

Tenth District Banking Conditions

As of June 30, 2009

Banking Conditions

2nd Quarter 2009

- At the National level, asset quality continues to worsen, and while loan loss provisions are rapidly rising, they are not keeping pace with increasing noncurrent loans. The average bank's coverage ratio is now 66 percent. Smaller banks' (under \$10 billion) coverage ratios now average just 50 percent.
- Bank earnings continue to decline. Banks with assets of under \$10 billion reported an aggregate loss in the first half of 2009. Larger banks earned 0.25 percent on avg. assets before taxes, but their earnings were raised by high levels of trading revenue. Nearly 27 percent of banks nationwide had losses in the first half of 2009, 43 percent of larger banks.
- Not only are banks being hurt by rising provision expense, but interest margins are near record lows. For smaller banks, average margins (to avg. assets) fell from 3.7 percent in 2006 to just 3.2 percent through June 2009.
- Asset quality problems are being reflected in rising noncurrent assets, which are now equal to 4.81 percent of loans, up from 4.12 percent in March.

Banking Conditions

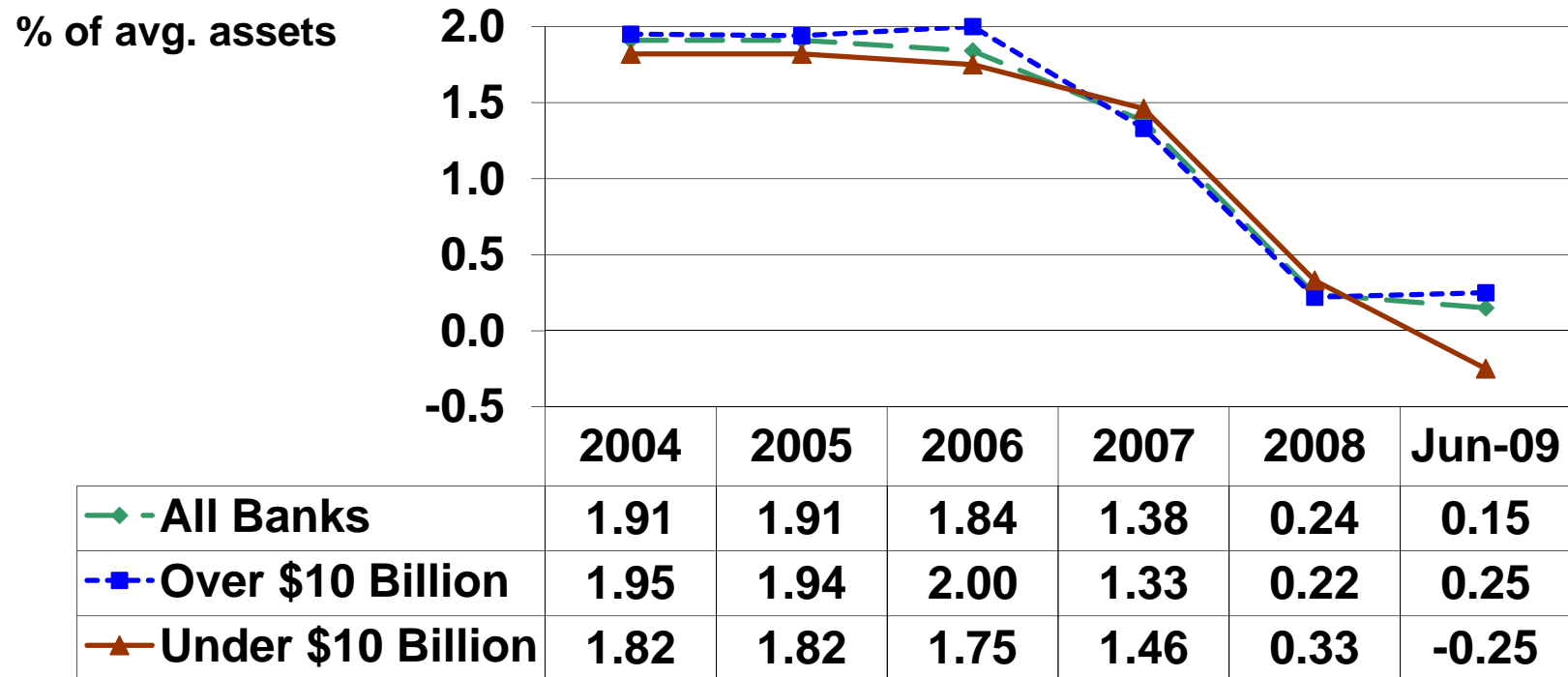
2nd Quarter 2009

- Nationwide, noncurrent construction & land development (CLD) loans are up 13.6 percent, up from 8.7 percent at year-end. Loans on existing residential real estate are deteriorating also with a noncurrent rate, nationwide, of 7.2 percent.
- The deterioration in asset quality is now being reflected in rising loan losses. Net loan losses to avg. loans were 2.34 percent, annualized, through the first half of 2009. This level of loan losses is putting added pressure on loan loss reserves.

10th District Banking Conditions

- Tenth District banks are exhibiting trends similar to banks nationwide, but their problems do not appear to be as severe as at the National level.
- District banks' earnings have fallen, but at 0.58 percent through June are still in the positive range. District banks are faced with large increases in provisions, stagnant overhead expense (especially at the smallest banks) and interest margins that have been declining since 2006.
- The level of noncurrent assets at 3.6 percent is well below the National level of 4.8 percent but is rising very rapidly, having quadrupled since 2006.
- Earnings have fallen substantially. In particular, the percentage of banks with losses is up dramatically, exceeding 20 percent in both Colorado and Missouri.
- Loan loss provisions are rising everywhere, but coverage rates are not keeping up. Coverage rates continue to fall in every state. Only Nebraska banks have a coverage ratio exceeding 100 percent.
- Asset quality deterioration across District states is predominantly the result of problems with CLD lending. Kansas banks now have a noncurrent CLD loan ratio of over 15 percent.
- Areas that are showing particular vulnerability include Colorado and Missouri due to their weak earnings and high concentrations in CLD lending and Kansas and Missouri due to their high levels of nonperforming CLD loans.

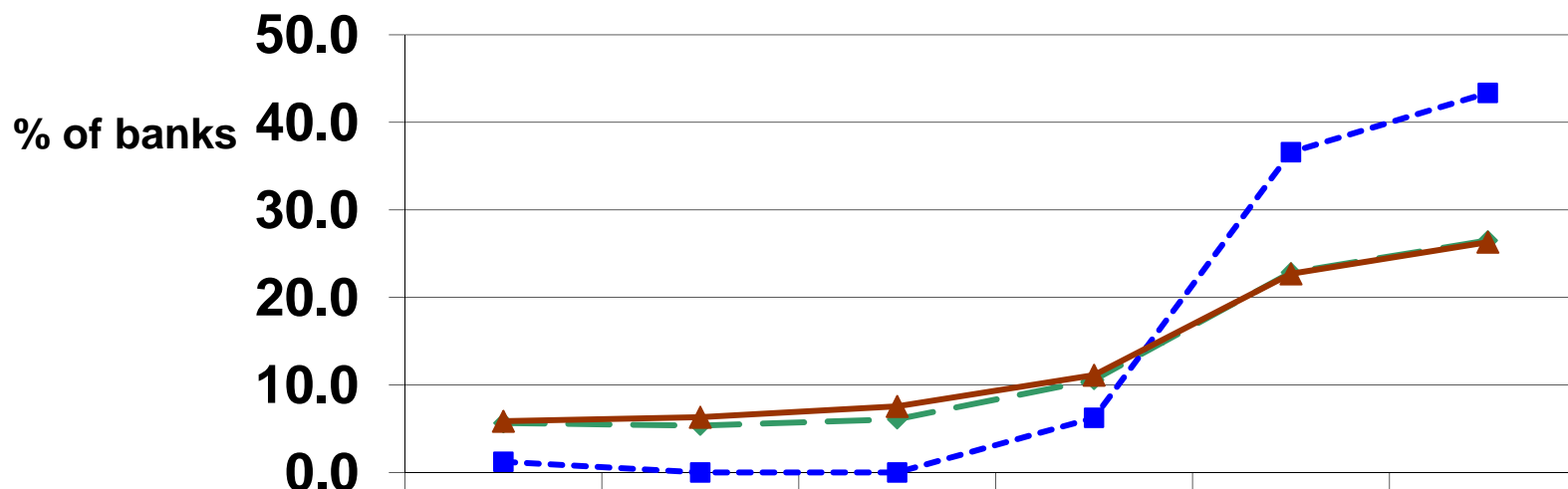
Nationwide, Earnings' Weakness Continued Through the First Half of 2009



All US Commercial Banks - Net Operating Income Before Taxes, as a percentage of average assets.

