



RECENT NEWS

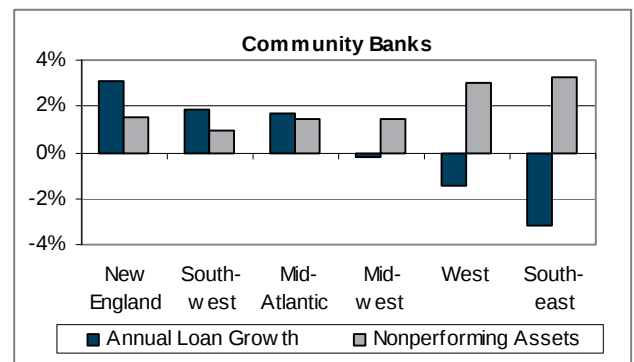
Loan Growth Varies by Region

Loan growth has remained relatively stagnant even as bank performance has continued to improve across the country. In the first quarter of 2012, loans at community banks (banks with less than \$10 billion in assets) declined 0.2% from one year earlier and declined nearly 1% from the fourth quarter of 2011. However, some geographic regions have fared better than others. Banks in regions with fewer asset quality problems have experienced higher loan growth than their peers.

According to the Federal Reserve's April 2012 Beige Book, most Fed Districts have seen modest improvements in loan demand and several districts have noted improved credit quality. The New York District reported increased loan demand for all major loan categories and also noted significant declines in delinquencies. Northeast banks have consistently maintained higher credit quality throughout the economic downturn and have reported higher loan growth over the past year than banks in other geographic regions. The Southwest has also seen a swifter recovery. The Dallas Fed District reported lenders were optimistic regarding loan demand and loan quality continues to improve.

Alternatively, Southeast and West banks have struggled with high levels of nonperforming assets over the past several years and are currently showing the weakest annual loan growth compared to other regions.

Many banks with weaker asset quality have implemented stricter credit standards and are focused on reducing assets to achieve higher capital levels.



Source: PMA Financial Network Inc., SNL Financial LC, Federal Reserve

INSIDE THIS ISSUE

- 1 Loan Growth Varies by Region
- 1 Credit Trends
- 2 Banking Trends
- 2 Bank Failures
- 2 History of Prudent Man Analysis

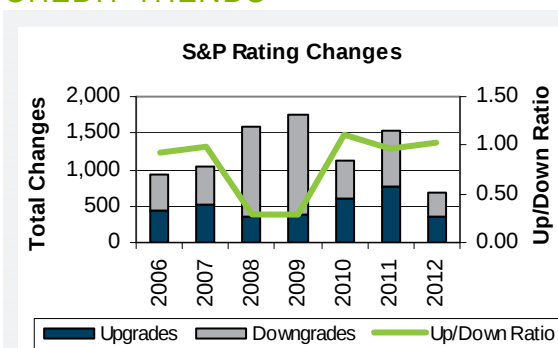
S&P RATING CHANGES:

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

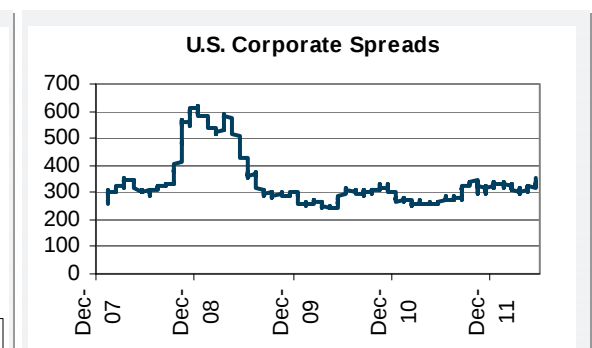
U.S. CORPORATE SPREADS:

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

CREDIT TRENDS



Source: Bloomberg, 5/31/12



Source: Bloomberg, 5/31/12

BANK FAILURES

2012	24
Georgia	4
Illinois	3
Florida	3
Minnesota	3
2011	92
Georgia	23
Florida	13
Illinois	9
California	6

Source: Federal Deposit Insurance Corporation (FDIC)

BANKING TRENDS

1st Quarter 2012 Highlights

FDIC-insured institutions reported net income of \$35.3 billion in the first quarter of 2012, up 22.9% from the year prior period. Net income during the quarter represented the highest quarterly net income since the second quarter of 2007. The number of unprofitable institutions declined during the first quarter to 10.3%.

Credit quality continues to improve as net chargeoffs declined 34.8% from the first quarter of 2011. Net chargeoffs have declined for the seventh quarter and are currently at their lowest level in four years. Chargeoffs declined in all major loan categories, led by credit card loans.

Noncurrent loans declined for the eighth consecutive quarter, and are at their lowest level in three years. Noncurrent loans declined in all loan categories except residential real estate loans. Excluding a \$10 billion increase in rebooked GNMA loans, which carry federal guarantees, noncurrent first lien mortgages declined 7.2% from the year prior period.

During the first quarter, the number of institutions on the FDIC's problem bank list fell from 813 to 772, declining for the fourth consecutive quarter. Total assets of problem banks fell from \$319 billion to \$292 billion.

Source: FDIC: Quarterly Banking Profile

PRUDENT MAN PROCESS

History of the Prudent Man Analysis

PMA Financial Network, Inc. was founded in 1984 as a credit rating firm focused on the banking sector. The firm's initial product, the Prudent Man Analysis, was the first report focused on the credit quality of financial institutions from a public depositor's perspective. The report ascertains the health of financial institutions utilizing fundamental analysis and an in-depth knowledge of the banking industry. This report is the origin of the name PMA. As PMA Financial Network, Inc. has expanded its services to public funds investors over the past 25 years, the Prudent Man Analysis has remained at the foundation of PMA's investment philosophy.

CONTACT

BRIAN D. HEXTELL
630.657.6485
bhextell@pmanetwork.com

LAURA A. PAULI
630.657.6400
lpauli@pmanetwork.com

This document was prepared for PMA Financial Network, Inc., PMA Securities, Inc. and Prudent Man Advisors, Inc. (hereinafter "PMA") clients. It is being provided for informational and/or educational purposes only without regard to any particular user's investment objectives, financial situation or means. The content of this document is not to be construed as a recommendation, solicitation or offer to buy or sell any security, financial product or instrument; or to participate in any particular trading strategy in any jurisdiction in which such an offer or solicitation, or trading strategy would be illegal. Nor does it constitute any legal, tax, accounting or investment advice of services regarding the suitability or profitability of any security or investment. Although the information contained in this document has been obtained from third-party sources believed to be reliable, PMA cannot guarantee the accuracy or completeness of such information. It is understood that PMA is not responsible for any errors or omissions in the content in this document and the information is being provided to you on an "as is" basis without warranties or representations of any kind. Securities, public finance services and institutional brokerage services are offered through PMA Securities, Inc. PMA Securities, Inc. is a broker-dealer and municipal advisor registered with the SEC and MSRB, and is a member of FINRA and SIPC. Prudent Man Advisors, Inc., an SEC registered investment adviser, provides investment advisory services to local government investment pools. All other products and services are provided by PMA Financial Network, Inc. PMA Financial Network, Inc., PMA Securities, Inc. and Prudent Man Advisors (collectively "PMA") are under common ownership. ©2012 PMA Financial Network, Inc.