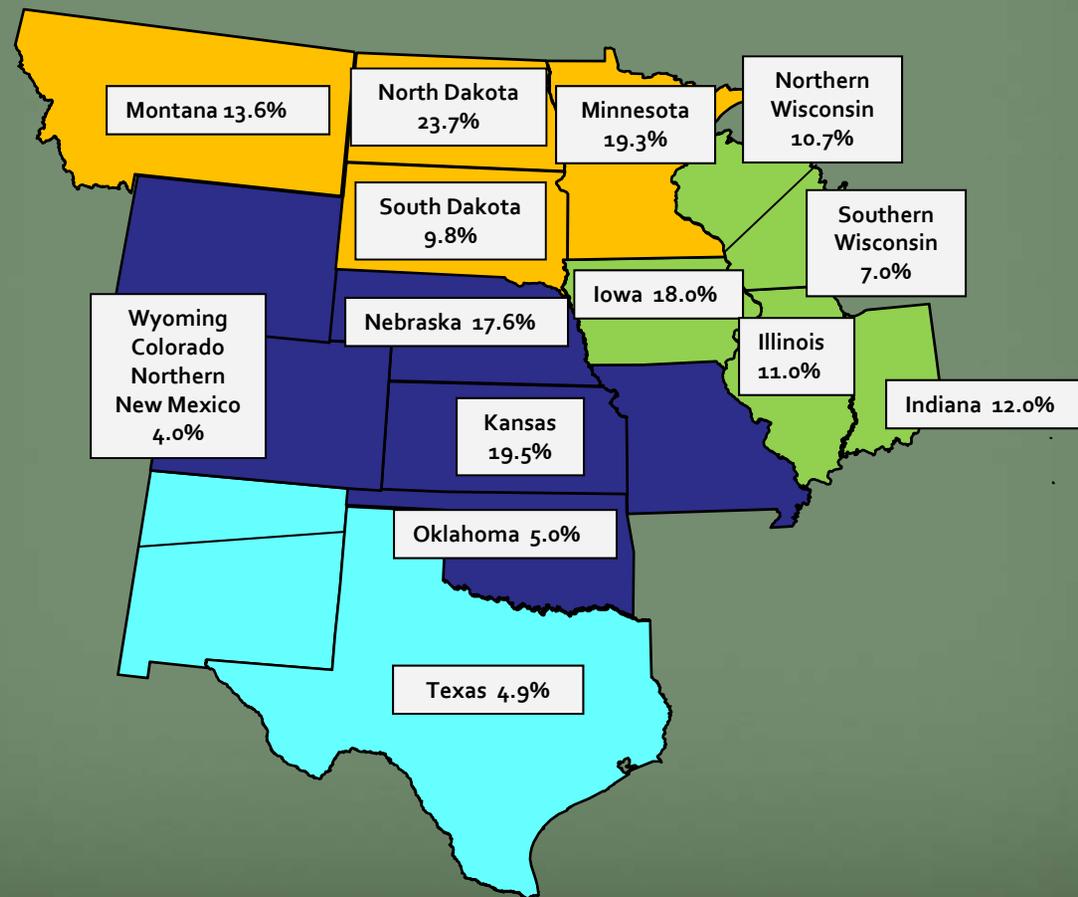


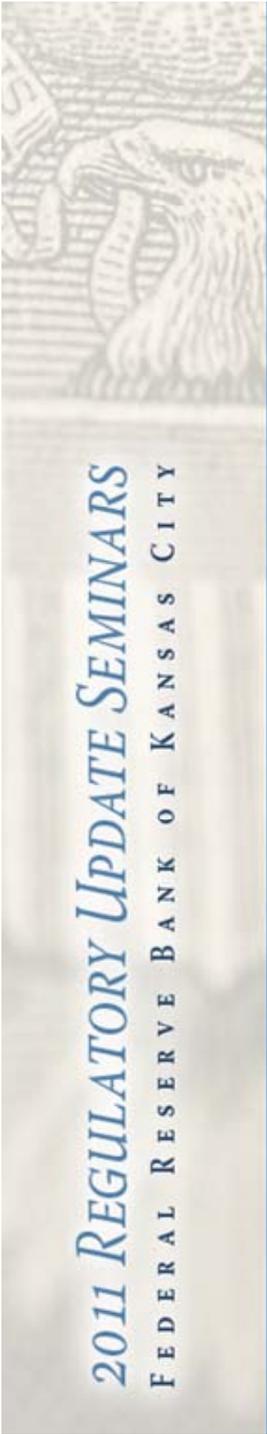
Source: Association of Equipment Manufacturers and USDA