Source: Reports of Condition and Income

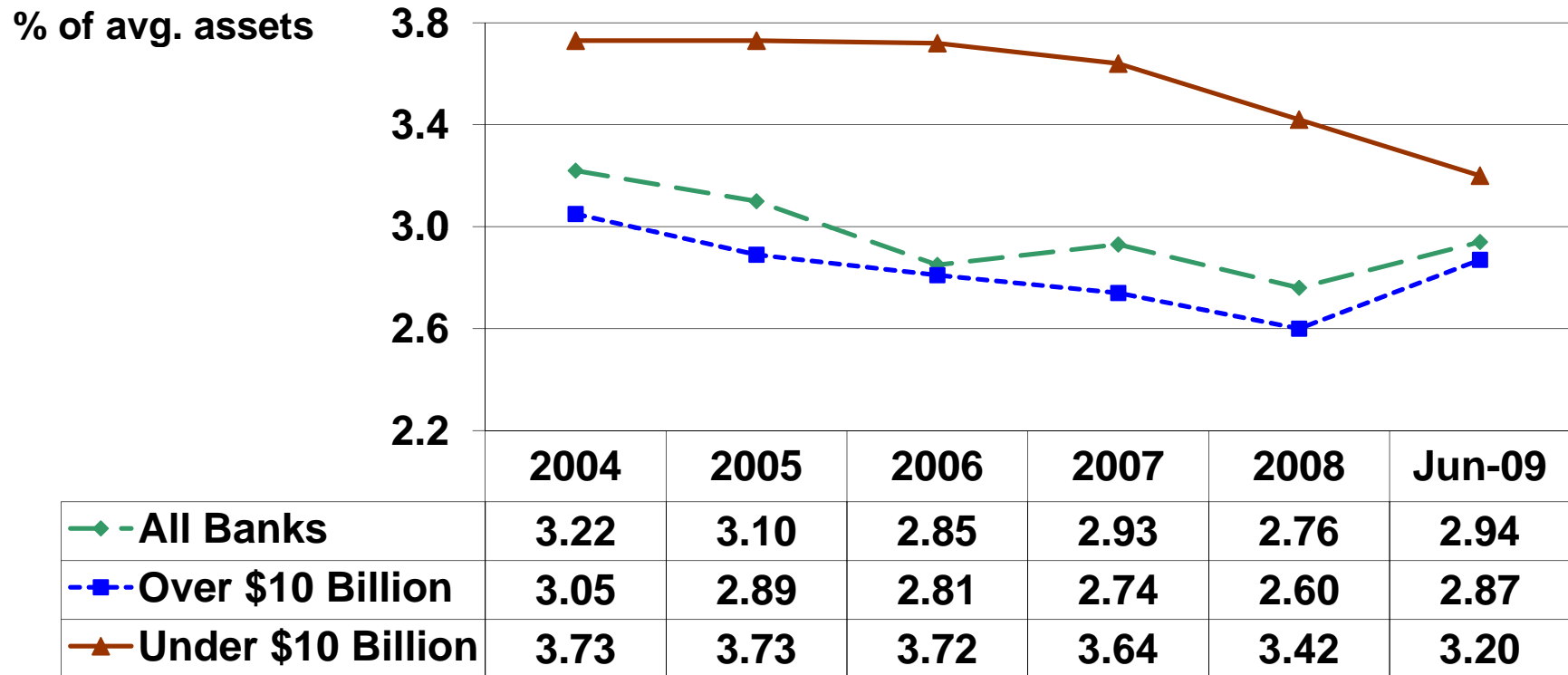
Percent of Banks with Losses Continues to Increase



	2004	2005	2006	2007	2008	Jun-09
—◆— All Banks	5.66	5.36	6.09	10.58	22.86	26.51
-■- Over \$10 Billion	1.22	0.00	0.00	6.25	36.59	43.37
—▲— Under \$10 Billion	5.86	6.32	7.55	11.12	22.7	26.31

All US Commercial Banks - Percentage of banks with negative net income.
Source: Reports of Condition and Income

Small Banks' Net Interest Margins Still Shrinking

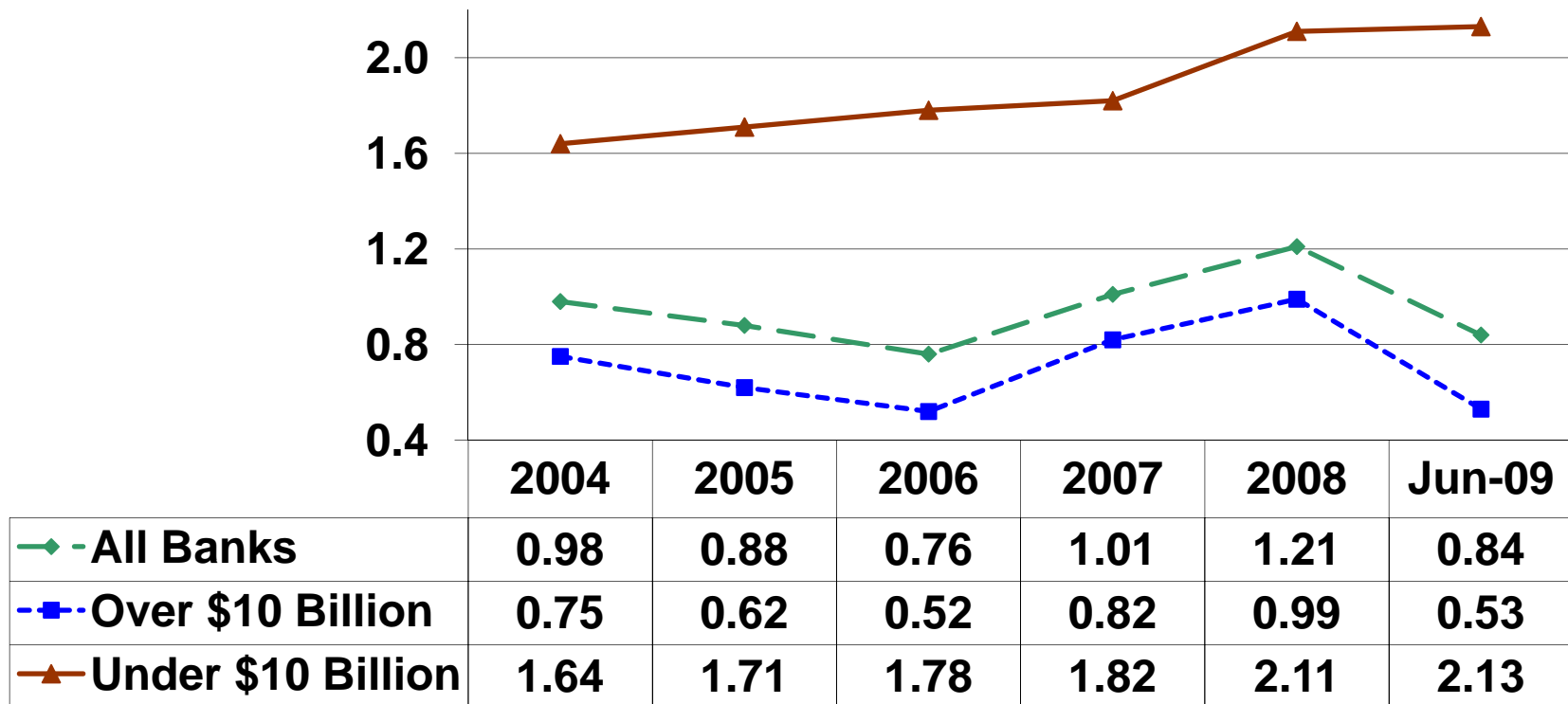


All US Commercial Banks - Interest Income Net of Interest Expense, as a percentage of average assets.

Source: Reports of Condition and Income

Net Overhead Expense Is High and Increasing at Small Banks

% of avg. assets

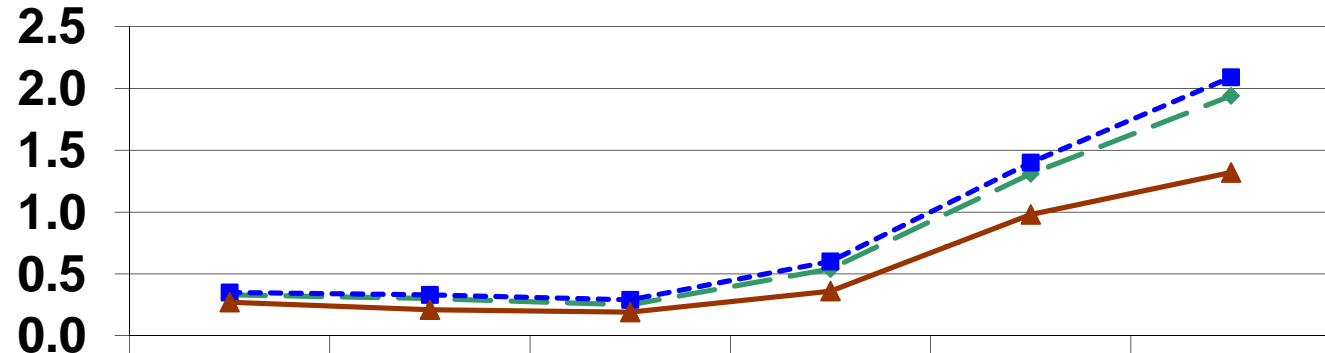


All US Commercial Banks - Noninterest Expense Net of Noninterest Income, as a percentage of average assets.

