2014 KBW Bank Honor Roll: "A League of Their Own"

Summary

We are publishing our annual KBW Bank Honor Roll acknowledging those banking institutions that achieved positive earnings per share growth trends over the last decade, regardless of the economic environment.

- **Twenty-five banking institutions posted a 10-year record worthy of admission to this year's KBW Bank Honor Roll.**
- **To be eligible for the KBW Bank Honor Roll, banks with more than $500 million in total assets must have:**
  1. No annual loss reported in net income per share before extraordinary items over the past 10 years;
  2. 2014 annual reported net income per share before extraordinary items equal to or greater than peak net income per share over the past 10 years; and
  3. Consecutive increases in net income per share before extraordinary items since 2009.
- **There are two new members included on the 2014 KBW Bank Honor Roll:** FMBH and MBCN.
- **There are 23 returning members included on the 2014 KBW Bank Honor Roll:** SRCE, ACNB, AUBN, BANF, CASS, CNBKA, EGBN, EBTC, FDEF, FFIN, GABC, GCBC, HIFS, LKFN, OVLY, PB, SBNY, SYBT, TOWN, USB, WASH, WFC and WSBC.
- **For the five-year period between 2009 and 2014, the KBW Bank Honor Roll members significantly outperformed their banking peers and the market.** With average price appreciation of 15.2% compounded annually, the KBW Honor Roll banks significantly outperformed both the BKX's and KRX's 5-year CAGRs of 11.7% and 11.8%, respectively. The KBW Honor Roll banks also outperformed the S&P 500 Index's 5-year CAGR of 13.0%.
- **Thus far, 2015 has proved to be challenging for overall bank stock performance. the KBW Bank Honor Roll members continue to outperform**. In 2015 to date (through 4/9), despite declining 1.2% on average, the KBW Bank Honor Roll members modestly outperformed the BKX's decline of 1.9% but underperformed the KRX which advanced 0.8% and the SPX which gained 1.6%.
- **We found that the KBW Bank Honor Roll members have better-than-industry performance ratios and growth rates** when compared to the publicly traded bank universe with total assets over $500 million, which includes nearly 400 companies listed on the NYSE and Nasdaq exchanges.
- **We believe the past decade has been one of the most challenging in history of U.S. banking.** All said, the 2014 KBW Bank Honor Roll members have certainly earned their honor as there were many ways to make significant mistakes over the past 10 years, given 514 banks failed during that period.

Melissa A. Roberts
212-887-3820
mroberts@kbw.com

Frederick Cannon, CFA
212-887-3887
fcannon@kbw.com

Kelly Motta
212-887-7717
kmotta@kbw.com

Please refer to important disclosures and analyst certification information on pages 11 - 13.

Constructing the 2014 KBW Bank Honor Roll

To determine the constituents of the 2014 KBW Bank Honor Roll, as shown in Exhibit 1, we analyzed 10 years of fully diluted net income per share before extraordinary items for nearly 400 publicly traded banking institutions with at least $500 million in total assets as of year-end 2014.

To qualify for inclusion on the KBW Bank Honor Roll, the following three conditions must be satisfied:

1. ***No annual loss reported in net income per share before extraordinary items over the past 10 years (items are classified as extraordinary per the applicable accounting standard).***

2. ***2014 annual reported net income per share before extraordinary items equal to or greater than peak net income per share over the past 10 years.***

3. ***Consecutive increases in net income per share before extraordinary items since 2009.***

We believe it is fair to say that the past decade has been one of the most challenging in the history of U.S. banking. Over these past ten years, banks faced a horrendous credit environment (2006-2010) overlaid by an extremely flat (and sometimes even inverted) yield curve (2003 and present). From 2007-2009, banking institutions were at the epicenter of the major concerns plaguing the market that included increased market volatility, deteriorating economic fundamentals, credit market disturbances, and a tempered economic outlook. In 2010, the economy was faced with stagnant economic growth, labor market weakness, and lackluster consumer spending. Banking institutions continued to address the overhang from nonperforming assets and restructured loans driven by the nearly seven-fold increase in non-performing assets (NPAs) from 2006-2010.

In 2011, the industry was plagued with overcapacity, and the rate, regulatory, and macroeconomic environment made it challenging for banks to achieve meaningful profitability improvement. Low rates in 2011 compressed net interest margins (NIMs) and increased regulation reduced fee income and added expense burdens. In 2012, the low-rate environment continued its course, further pressuring retail banking profitability, as loan spreads continued to compress and securities portfolio repricings weighed further on bank NIMs.