* Net farm income forecast for 2011 dated February 2011, Tractor sales YTD through February 2011

Farmland Values Surge

Non-irrigated Cropland Values
(Percent change from 2009:Q4 to 2010:Q4)



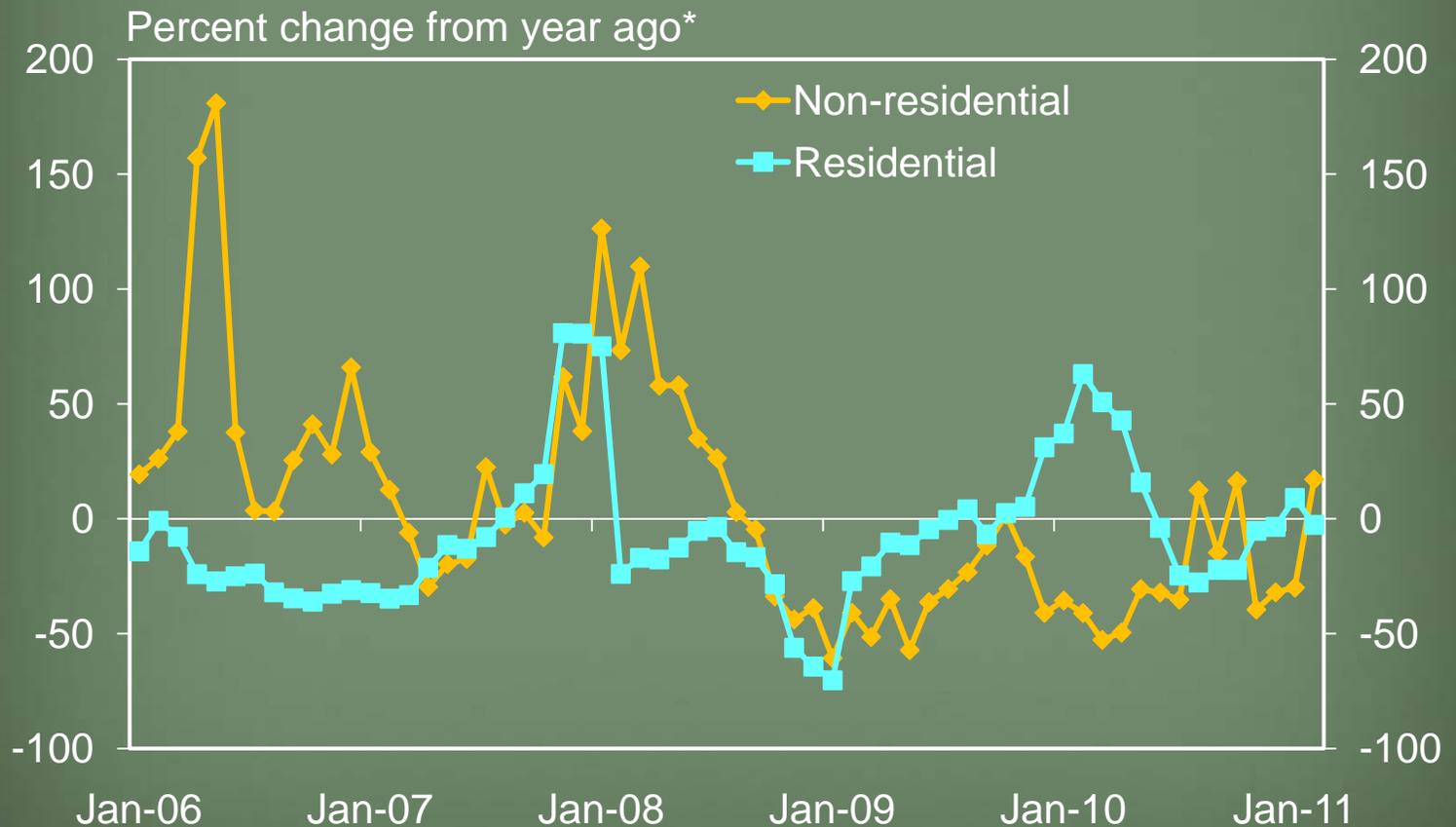


Economic Update

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Risk #1: Construction Activity