Source: Reports of Condition and Income

Loan Loss Provisions Are Accelerating At All Banks

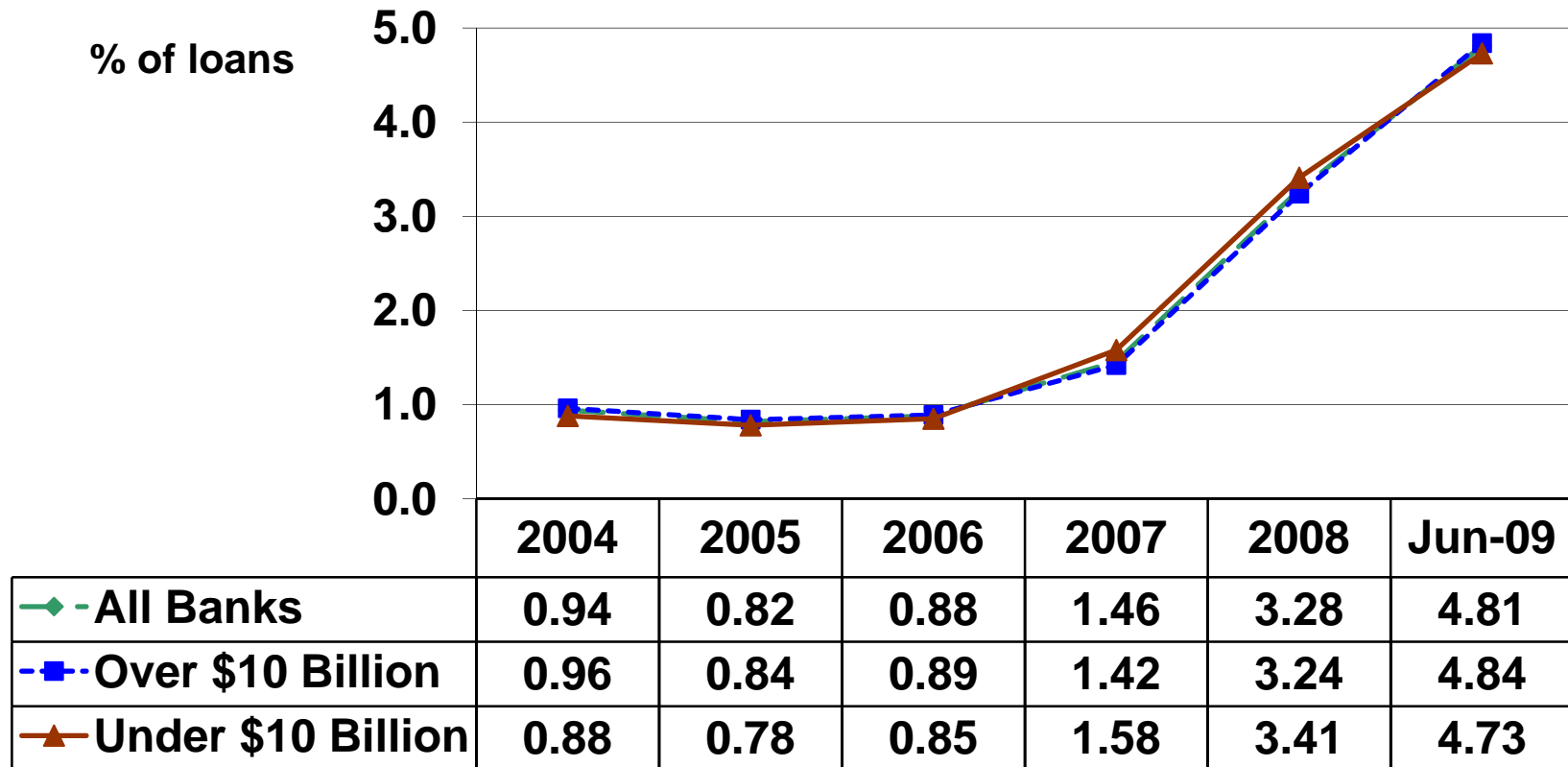
% of avg. assets



	2004	2005	2006	2007	2008	Jun-09
—◆— All Banks	0.33	0.30	0.25	0.54	1.31	1.94
-■- Over \$10 Billion	0.35	0.33	0.29	0.60	1.4	2.09
—▲— Under \$10 Billion	0.27	0.21	0.19	0.36	0.98	1.32

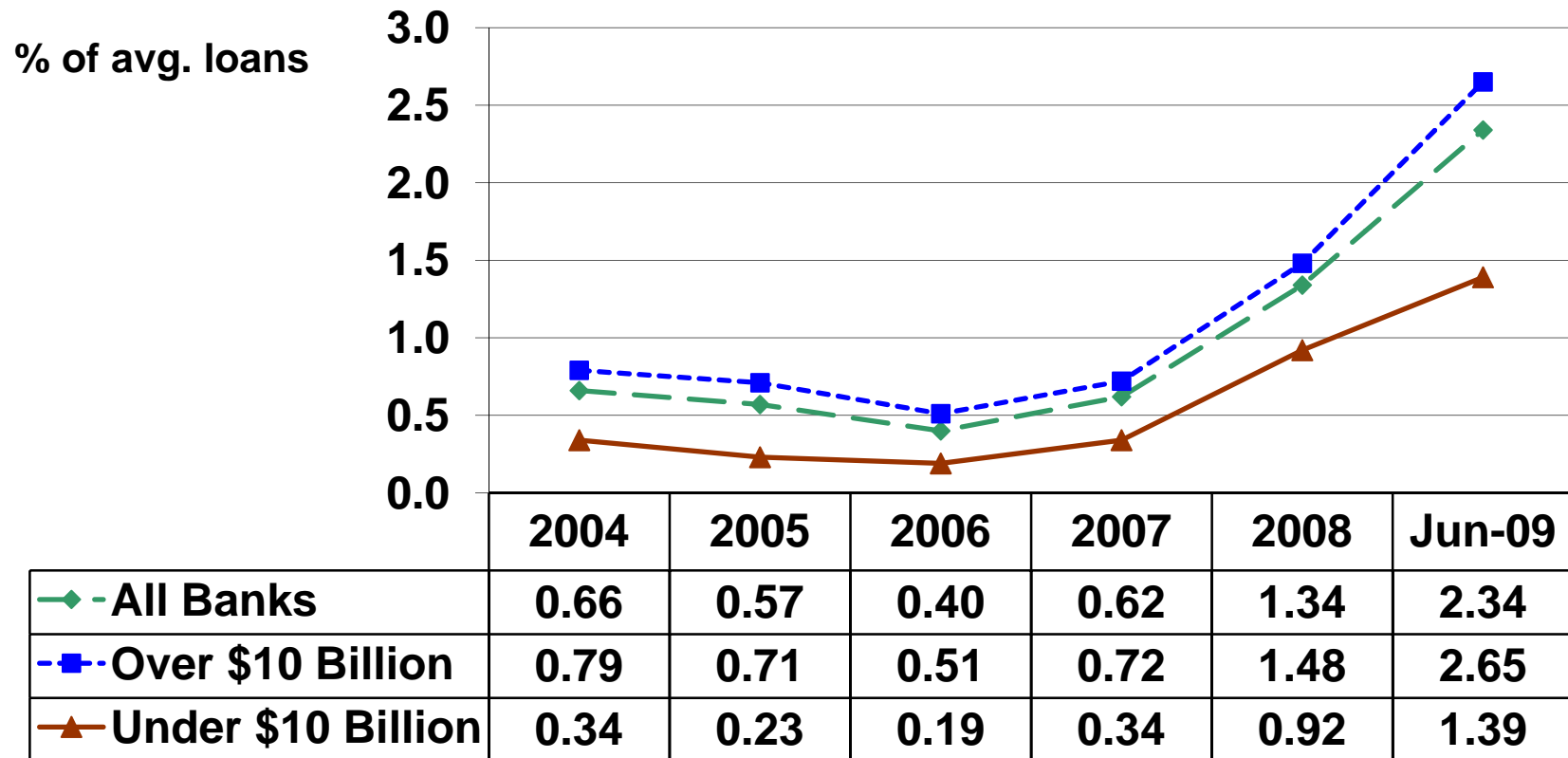
All US Commercial Banks – Loan Loss Provision Expense, as a percentage of average assets.
Source: Reports of Condition and Income

