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RECENT NEWS

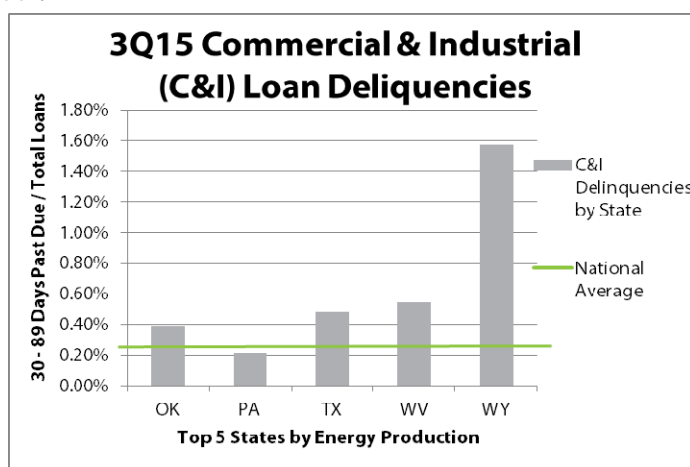
Oil and Gas Prices Cause Banks Concern

Bank balance sheets have continued to improve since the financial crisis, aided by improvement in industry asset quality. However, a plunge in oil prices during the second half of 2014 has negatively impacted some companies in the energy sector. Since June 2014, oil prices per barrel went from about \$94 to around \$41 in November 2015, due to increased oil production in the United States and lower global demand, creating excess supply.

The five states with the largest energy production in the United States are Texas, Wyoming, Pennsylvania, West Virginia and Oklahoma. Every one of those states, save for Pennsylvania, experienced an uptick in delinquencies in the commercial & industrial (C&I) loan category from the second to third quarter of 2015. The Shared National Credit (SNC) November 2015 report, issued by three of the top banking supervisory agencies, found that the decrease in oil and gas prices has prevented companies from being able 'to pay interest and principal, and has led to some defaults' and even caused some capital structures to become 'unsustainable in the face of lower oil prices,' indicating potential for further nonperforming loans.

Positively, banks are proactively attempting to alleviate loan losses, employing strategies such as restructuring existing loans, requiring additional collateral and tightening underwriting policies on new loans. Combining these strategies with higher capital requirements should prevent energy sector weaknesses from causing serious credit problems at most banks.

Sources: American Banker, Bloomberg L.P., SNL Financial, U.S. Energy Information Administration, www.federalreserve.gov/newsevents/press/bcreg/20151105a.htm

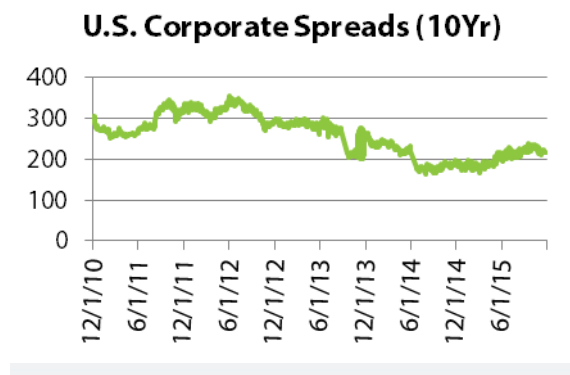


Source: SNL Financial

CREDIT TRENDS AND COMMENTARY

U.S. CORPORATE SPREADS:

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



Source: Bloomberg

U.S. Corporate Spreads increased during 2015. This year's trend follows a period of improvement in credit markets following the height of the European debt crisis in 2012. The increase in spreads in 2015 likely reflects bond investors' lower confidence in corporate balance sheets due to such factors as increased merger & acquisition activity, continued share buybacks, higher leverage and turbulence in the energy sector amongst other factors.

BANKING TRENDS

3rd Quarter 2015 Highlights

FDIC-insured institutions earned \$40.4 billion for the third quarter of 2015, an increase of 5.1% over the prior year period. Nearly 60% of banks reported higher quarterly earnings, with the proportion of unprofitable banks falling to 5%, compared to 6.6% in the third quarter of 2014. Community banks' earnings increased 7.5% year over year, with almost 60% of community banks reporting higher earnings.

Noncurrent commercial and industrial loans increased for a third consecutive quarter, rising by 13.8%. Banks are preparing for problems, as institutions with more than \$1 billion in assets increased their reserves for non-real estate commercial loans by 3.4%, even as they reduced their total reserves by 0.8%. Positively, overall noncurrent loans for the entire industry fell for the 22nd quarter in a row. The average noncurrent loan rate declined from 1.69% to 1.61% during the quarter, which is the lowest level since the fourth quarter of 2007.

The third quarter saw the total number of banks fall from 6,348 to 6,270, due to 72 institutions merging, one bank failure and one new bank charter. This is only the second new charter of an FDIC-insured institution since December 2010. The number of insured institutions on the FDIC's "Problem List" declined from 228 to 203. Total assets at problem institutions fell from \$60.3 billion to \$56.5 billion.

Source: FDIC: Quarterly Banking Profile

PRUDENT MAN PROCESS

The Prudent Man Analysis

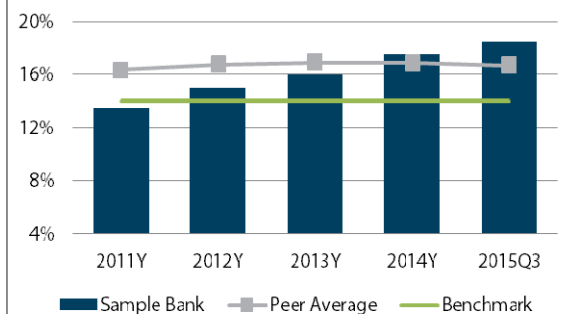
The Prudent Man Process includes four steps which begin with gathering data and analyzing a bank's credit quality and continues with ongoing risk management throughout the life of a deposit. The process helps public funds investors avoid repayment, reinvestment and reputation risk that may be associated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

Step 2: Data Analysis - Quantitative

Total Risk-Based Capital / Risk-Weighted Assets

is one of three regulatory capital ratios used to determine capital adequacy for regulatory purposes. Capital provided by stockholders and owners provides a cushion against default in the event that profitability deteriorates. A bank is expected to maintain capital levels proportionate to the bank's risk profile and management's capabilities. Total Risk Based Capital is graphed to compare a bank to historical trends, bank peers and performance benchmarks.

Total Risk Based Capital (%)



PROFITABILITY

2015	94.8%
2014	93.2%
2013	91.1%

Percentage of banks generating positive 3rd quarter earnings

Source: SNL Financial

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