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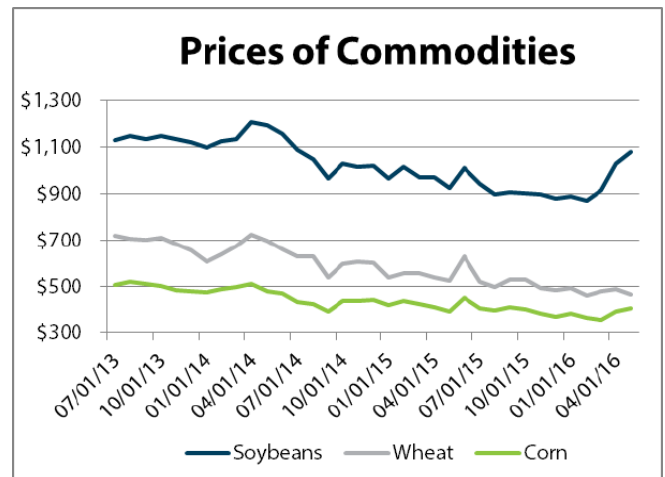
RECENT NEWS

Lower Commodity Prices Pressure Farm Earnings, Asset Quality

One of the most important industries to the world is the farming and agricultural product sector. It is consistently one of the most volatile businesses to own as well. Over the last three years, commodity prices of soybeans, wheat and corn have been declining. These price drops are negatively impacting farmers' earnings, which then affects farm operations, land value and agriculture equipment sales. According to the United States Department of Agriculture (USDA), "Net cash farm income is forecast to decline for the third consecutive year...by 2.5% in 2015...[This decline is] moderate compared to the 27% reduction in net cash income that occurred in 2015." The continued expected drop is led by decreases in cash receipts in nearly all major animal, product, vegetable and feed crop categories. The USDA also reports that farm solvency measures are near historic lows and liquidity positions have likewise deteriorated.

Not only are farms experiencing lower incomes, but the agriculture industry is also experiencing increased troubled assets. While the farming industry typically sees spikes in loans 30 to 89 days past due during the first quarter, the first quarter level of 0.73% is the highest since 2011. Loans 90 days or more past due are at the highest level since the fourth quarter of 2012. If the negative trends of decrease commodities prices continue to deteriorate earnings and asset quality, then the farming sector (and the rural economies dependent on these markets) may not see relief for several years.

Sources: SNL Financial, United States Department of Agriculture

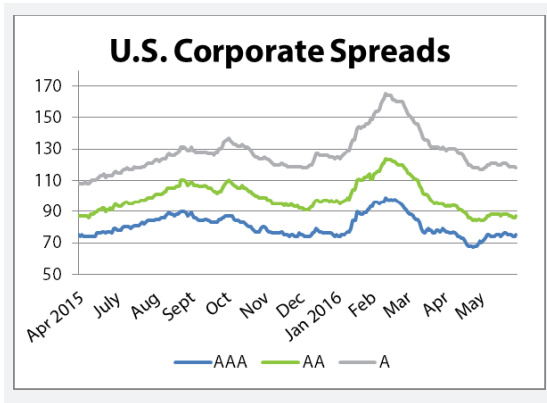


Sources: Chicago Board of Trade, CNBC

CREDIT TRENDS AND COMMENTARY

U.S. CORPORATE SPREADS:

The spread between U.S. 5-year AAA, AA and A rated corporate bonds and 5-year U.S. Treasuries



Source: Bloomberg

For corporate securities, option adjusted spreads provide an indication of the market's assessment of credit risk. During the first quarter of 2016, spreads for investment grade firms were widening, largely due to economic and market weakness in the global markets. Spreads tightened in March and April as markets calmed and are now nearly in line with year ago levels.

PROFITABILITY

2016	94.8%
2015	94.1%
2014	92.4%

Percentage of banks
generating positive 1st quarter
earnings

Source: SNL Financial

BANKING TRENDS

1st Quarter 2016 Highlights

FDIC-insured institutions earned \$39.1 billion for the first quarter of 2016, a decrease of 2% over the prior year period, largely due to higher expenses for loan losses and lower noninterest income. Most of the decline in net income was concentrated amongst the largest banks. Only 5% of banks reported negative net income in the quarter, down from 5.7% the year before. Community banks' earnings increased 7.4% from the prior year quarter, mostly from improved revenue from net interest income and noninterest income.

Quarterly net chargeoffs totaled \$10.1 billion, an increase of 12.3% compared with the year earlier. This marks the second consecutive quarter that net chargeoffs have posted a year over year increase, following 21 quarters of declines. Net chargeoffs of commercial and industrial (C&I) loans increased by 144.7%, or \$1.1 billion, compared with the first quarter of 2015. Noncurrent loans balances rose by 2.4% during the first quarter, which is the first increase in 24 quarters, and was largely driven by a 65% increase in noncurrent C&I loans. This is the largest quarterly increase in noncurrent C&I loans since 1987.

The first quarter saw the total number of banks fall from 6,182 to 6,122, with mergers absorbing 58 insured institutions and one bank failing. The number of institutions on the FDIC's "Problem List" declined from 183 at the fourth quarter of 2015, to the current level of 165 institutions.

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

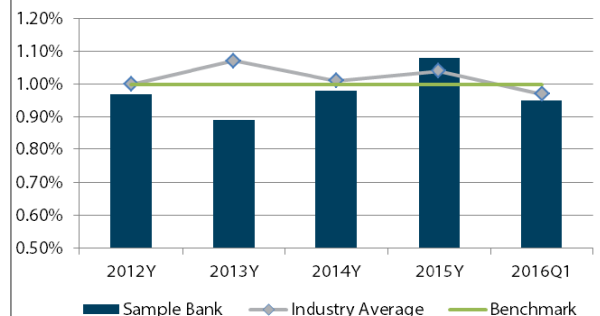
Return on Average Assets (ROAA) is calculated by dividing net income by average total assets. Net income includes net interest income from interest-earning assets and interest-bearing liabilities as well as fees, expenses, provisions for loan losses, income taxes and other factors. ROAA displays how 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.

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Return on Average Assets (%)



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