Nonperforming Assets Are At Very High Levels



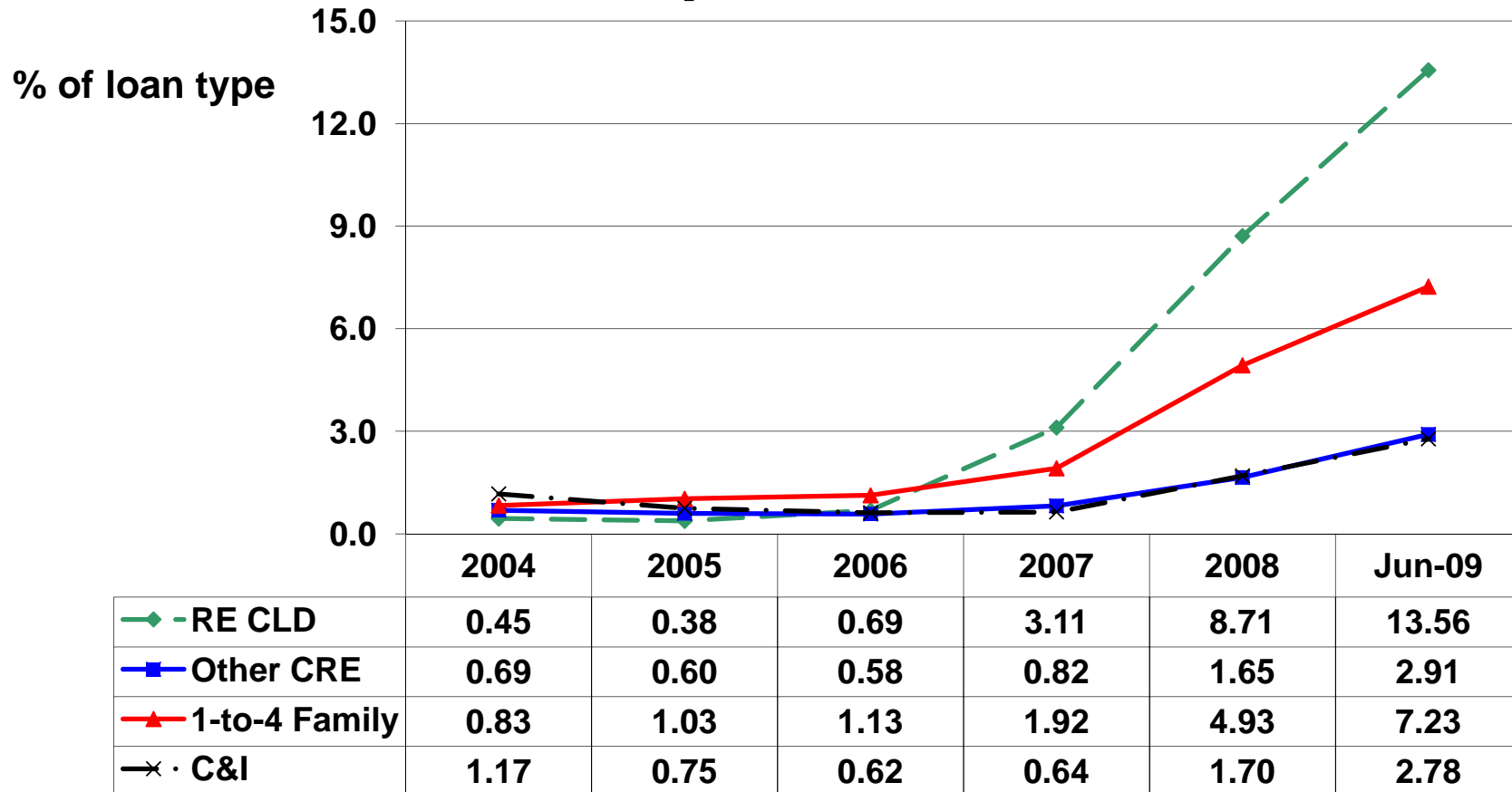
All US Commercial Banks - Noncurrent Assets-to-Total Loans.
Source: Reports of Condition and Income

Net Loan Losses Are Rising Rapidly



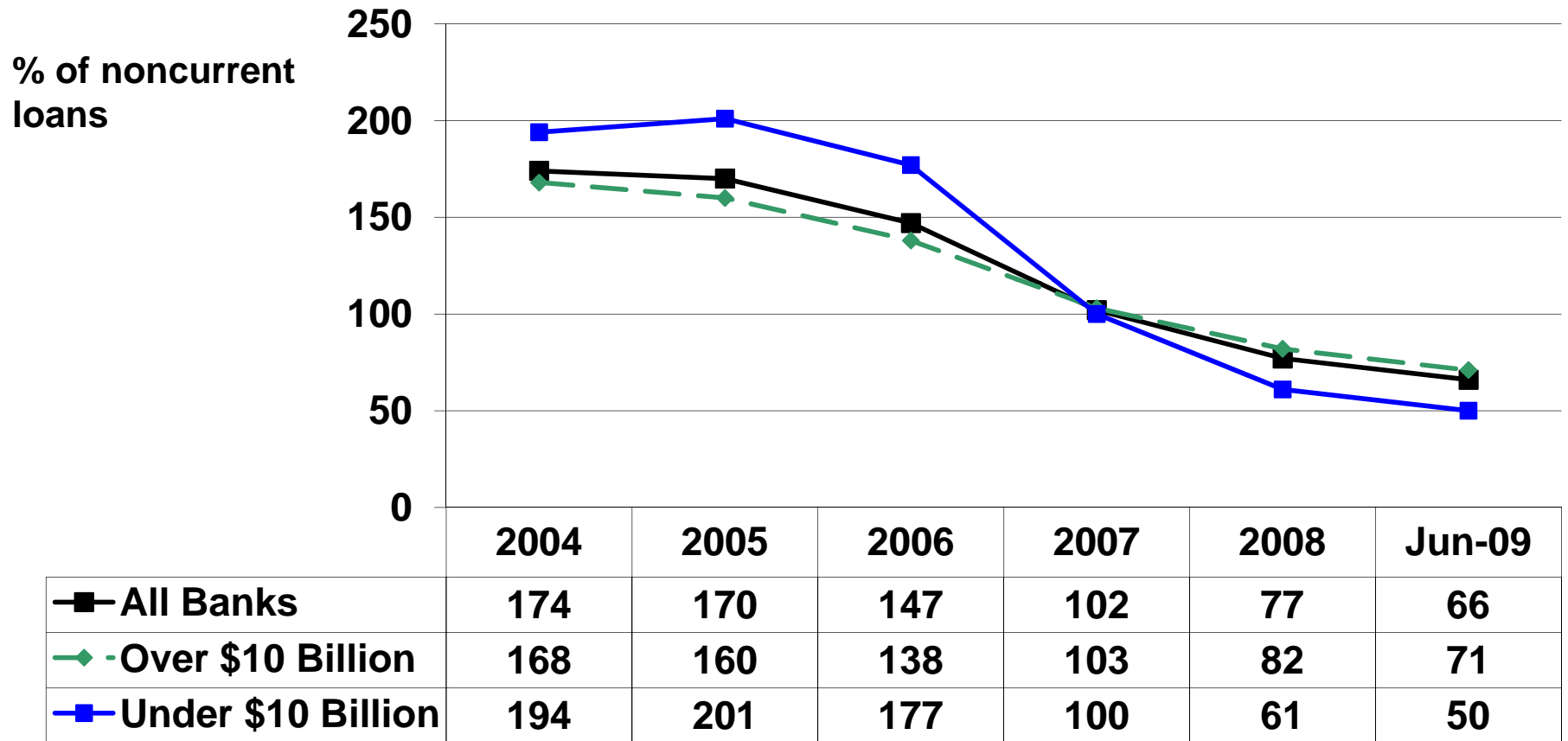
All US Commercial Banks – Net Loan Losses-to-Average Total Loans.
 Source: Reports of Condition and Income

Noncurrent CLD & Residential Loans Have Exploded Since 2006



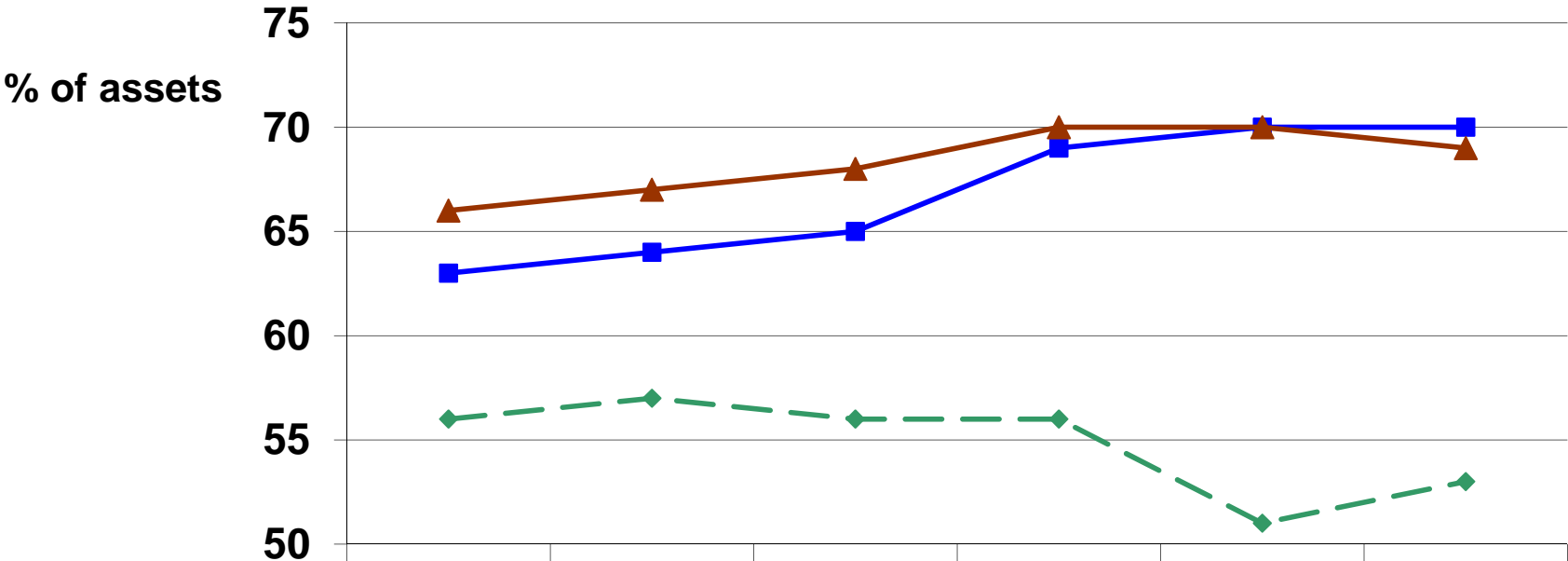
All US Banks - Noncurrent Loans to Loans - By Loan Category.
 Source: Reports of Condition and Income