Despite 2012's uneven economic recovery and fiscal uncertainty, banks posted healthier balance sheets through active liability management and benefited from improving fundamentals as credit quality significantly improved. In 2013, banks grappled with slowing annual operating EPS growth as fee income came under significant pressure, and the benefit from improving credit continued to wane. Increased regulatory compliance costs in 2013 resulted in disappointing operating non-interest expense trends but on the positive side, NIMs showed signs of stabilization and loan growth was promising.

In 2014, banks grappled with a "lower-for-longer" rate scenario that most notably impacted bank profitability and sentiment. Loan growth momentum and continued solid credit trends were positives for banks during the year. SMID-cap banks continued to garner market share from larger competitors and grew at a multiple of GDP. Credit quality remained very strong and while reserve releases did not provide the earnings kicker that they once did a few years ago, losses remained well below historical levels. But, at the same time, banks faced increasing NIM pressure owing to both competitive dynamics and low absolute rates. The resultant impact of the "lower-for-longer" rate scenario on NIMs, the most meaningful input to future bank earnings, remains significant. Expense headwinds from increased financial regulation also remained an area of concern for underlying bank profitability though on the margin showed some signs of abating.

All said, the 2014 KBW Honor Roll banks have certainly earned their honor as there were many ways to make significant mistakes in the past ten years, as the 514 failed banks over the past decade can attest.

Twenty-five banking institutions posted a ten-year record worthy of admission to the 2014 KBW Bank Honor Roll:

Exhibit 1: 2014 KBW Bank Honor Roll

2014 KBW BANK HONOR ROLL

		2014 YE Price to Book	2014 YE Price to First Call Consensus 2015 EPS		%CAGR in Stock Price 2009 - 2014
1st Source Corporation	SRCE	1.3	14.4		16.4%
ACNB Corporation	ACNB	1.2	12.7	(a)	10.9%
Auburn National Bancorporation, Inc.	AUBN	1.1	11.6	(a)	3.7%
BancFirst Corporation	BANF	1.6	16.0		11.3%
Cass Information Systems, Inc.	CASS	3.1	25.8	(a)	16.2%
Century Bancorp, Inc.	CNBKA	1.2	10.2	(a)	12.7%
Eagle Bancorp, Inc.	EGBN	2.0	15.7		30.1%
Enterprise Bancorp, Inc.	EBTC	1.5	17.5	(a)	18.2%
First Defiance Financial Corp.	FDEF	1.1	14.5		24.7%
First Financial Bankshares, Inc.	FFIN	2.8	19.7		10.6%
First Mid-Illinois Bancshares, Inc.	FMBH	0.9	10.0	(a)	1.7%
German American Bancorp, Inc.	GABC	1.8	14.2		13.4%
Greene County Bancorp, Inc.	GCBC	2.1	19.5	(a)	14.4%
Hingham Institution for Savings	HIFS	1.5	8.3	(a)	23.2%
Lakeland Financial Corporation	LKFN	2.0	15.6		20.3%
Middlefield Banc Corp.	MBCN	1.1	10.2	(a)	7.6%
Oak Valley Bancorp	OVLY	1.1	11.4	(a)	18.1%
Prosperity Bancshares, Inc.	PB	1.2	13.0		6.5%
Signature Bank	SBNY	2.6	18.5		31.6%
Stock Yards Bancorp, Inc.	SYBT	1.9	13.9		9.3%
TowneBank	TOWN	1.0	12.8	(a)	5.9%
U.S. Bancorp	USB	2.1	13.8		14.8%
Washington Trust Bancorp, Inc.	WASH	1.9	15.3		20.9%
Wells Fargo & Company	WFC	1.7	13.2		15.2%
WesBanco, Inc.	WSBC	1.3	14.0		23.0%
Honor Roll Average Performance		1.6	14.5		15.2%
KBW Bank Index	BKX	1.2	13.1		11.7%
KBW Regional Banking Index	KRX	1.4	15.7		11.8%
S&P 500 Index	SPX	2.8	16.7		13.0%

Note: P/E based on First Call 2015 EPS estimates of April 9, 2015, except for (a) where P/E is based on 2014 year-end EPS.

Source: KBW Research, SNL DataSource, Factset, and Bloomberg.

Two companies are new members of the KBW Bank Honor Roll effective in 2014:

First Mid-Illinois Bancshares, Inc. (FMBH) and ***Middlefield Banc Corp.*** (MBCN).