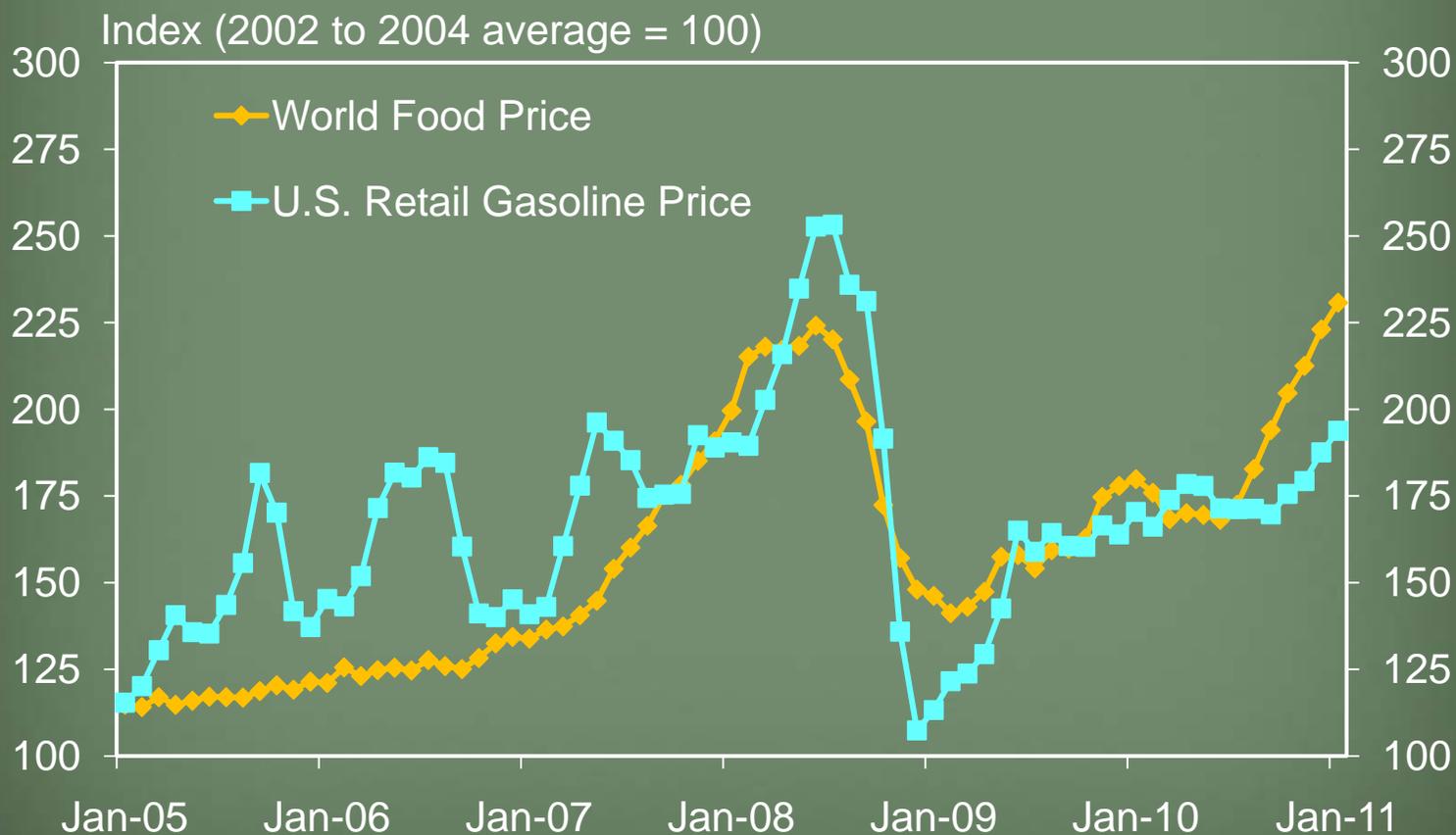
Nebraska's Value of Residential and Non-residential Construction