Coverage Ratios Are Declining



All US Banks – Loan loss reserves to noncurrent loans.
 Source: Reports of Condition and Income

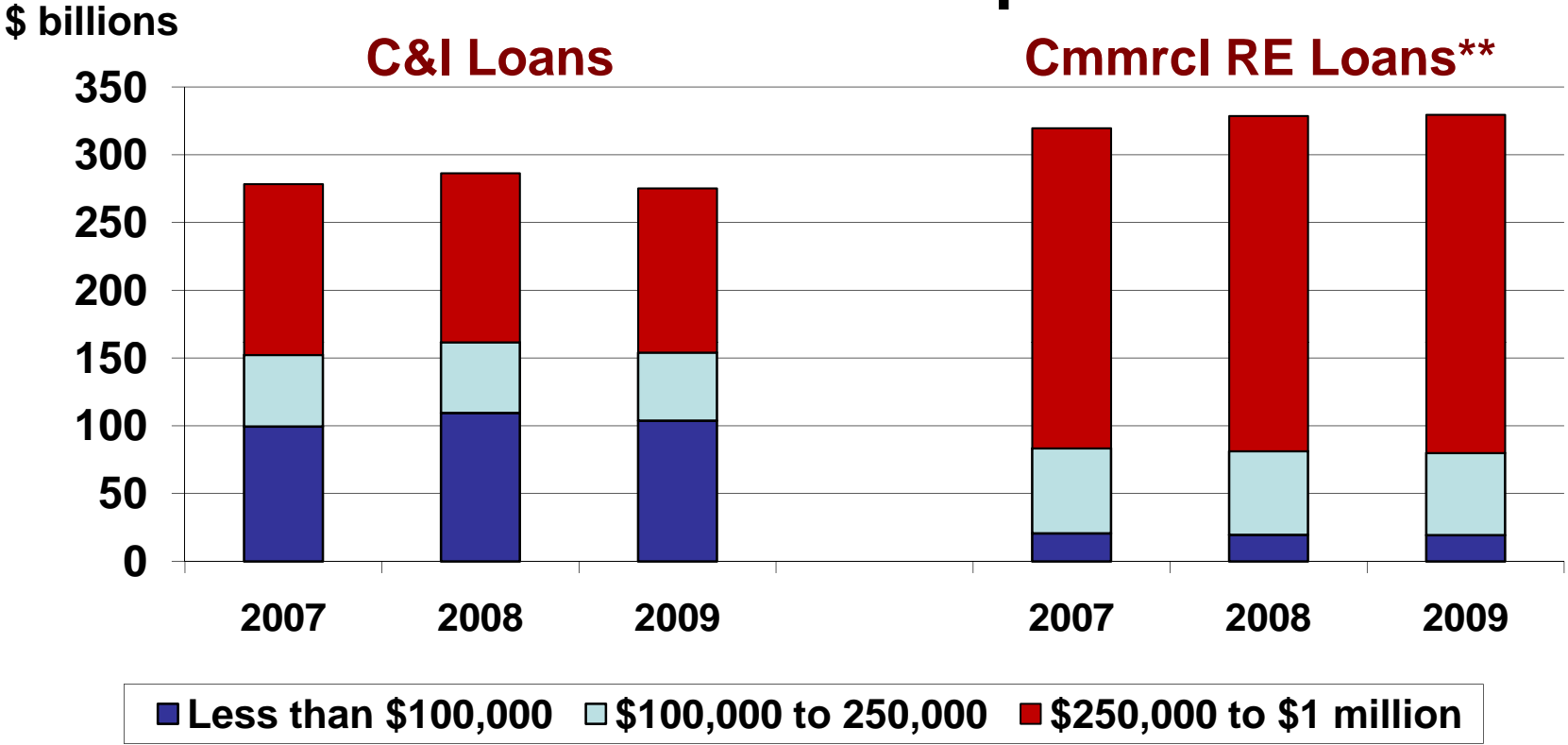
Loan Levels Remain High At Smaller Banks



	2004	2005	2006	2007	2008	Jun-09
◆ - Over \$20 Billion	56	57	56	56	51	53
■ - \$1-20 Billion	63	64	65	69	70	70
▲ - Under \$1 Billion	66	67	68	70	70	69

All US Banks – Total loans to assets.
 Source: Reports of Condition and Income

Small Business Lending Has Held Up

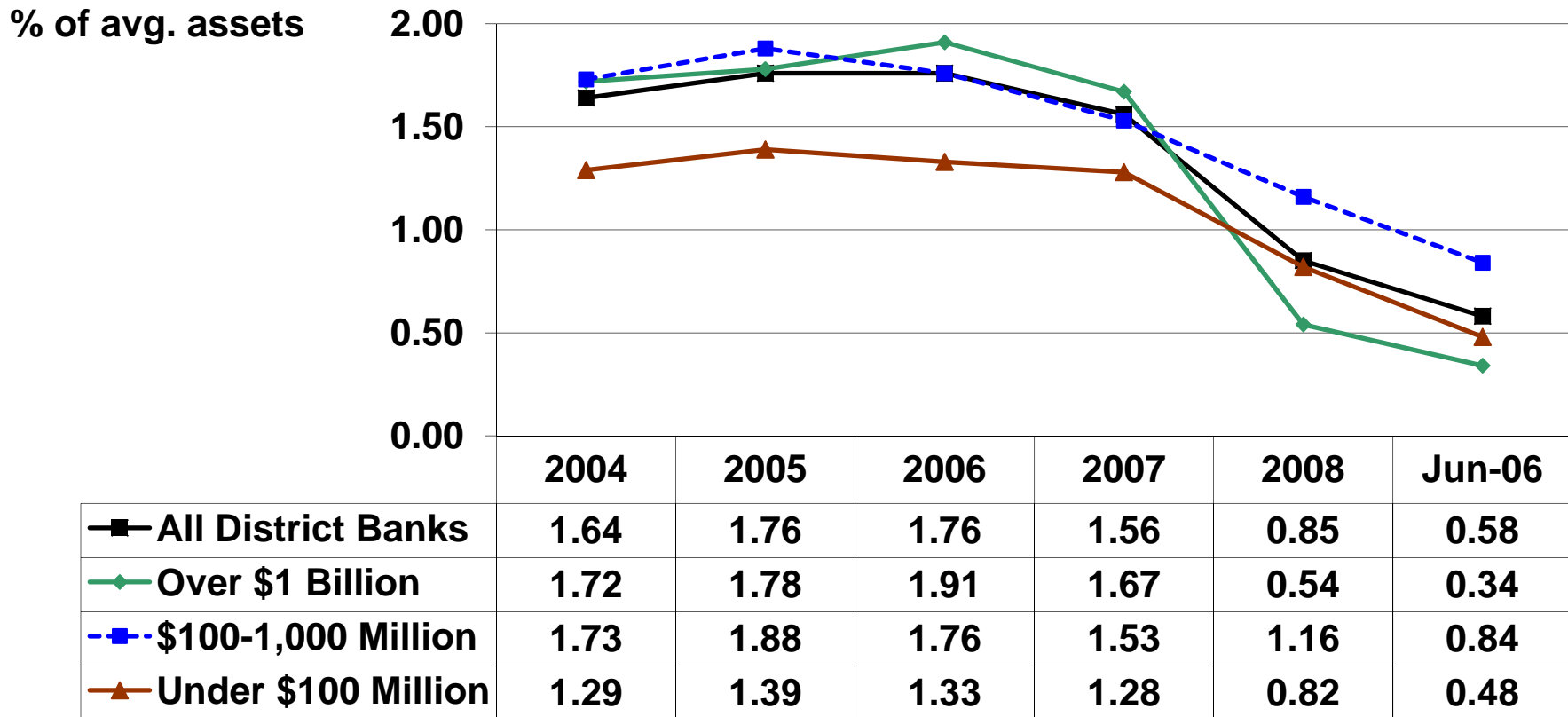


All US Banks - \$ volume of loans with original amounts less than \$1 million.

** - Only includes loans secured by existing nonresidential properties.

Source: Reports of Condition and Income – June of each year.