In addition there are 23 returning members from the 2013 KBW Bank Honor Roll:

1st Source Corporation (SRCE), ***ACNB Corporation*** (ACNB), ***Auburn National Bancorporation, Inc.*** (AUBN), ***BancFirst Corporation*** (BANF), ***Cass Information Systems, Inc.*** (CASS), ***Century Bancorp, Inc.*** (CNBKA), ***Eagle Bancorp, Inc.*** (EGBN), ***Enterprise Bancorp, Inc.*** (EBTC), ***First Defiance Financial Corp.*** (FDEF), ***First Financial Bankshares, Inc.*** (FFIN), ***German American Bancorp, Inc.*** (GABC), ***Greene County Bancorp, Inc.*** (GCBC), ***Hingham Institution for Savings*** (HIFS), ***Lakeland Financial Corporation*** (LKFN), ***Oak Valley Bancorp*** (OVLY), ***Prosperity Bancshares, Inc.*** (PB), ***Signature Bank*** (SBNY), ***Stock Yards Bancorp, Inc.*** (SYBT), ***TowneBank*** (TOWN), ***U.S. Bancorp*** (USB), ***Washington Trust Bancorp, Inc.*** (WASH), ***Wells Fargo & Company*** (WFC), and ***WesBanco, Inc.*** (WSBC).

Rate Sensitivity and a Flattening Yield Curve Impact Bank Performance in 2014

The broader market environment in 2014 was characterized by key issues that included a global low interest rate environment, a strengthening U.S. economy and dollar as well as sharply declining energy prices. 2014 undoubtedly continued to present challenges for banking institutions as low interest rates prevailed globally. Domestically, the year kicked off with the yield on the 10-Year U.S. Treasury in the 3.0% range. Despite signs of improvement from the U.S. economy as the year progressed, the 10-Year U.S. Treasury yield declined to 2.17% by year end. Given the prevailing low short-term rate environment, this resulted in a flatter yield curve, further pressuring rate sensitive assets.

Over the course of the year, the U.S. continued to lead the recovery from the global recession with the unemployment rate falling to 5.6% and about 2.9 million jobs created in 2014, the largest increase since 1999. The Fed's Quantitative Easing program (QE3) came to an end in November and equity market performance was strong as the S&P 500 Index gained 11.4%. While the U.S. economy was improving, Europe, Asia and other foreign markets did not keep pace in 2014. As a result of their stalled recovery in comparison to the strength of the domestic recovery and equity market performance, the U.S. dollar strengthened significantly relative to other currencies. The strength in the dollar resulted in increased investor demand which helped in turn to further increase the relative strength of the dollar. Amidst all of this in 2014, crude oil prices declined by more than 45% in the second half of the year owing to rising oil production and slower demand growth. This in turn resulted in increased market volatility and falling commodities prices.

In 2014, these market issues weighed on the banking industry. In particular, the prevailing low interest rate environment both domestically and abroad significantly impacted banks. As a result, banks lagged the market in 2014 with large-cap banks, as measured by the KBW Bank Index (BKX), gaining 7.2% and SMID-cap banks, as measured by the KBW Regional Banking Index (KRX), rising a mere 0.2%.

The persistence of low rates focused investor concerns on both NIM compression and loan growth. In addition, during 2014, energy prices significantly declined, which was a particular concern to most Texas and Oklahoma banks given their exposure to energy. The impact of lower energy prices could potentially slow loan growth and result in future credit concerns.

Despite these challenges, the banks fared reasonably well in 2014 as loan growth was solid and credit trends remained stable, with losses well below historical levels. But, at the same time, banks faced increasing NIM pressure owing to both competitive dynamics and low absolute rates. Expenses owing to increased financial regulation remained an area of concern for bank profitability though on the margin, showed some signs of abating.

