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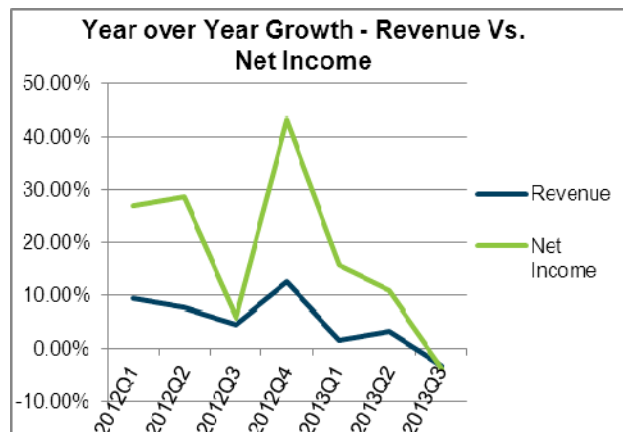
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RECENT NEWS

Financial Sector Headwinds Persist

U.S. banks' aggregate revenue growth has been relatively weak in 2012 and 2013. Banks are experiencing revenue pressure from multiple directions and the trends appear unlikely to be relieved in the near term. Net interest income, representing the largest portion of bank revenues, has been driven down by lower net interest margins related to low market interest rates and sluggish loan growth. Fee income has also been strained as the industry is seeing flat or negative growth in areas such as deposit fees, trading revenue and servicing fees. Standard and Poor's stated in a report dated November 7, 2013 that S&P 500 financial sector revenue growth is "expected to gradually bottom out in negative territory between fourth quarter 2013 and second quarter 2014."

Growth in net income has been stronger since 2009 but it may not be sustainable. This growth has been due largely to cuts in operating expenses and smaller provisions for loan losses. Expense cuts are generally temporary by nature and rising compliance and legal costs provide headwinds. Furthermore, loan loss reserves (which are boosted by loan loss provisions) have steadily declined. Improving asset quality has justified lower provisions, but over time banks will need to increase reserves from currently low levels.



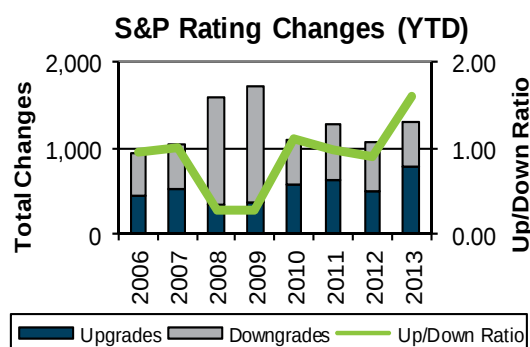
A strong financial sector is important to economic growth. S&P stated in the November report that financial sector headwinds could be a contributor to the "sub-par" economic recovery. Economic growth may remain suppressed until financial sector headwinds subside.

Sources: FDIC, S&P, SNL Financial

CREDIT TRENDS

S&P RATING CHANGES

The number of Standard & Poor's U.S. rating changes and the ratio of upgrades to downgrades.

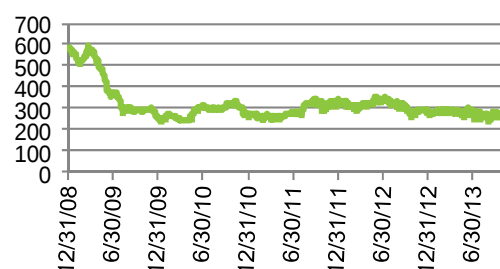


Source: Bloomberg

U.S. CORPORATE SPREADS

The spread between U.S. 10-year Moody's Baa-rated corporate bonds and 10-year U.S. Treasuries.

U.S. Corporate Spreads (10Yr)



BANK FAILURES

2013	23
Florida	4
Arizona	3
Georgia	3
North Carolina	2
Tennessee	2
2012	51
Georgia	10
Illinois	8
Florida	8
Minnesota	4
Missouri	4

Source: Federal Deposit Insurance Corporation (FDIC)

BANKING TRENDS

3rd Quarter 2013 Highlights

Lower revenue from mortgage banking and a large noninterest expense in litigation reserves for a large institution caused a \$1.5 billion decline in revenue since the second quarter of 2012. Net interest margins benefited from the wider gap between short-term and longer-term interest rates, but average margins and total net interest income were still lower than in third quarter 2012. In terms of capital, at the end of the third quarter, almost 98% of all insured institutions met or exceeded the requirements for the highest regulatory capital category, as defined for Prompt Corrective Action purposes.

Loan and lease balances rose for the 8th time in the last ten quarters, increasing by 0.9%. Apart from one to four family residential real estate loans, all major loan categories registered growth in the quarter. Notably, the largest increase was loans to states and municipalities by 7.3%.

Net chargeoffs totaled \$11.7 billion in the quarter, down \$10.5 billion (47%) from third quarter 2012. This is the lowest quarterly total for chargeoffs since third quarter 2008, with all major loan categories experiencing declines.

During the third quarter, the number of FDIC-insured institutions decline to 6,841, from 6,940 in the previous quarter. 43 insured institutions were absorbed in mergers, while six insured institutions failed. The number of banks on the FDIC's "Problem List" declined from 553 to 515. This is the 10th consecutive quarter that the number of problem banks has fallen.

Source: FDIC: Quarterly Banking Profile

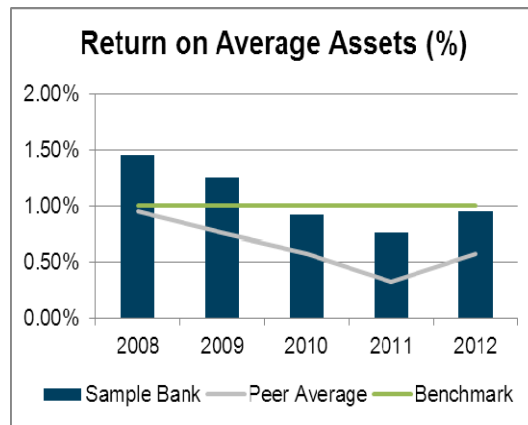
PRUDENT MAN PROCESS

The Prudent Man Analysis

The Prudent Man Process includes a four step process which begins with gathering data and analyzing a bank's credit quality and continues with ongoing risk management throughout the life of a deposit. The process helps public funds investors avoid repayment, reinvestment and reputation risk that may be associated with a bank failure.

STEP 2: DATA ANALYSIS - QUANTITATIVE

Return on Average Assets (ROAA) is calculated by dividing net income by average total assets. Net income includes net interest income from interest-earning assets and interest-bearing liabilities as well as fees, expenses, provisions for loan losses, income taxes and other factors. ROAA displays how efficiently a company is utilizing its assets. In the Prudent Man Analysis, it is graphed to compare a bank to historical trends, bank peers and performance benchmarks.



CONTACT

BRIAN D. HEXTELL

630.657.6485
bhextell@pmanetwork.com

LAURA A. PAULI

630.657.6400
lpauli@pmanetwork.com

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