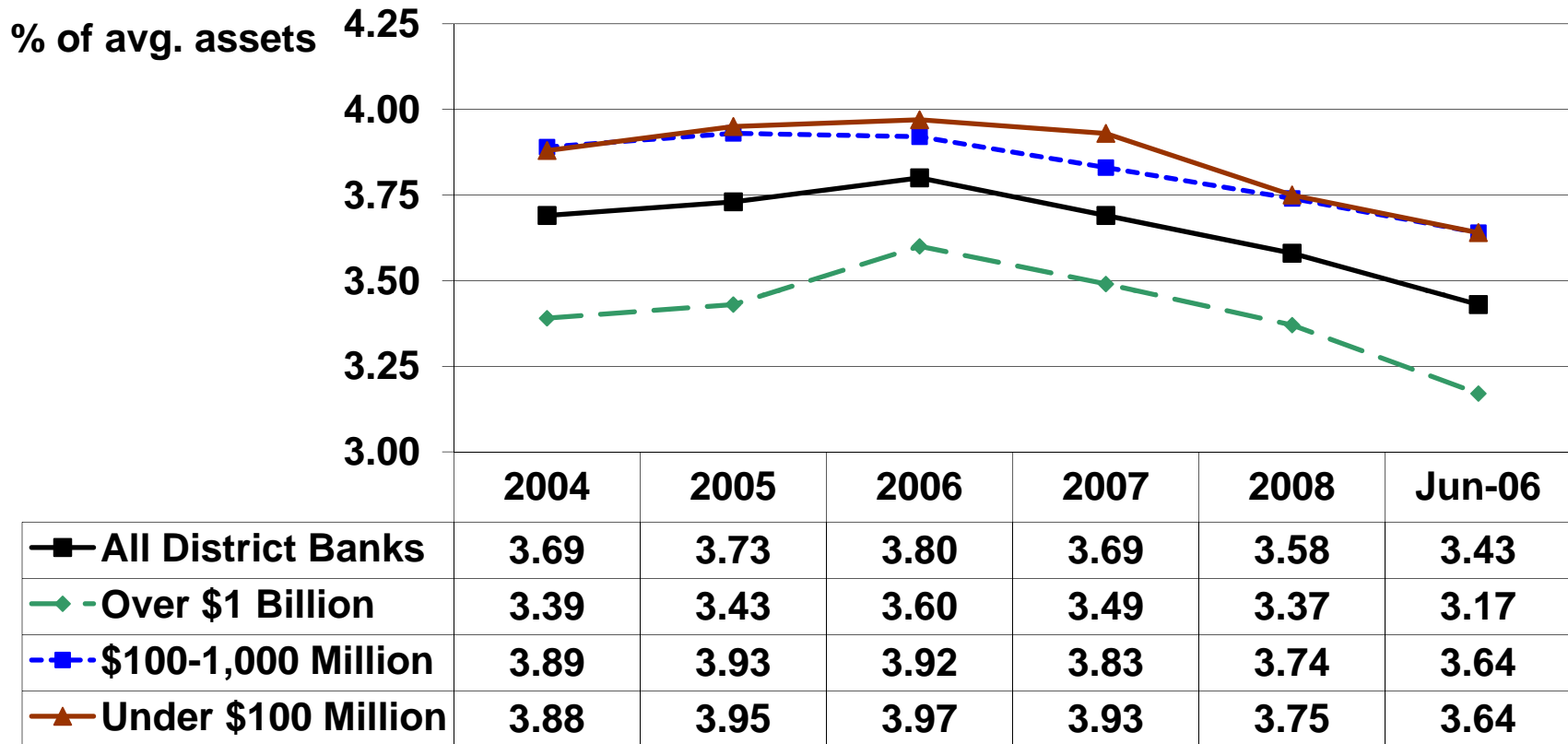
Tenth District Bank Earnings Still Declining



Tenth District Banks - Net Income Before Security G&L, Extraordinary Items and Taxes, as a percentage of average assets.

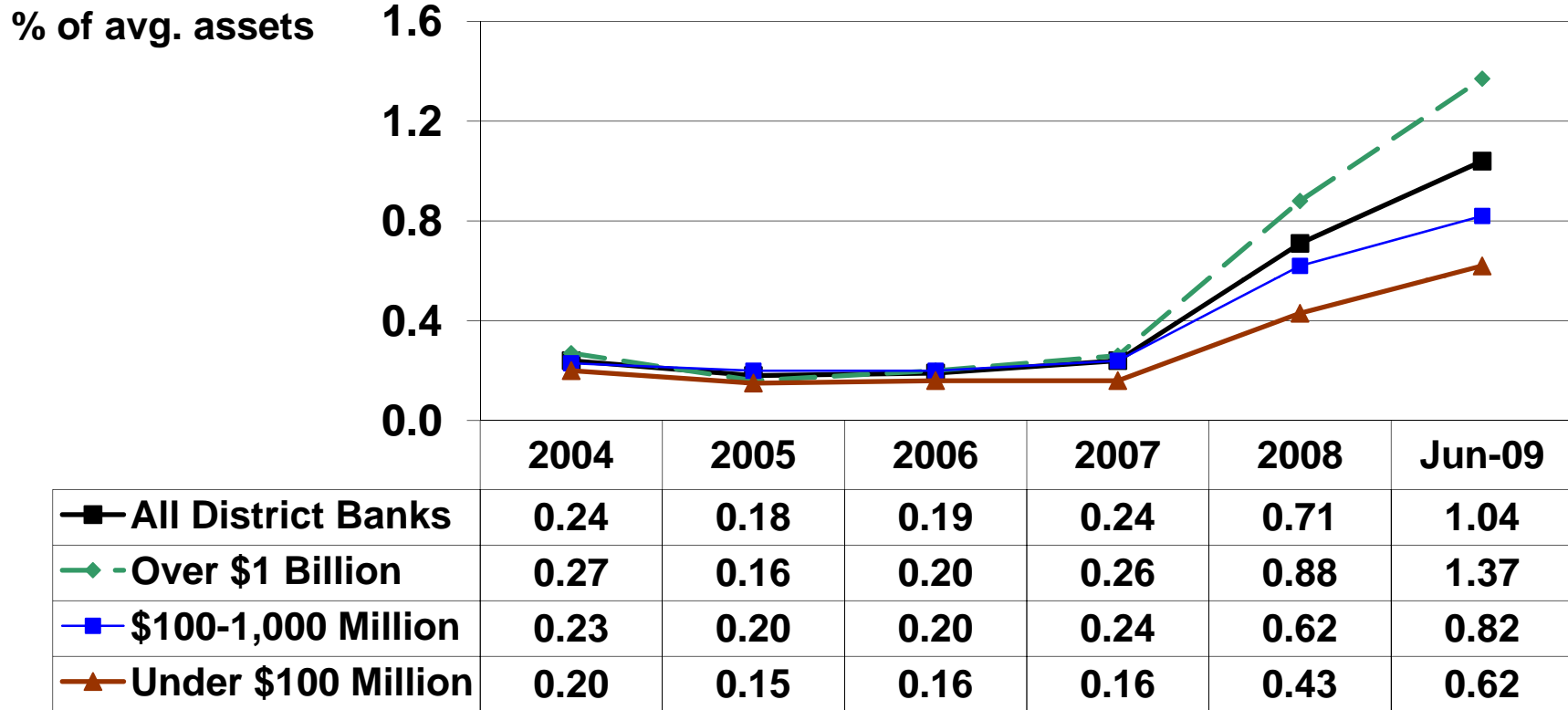
Source: Reports of Condition and Income

Interest Rate Margins Are Very Low & Falling



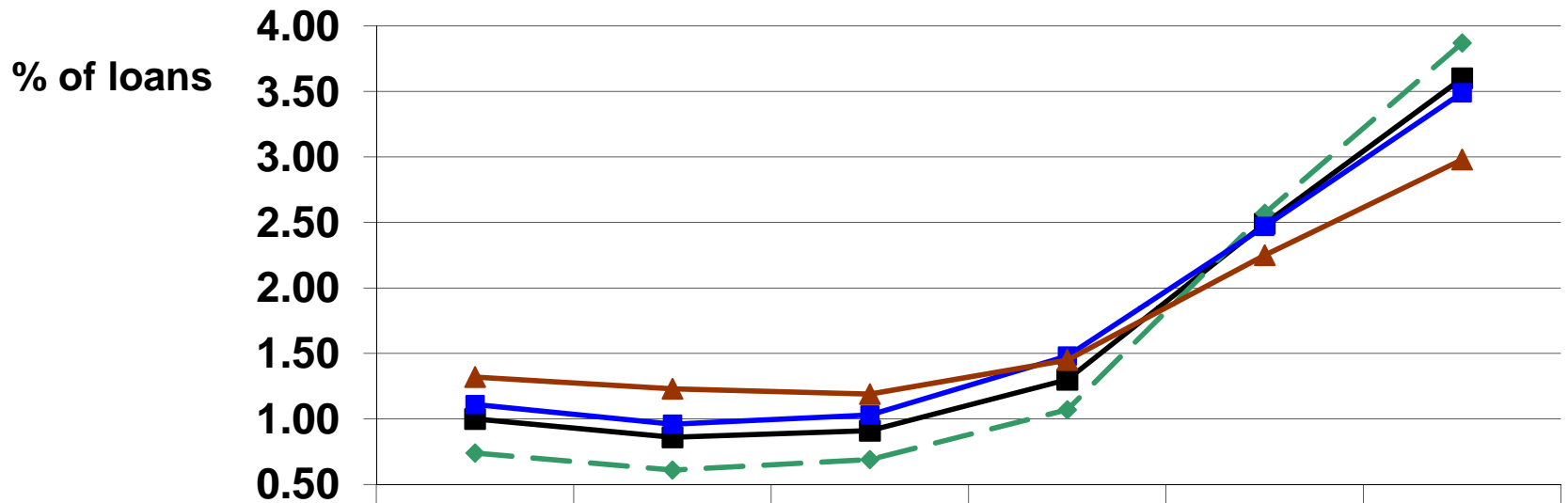
Tenth District Banks - Net Interest Income, as a percentage of average assets.
Source: Reports of Condition and Income