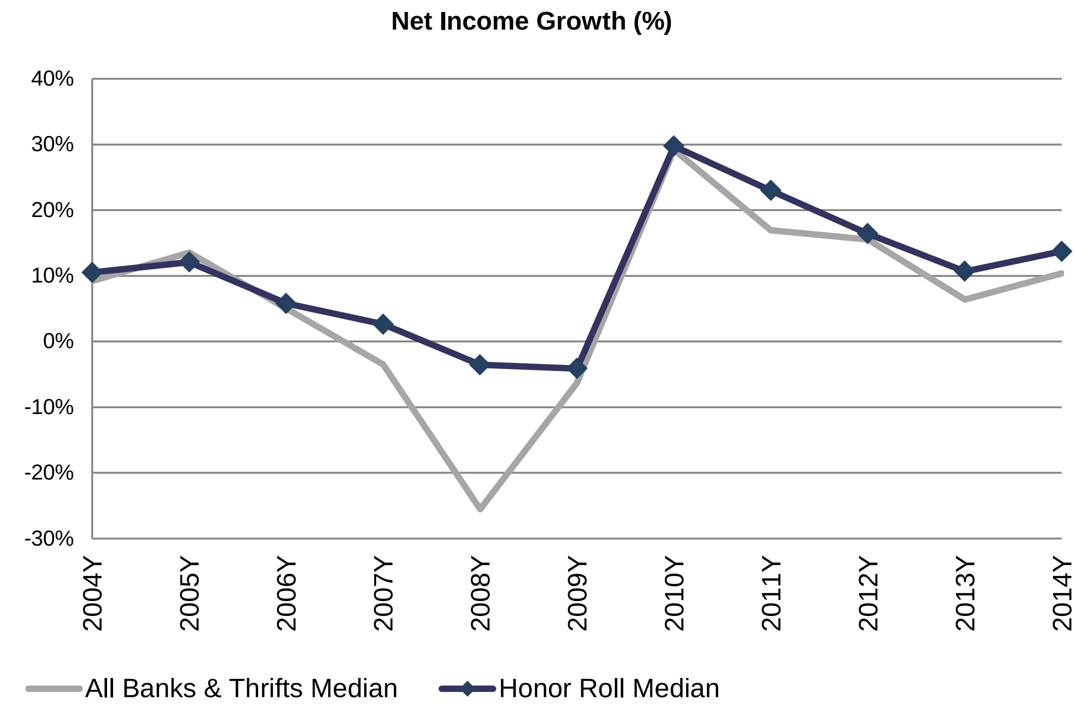
KBW Bank Honor Roll Members: "A League of Their Own"

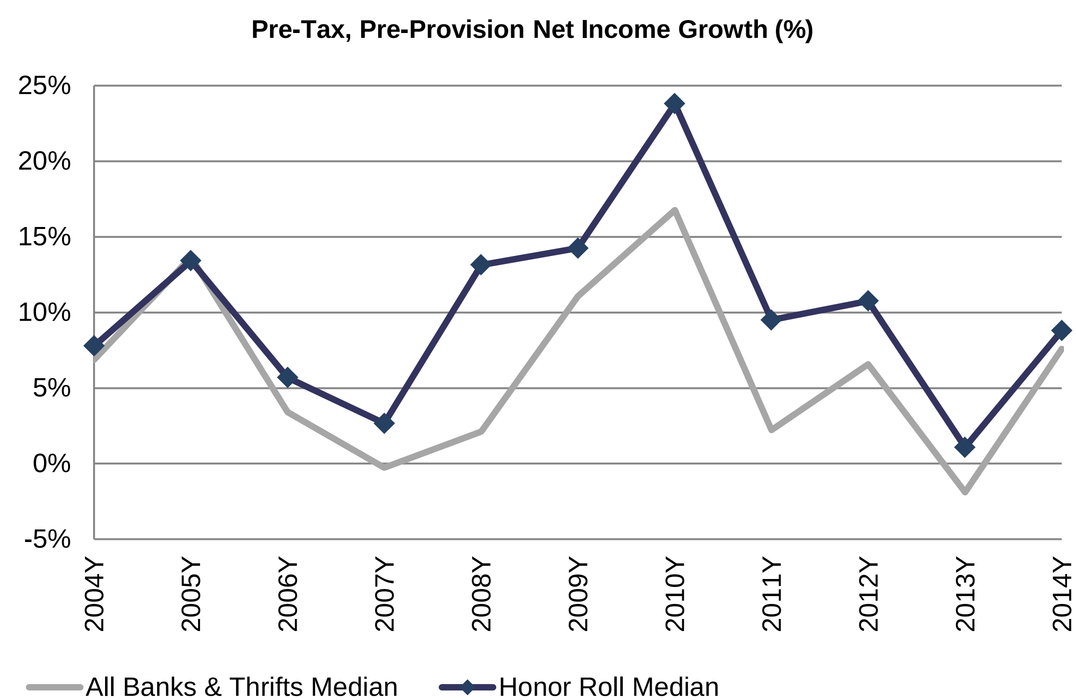
In terms of price performance, the KBW Bank Honor Roll members outperformed both the BKX and KRX. Over the five-year period between 2009 and 2014, the KBW Bank Honor Roll members posted significantly better-than-industry average price performance, rising 15.2% compounded annually over this time period on average. This represents significant outperformance relative to both the BKX and KRX's five-year compound annual growth rates (CAGR) of 11.7% and 11.8%, respectively. In addition to outperforming their banking peers, the KBW Bank Honor Roll members also outperformed the broader market, as represented by the SPX, which posted a CAGR of 13.0% over the equivalent time period.