Source: F.W. Dodge
* Data based on 3-month moving average

Risk #2: High Food and Gas Prices

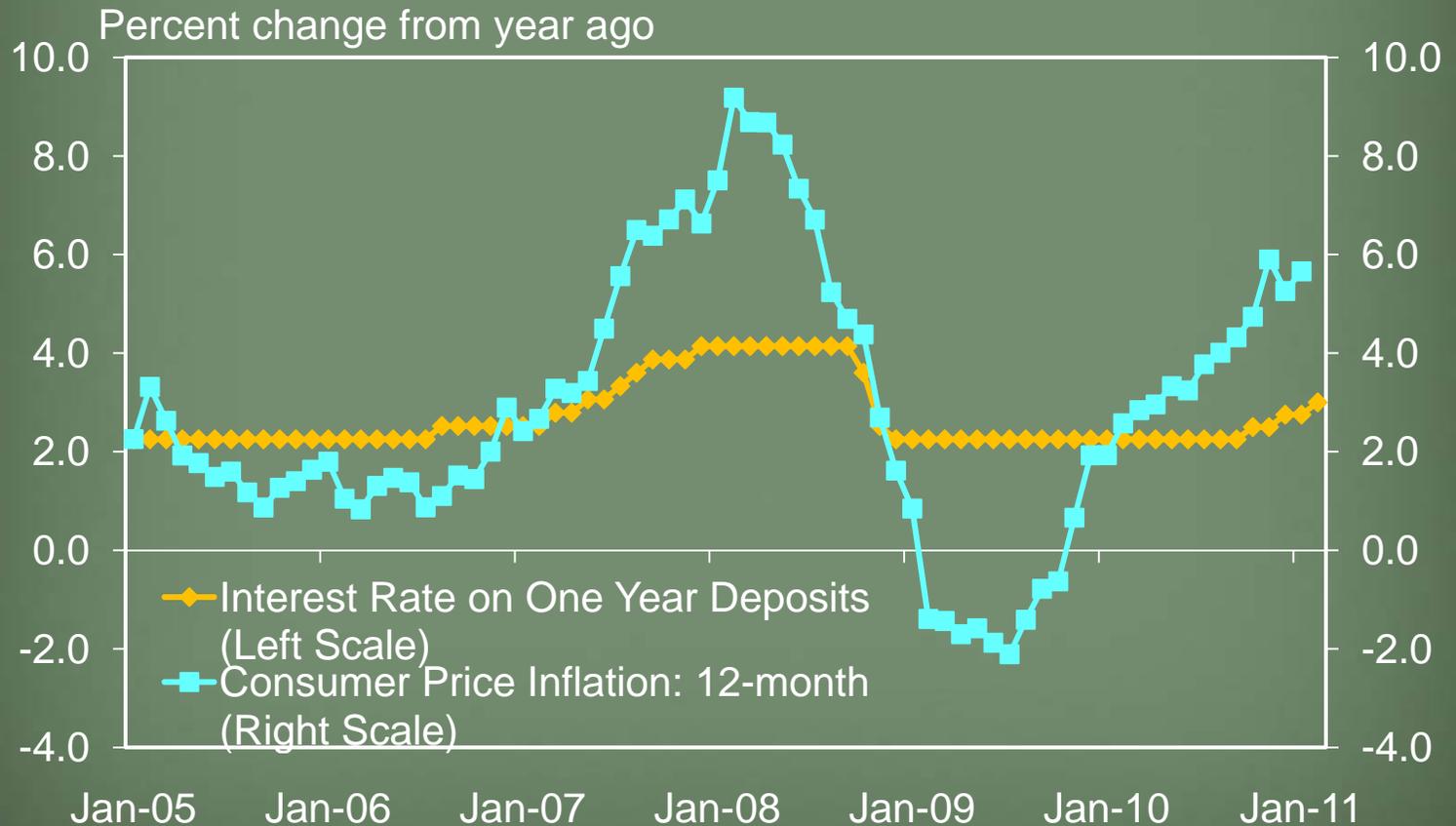
World Food Prices and U.S. Gasoline Prices



Source: International Monetary Fund and U.S. Department of Energy

Risk #3: China and Export Demand

China's Inflation and Interest Rates



Risk #4: Higher Interest Rates and Farmland Values

The Net Present Value of Farmland

$$\text{Land Values} = \frac{\text{Expected Revenues}}{\text{Capitalization Rate}}$$