Loan Loss Provision Expenses Are Increasing



Tenth District Banks – Loan loss provision expense, as a percentage of average assets.
Source: Reports of Condition and Income

District Banks' Noncurrent Assets Continue Rising

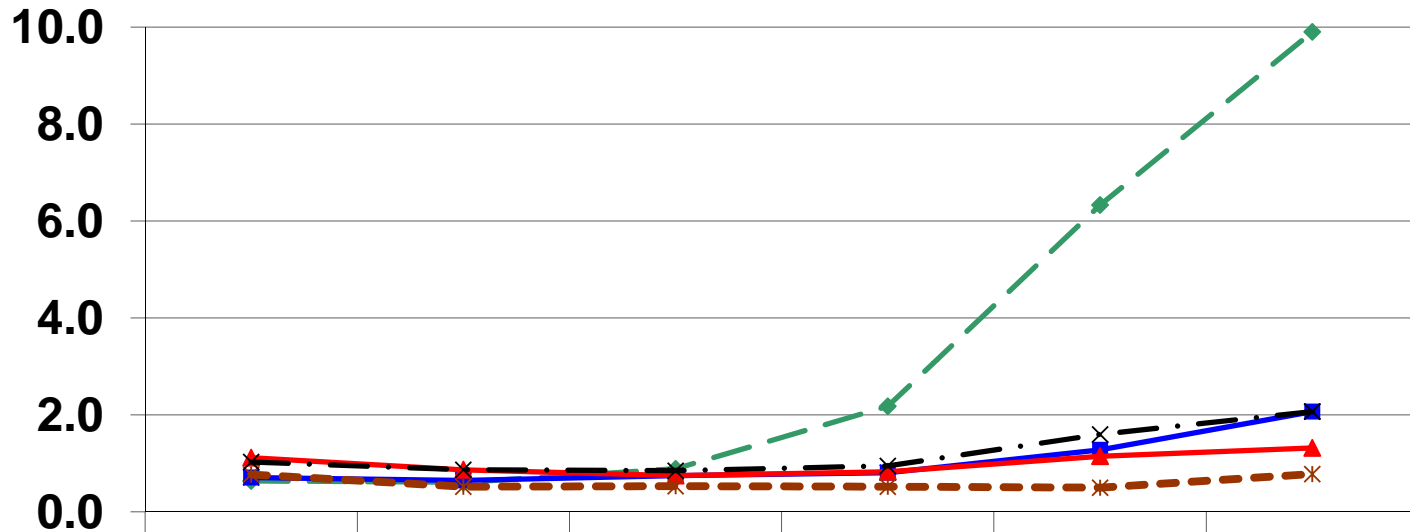


	2004	2005	2006	2007	2008	Jun-09
■ All District Banks	1.00	0.86	0.91	1.30	2.49	3.60
◆ -Over \$1 Billion	0.74	0.61	0.69	1.07	2.57	3.87
■ \$100-1,000 Million	1.11	0.96	1.03	1.48	2.47	3.49
▲ Under \$100 Million	1.32	1.23	1.19	1.45	2.25	2.98

Tenth District Banks - Noncurrent loans + OREO-to-Total Loans.
 Source: Reports of Condition and Income

Noncurrent CLD Loans Have Exploded

% of loan type



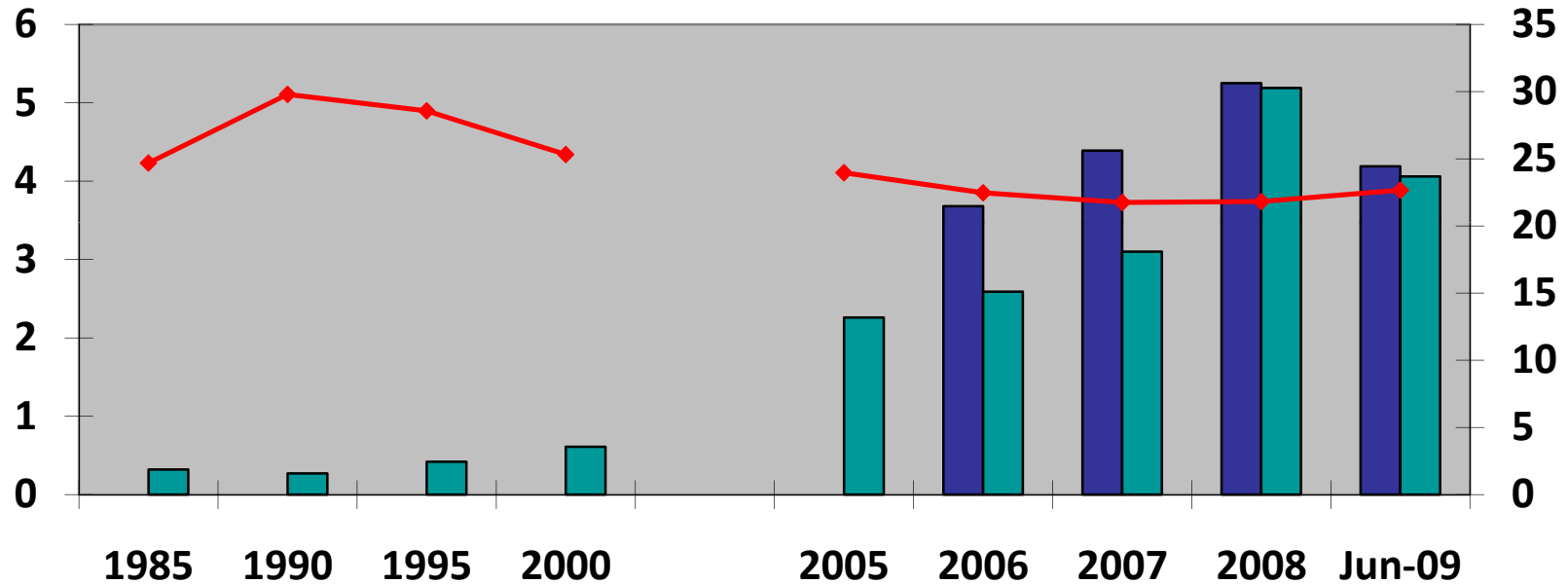
	2004	2005	2006	2007	2008	Jun-09
RE CLD	0.64	0.61	0.89	2.18	6.33	9.9
Other CRE	0.71	0.65	0.75	0.81	1.28	2.07
RE Farm	1.12	0.87	0.75	0.83	1.15	1.32
Farm	0.77	0.52	0.53	0.52	0.5	0.78
C&I	1.03	0.87	0.85	0.95	1.6	2.07

Tenth District Banks - Noncurrent Loans to Loans - By Loan Category.
Source: Reports of Condition and Income