So far 2015 has proved to be challenging for bank stock performance. In 2015 to date through April 9, despite declining 1.2% on average, the KBW Bank Honor Roll members modestly outperformed the BKX's decline of 1.9% but underperformed the KRX which advanced 0.8% and the SPX which gained 1.6%.

KBW Bank Honor Roll members also have better-than-industry performance ratios and growth rates when compared to the publicly traded bank universe with total assets over $500 million, which includes nearly 400 companies. We highlight these median ratios and growth rates over the past 10 years for both the KBW Bank Honor Roll members and the banking industry in the following exhibits.

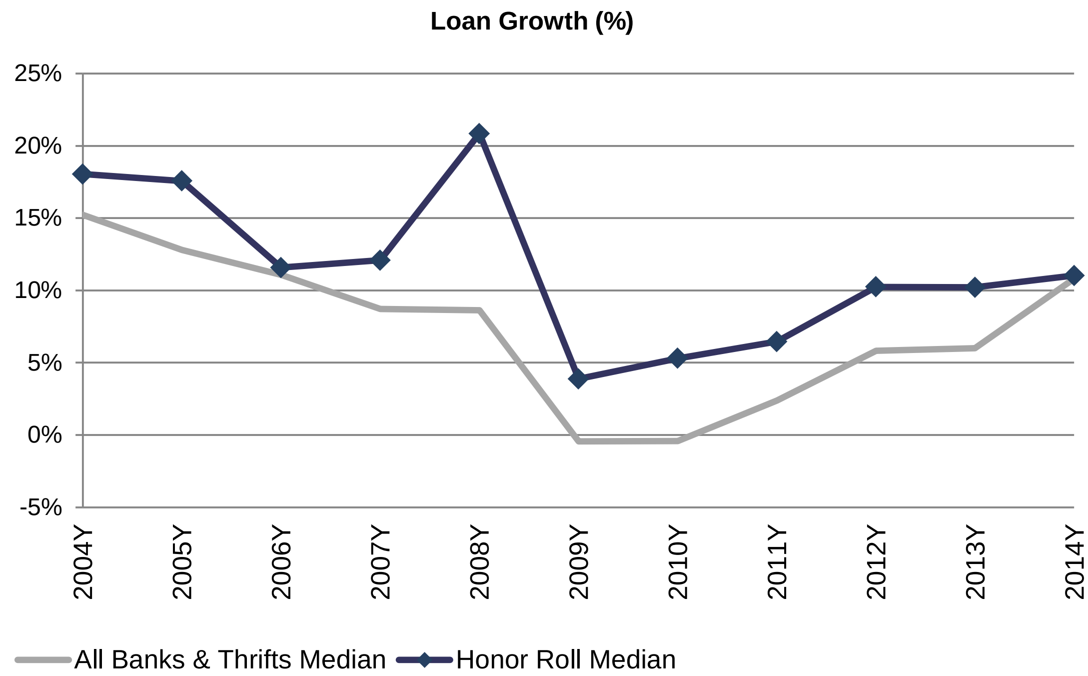
Exhibit 2: Growth Rate Analysis

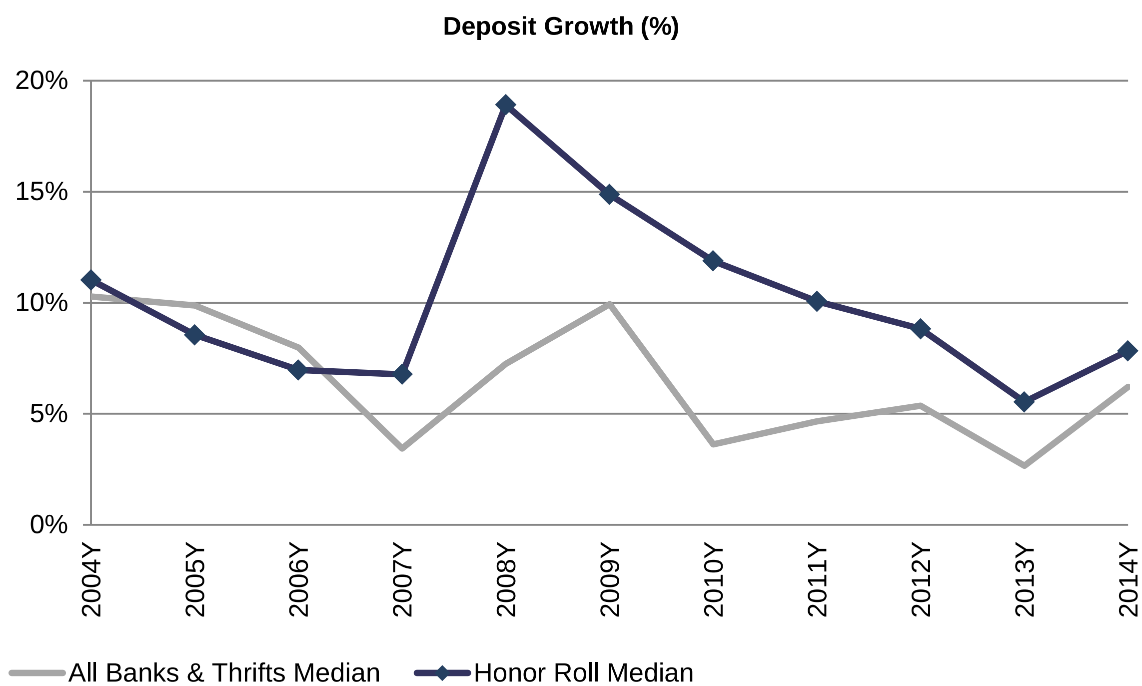




Source: KBW Research and SNL Financial.

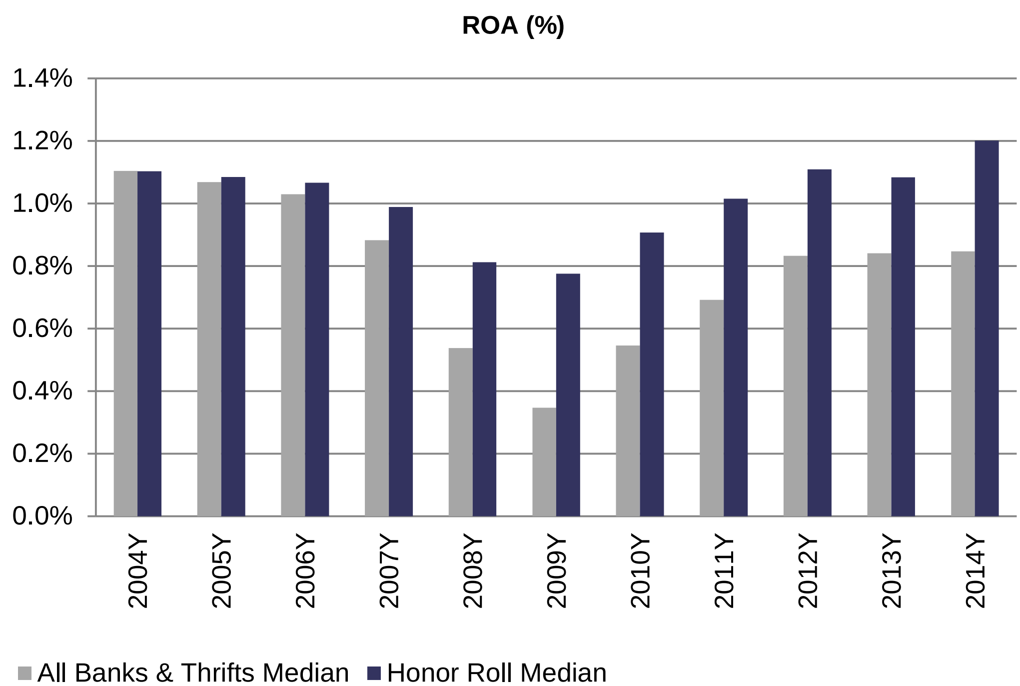
Exhibit 3: Growth Rate Analysis (Continued)

