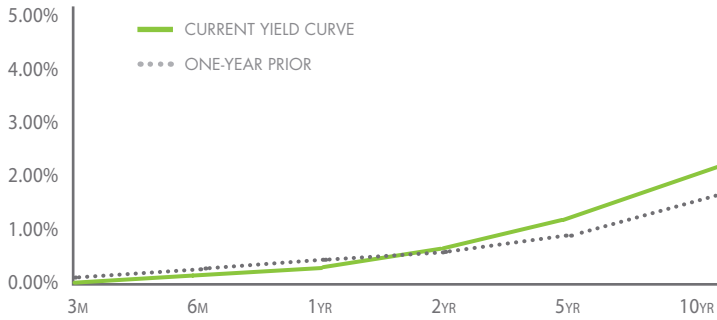


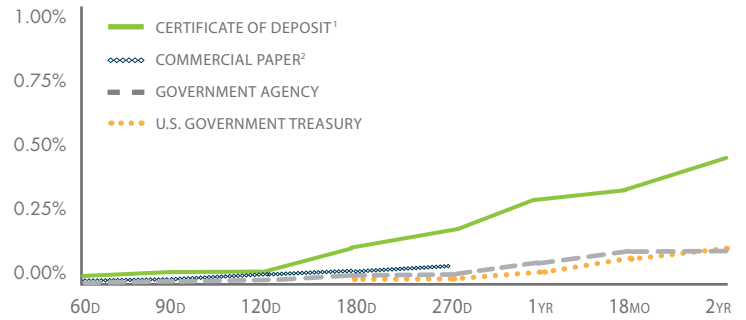


## Historical Yield Curve



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

## Indicative Rates



<sup>1</sup> Average of top ten banks; <sup>2</sup> General Electric Capital Corp.

Source: PMA Financial Network, Inc., 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

## 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

## Contact Information

**LAURA A. PAULI**

Senior Vice President, Business and Relationship Management

PMA Financial Network, Inc.  
 2135 CityGate Lane, 7th Floor  
 Naperville, IL 60563

Tel: 630.657.6436

Fax: 630.718.8701

Email: lpauli@pmanetwork.com

This Market Update 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 Market Update 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.

Securities and public finance services offered through PMA Securities, Inc. are available in CA, CO, FL, GA, IL, IN, IA, KS, MI, MN, MO, NE, OH, OK, PA, SD, TX and WI. This document is not an offer of services available in any state other than those listed above, has been prepared for informational and educational purposes and does not constitute a solicitation to purchase or sell securities, which may be done only after client suitability is reviewed and determined. All investments mentioned herein may have varying levels of risk, and may not be suitable for every investor. PMA and its employees do not offer tax or legal advice. Individuals and organizations should consult with their own tax and/or legal advisors before making any tax or legal related investment decisions. Additional information available upon request.