Banks May Be Reducing the Use of Borrowings And Brokered Deposits

FHLB Advances & Brokered Deposits

Securities

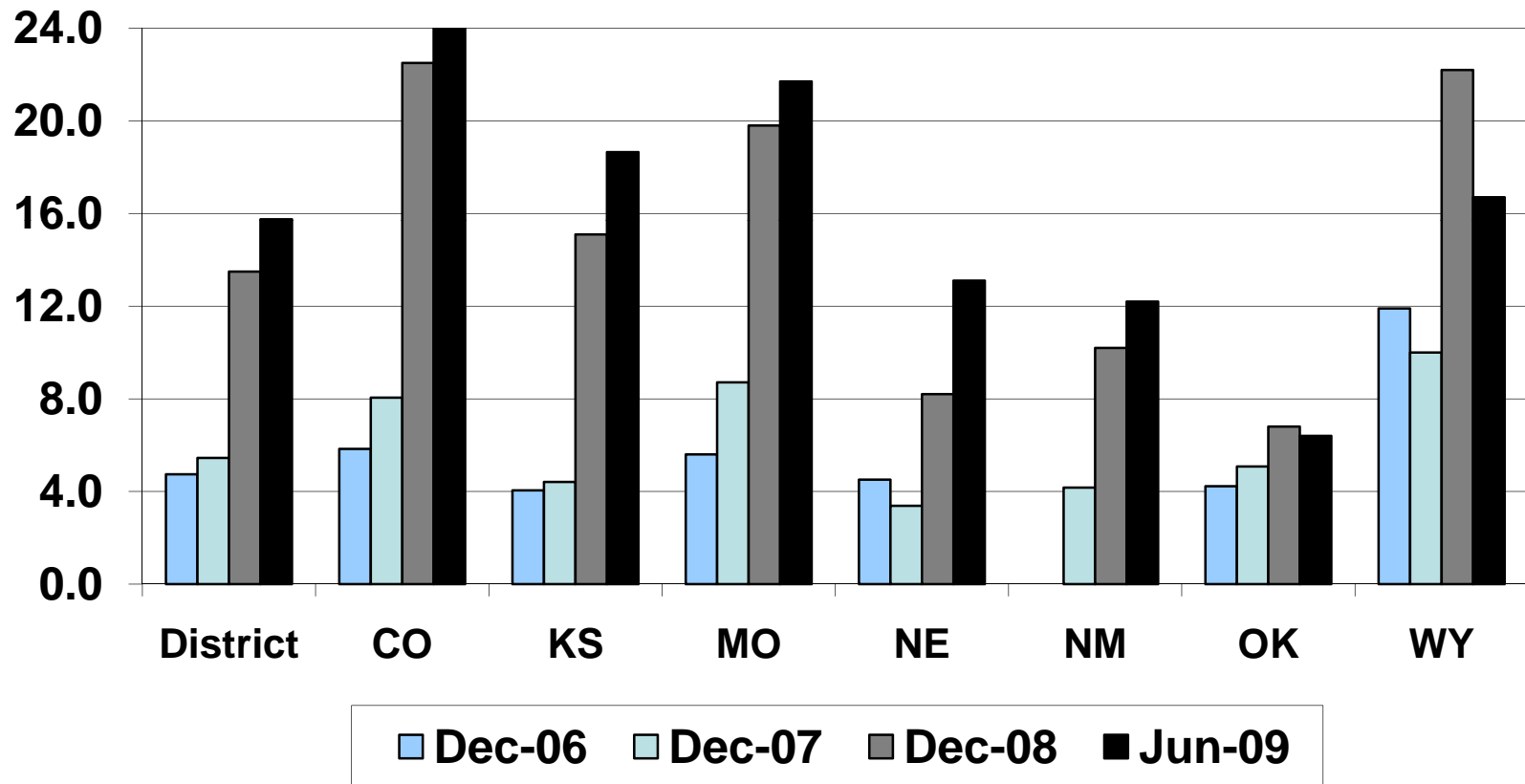


Tenth District banks, ratios expressed as a percentage of assets.

Source: Reports of Condition and Income

Percentage of Banks With Losses Tenth District & District States

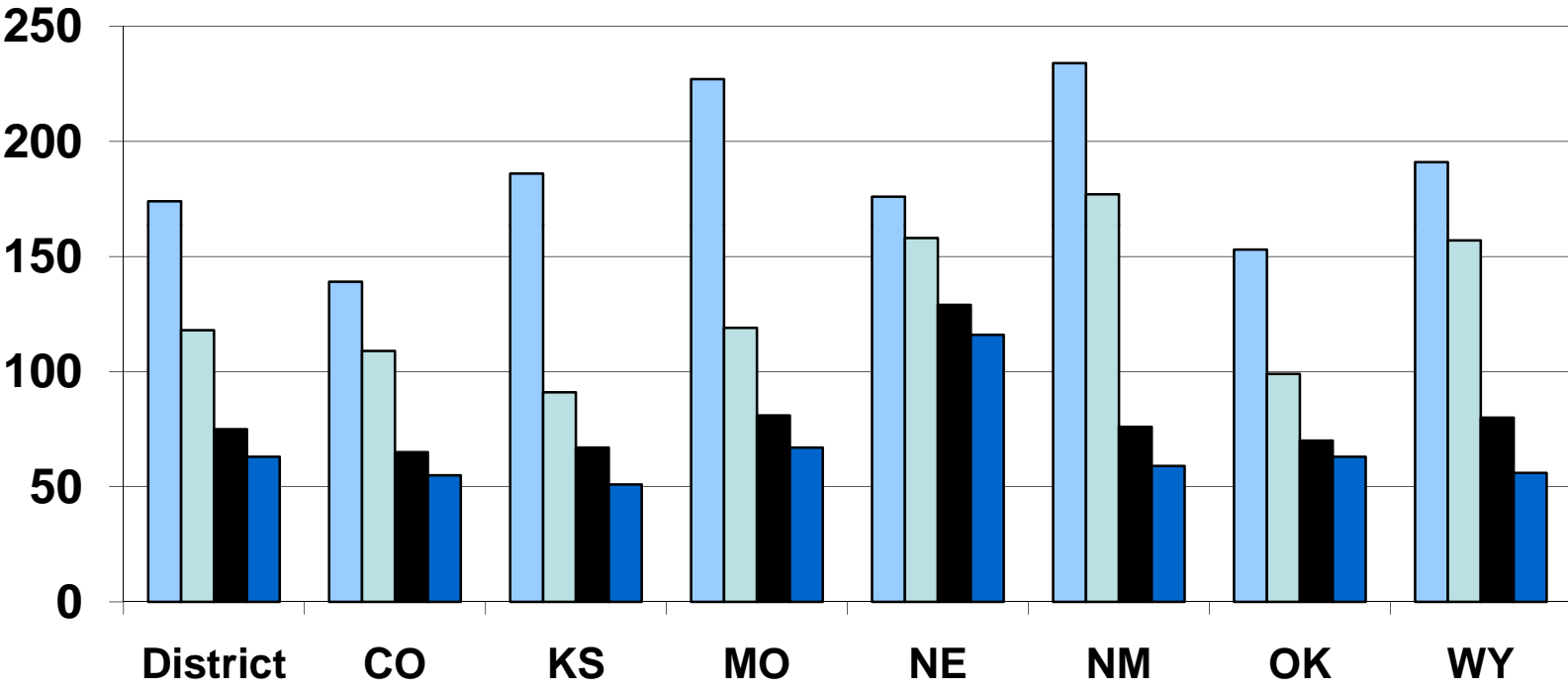
percent



Source: Reports of condition and income.

Coverage Ratio Tenth District & District States

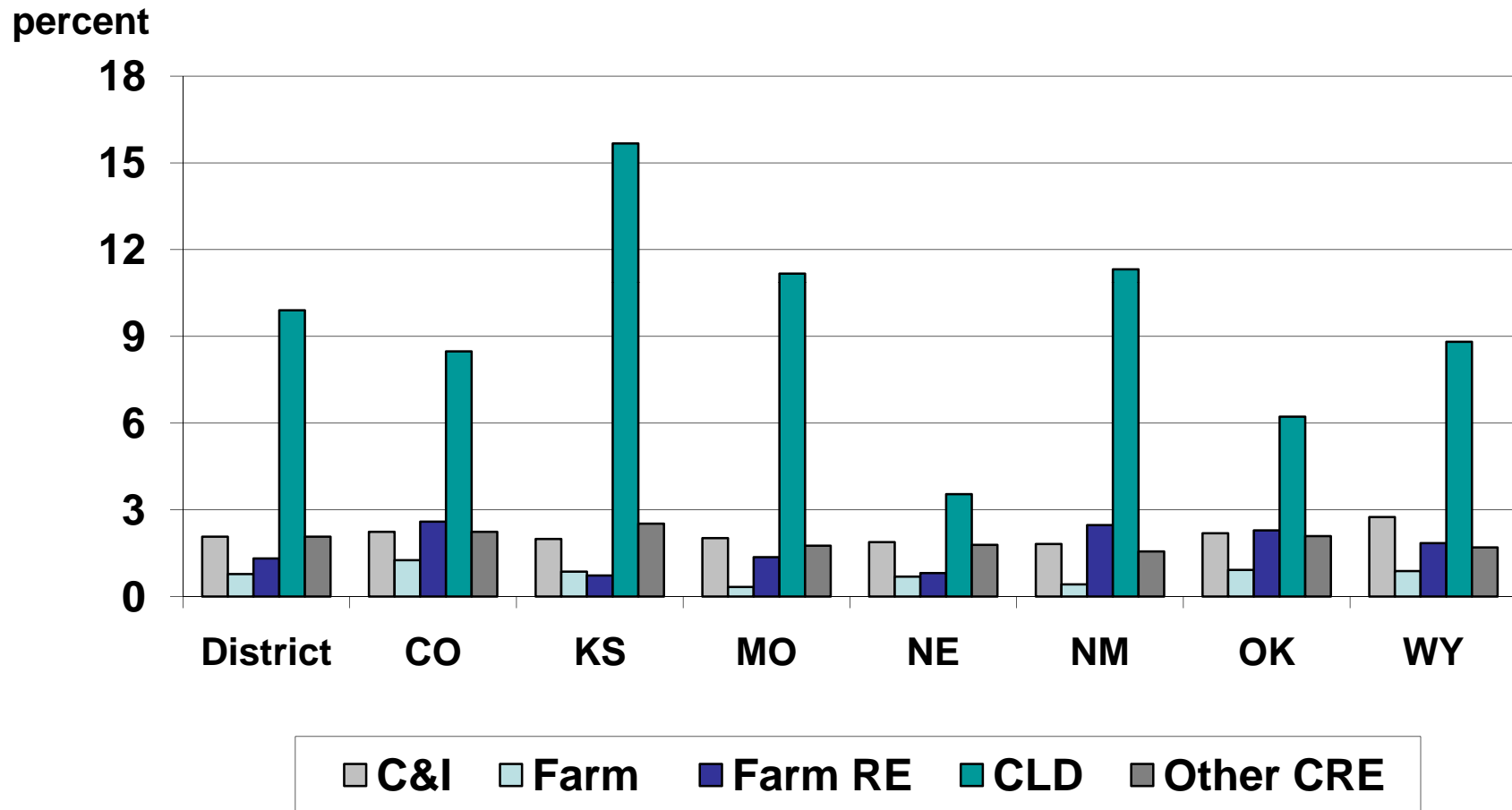
percent



■ Dec-06
 ■ Dec-07
 ■ Dec-08
 ■ Jun-09

Source: Banks reports of condition and income.

Noncurrent Loans By Loan Type Tenth District & District States



Source: Banks reports of condition and income – June 2009.