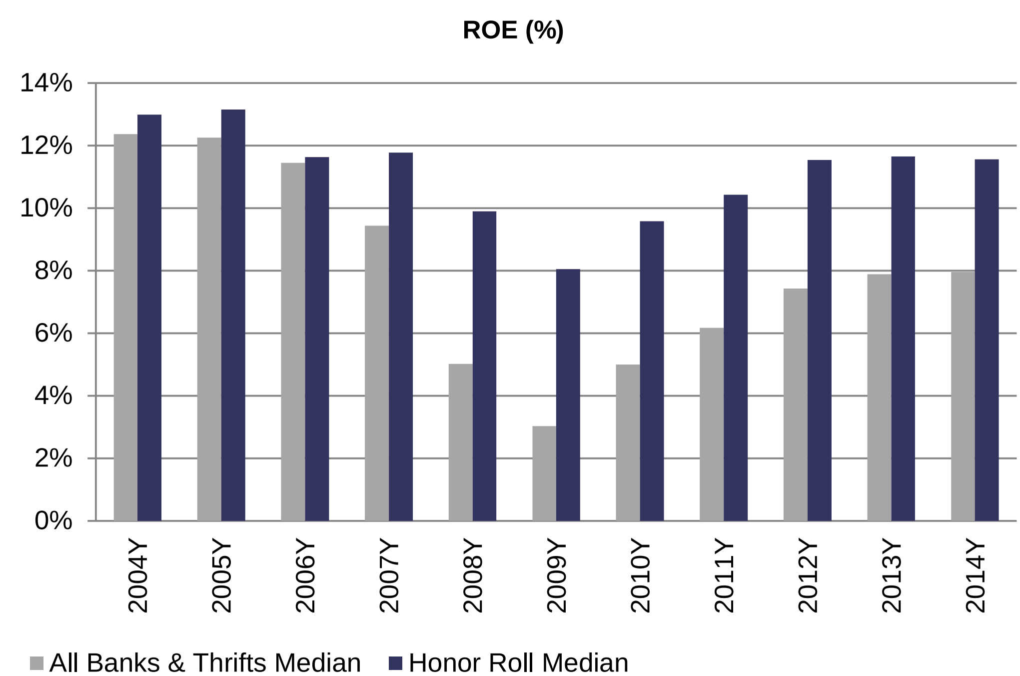




Source: KBW Research and SNL Financial.