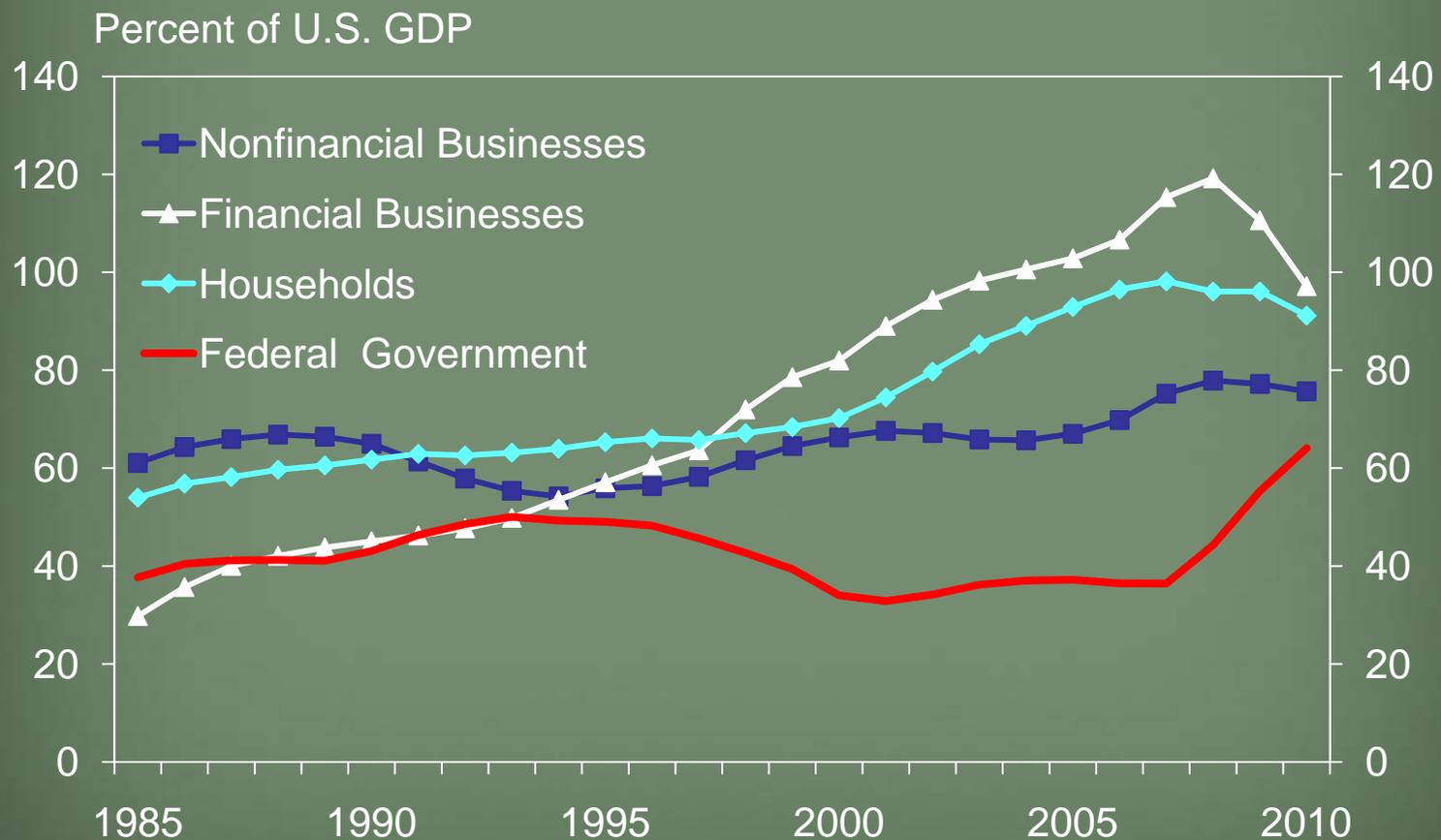
High Interest Rates
Lead to
Lower Farm Revenues

High Interest Rates
Lead to
Higher Capitalization Rates

What happens to farmland values under high interest rates?

Risk #5: Leveraging/ De-leveraging Cycle

U.S. Debt Outstanding by Sector



Source: Federal Reserve Board of Governors

Conclusions

- The U.S. Economy is Strengthening
- Strong Commodity Markets Boost the Nebraska Economy
- Still, Risks Remain
- With Uncertainty Still in the Air, Cash is King