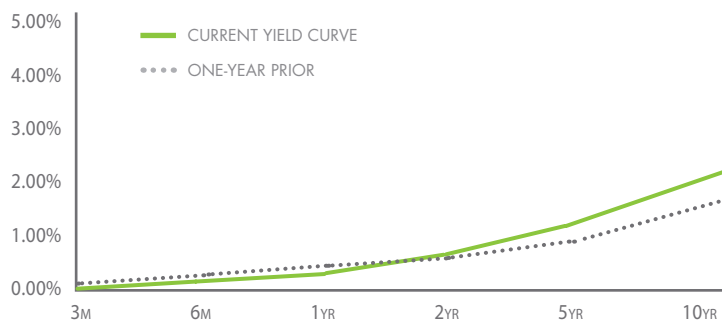


PMA MARKET UPDATE



JUNE 2013

Historical Yield Curve



Source: Bloomberg Finance L.P., 6/3/13

FEATURED ECONOMIC INDICATOR

Long-Term Treasury Prices Fall

Treasury bond prices declined as yields increased in the month of May. Though still low compared to historic yields, the 10-year Treasury Bond has not been consistently above 2% since September 2011. Low yields have been driven by the Federal Reserve's accommodative interest rate policy which includes buying \$85 billion of Treasury bonds and mortgages each month. Some of the recent move in rates might be related to comments from Fed Chairman Ben Bernanke and the release of the minutes of the last Fed policy meeting. The Fed has been vague about plans for its bond buying, but in May Mr. Bernanke told Congress the Fed could decide to scale back bond-buying in one of its "next few meetings." The move might also signal the market's perception of improving economic conditions and a trend toward more normal interest rates. Recent moves in rates are not affecting short-term interest rates which remain near zero. The Fed has been specific about when it will raise short-term rates--not until unemployment falls below 6.5% which it does not expect until 2015.

Source: Wall Street Journal, Bloomberg

U.S Treasury Rates (%)	5/31/13	5/24/13	5/17/13	5/10/13	5/3/13
10-Year Treasury Note	2.17	2.01	1.95	1.90	1.74
3-Month Treasury Bill	0.02	0.02	0.00	0.01	0.01

Source: Bloomberg

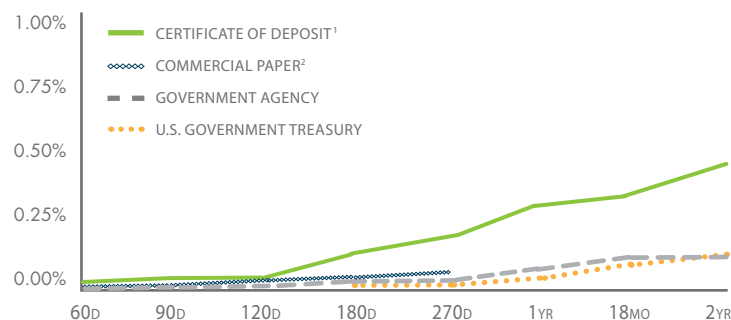
RECENT NEWS

Core Bank Earnings Pressured By Weak Net Interest Margin

The U.S. banking industry's net interest margin fell in the first quarter to its lowest level since the fourth quarter of 2006. Total interest income declined even as average interest-earning assets increased from the prior year period. Declining net interest margins are increasing pressure on banks to increase lending to support earnings. However, total loans and leases fell by 0.5% in the first quarter. The decline was partly due to a seasonal decline in credit card loans, but home equity lines and residential mortgages continued their downward trend. The declines were partly offset by an increase in commercial & industrial loans. Banks are struggling to generate improved margins from these loans, though, because many banks are reducing spreads on C&I loans to attract potential borrowers.

Source: Federal Deposit Insurance Corporation, Federal Reserve Board

Indicative Rates



¹ Average of top ten banks; ² General Electric Capital Corp.

Source: PMA Financial Network, Inc., Bloomberg Finance L.P., 6/3/13

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Consumer Price Index (YoY)	05/16/13	APR	1.3%	1.1%	1.5%
Existing Home Sales	05/22/13	APR	4.99M	4.97M	4.94M (R)
Durable Goods Orders Ex. Transportation (MoM)	05/24/13	APR	0.5%	1.3%	-1.7% (R)
S&P Case-Shiller Composite-20 (YoY)	05/28/13	1Q	9.60%	10.17%	7.25% (R)
Consumer Confidence	05/28/13	MAY	71.2	76.2	69.0 (R)
ISM Manufacturing	06/03/13	MAY	51.0	49.0	50.7
Initial Jobless Claims	06/06/13	JUN 1	345K	-	354K
Change in Nonfarm Payrolls	06/07/13	MAY	167K	-	165K
Unemployment Rate	06/07/13	MAY	7.5%	-	7.5%

Source: Bloomberg Finance L.P., 6/3/13

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