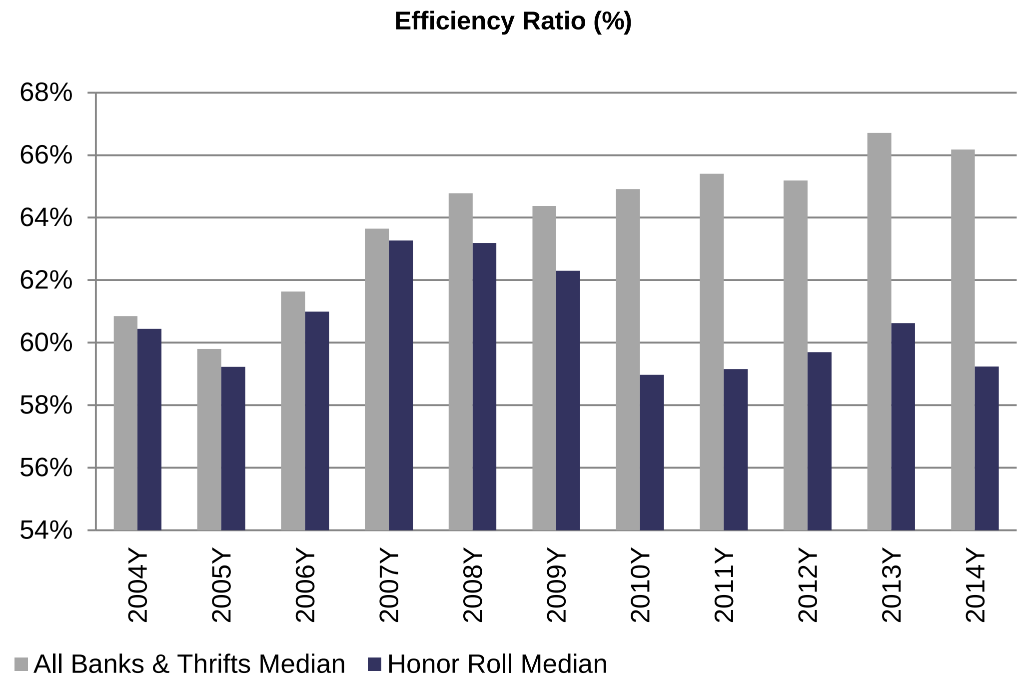
Exhibit 4: Key Ratio Analysis

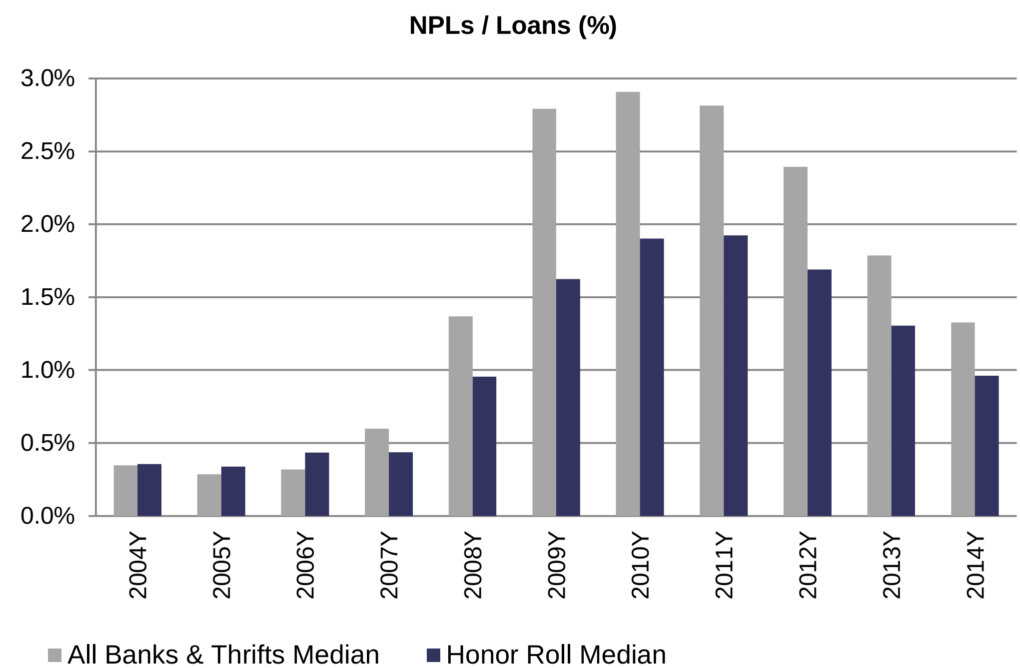




Source: KBW Research and SNL Financial.

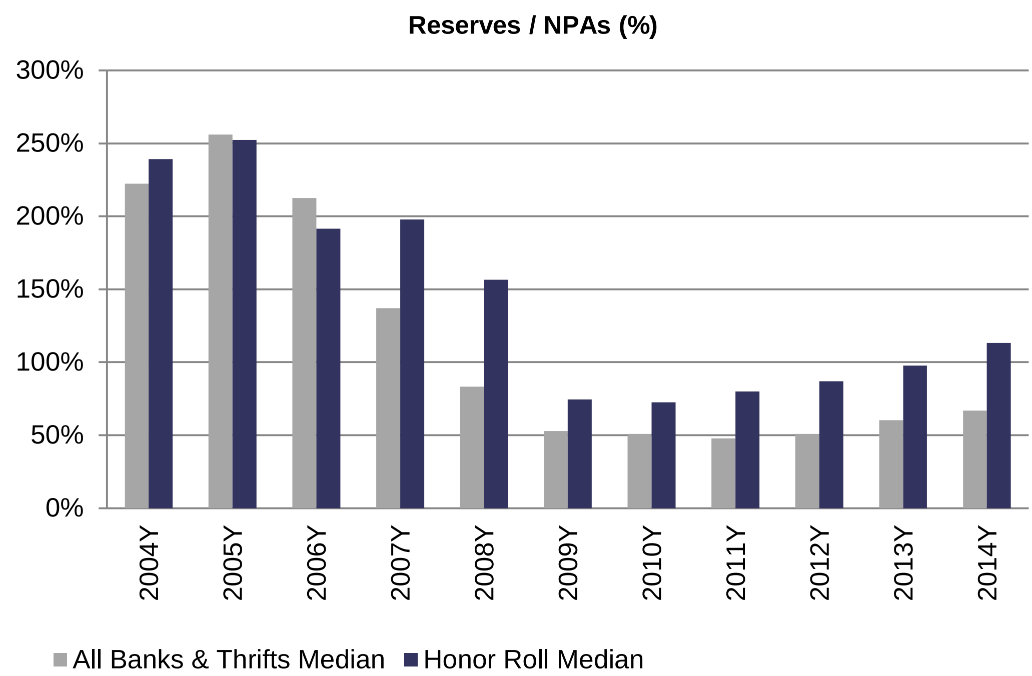
Exhibit 5: Key Ratio Analysis (Continued)





Source: KBW Research and SNL Financial.

Exhibit 6: Key Ratio Analysis (Continued)



Source: KBW Research and SNL Financial.

IMPORTANT DISCLOSURES

RESEARCH ANALYST CERTIFICATION: We, Melissa A. Roberts, Frederick Cannon, CFA and Kelly Motta, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject companies and their securities. We also certify that we have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation in this report.

Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

For disclosures pertaining to recommendations or estimates made on a security mentioned in this report, please see the most recently published company report or visit our global disclosures page on our website at http://www.kbw.com/research/disclosures or see the section below titled "Disclosure Information" for further information on how to obtain these disclosures.

AFFILIATE DISCLOSURES

This report has been prepared by Keefe, Bruyette & Woods, Inc. ("KBWI") and/or its affiliate Stifel Nicolaus Europe Limited ("SNEL"), also trading as Keefe, Bruyette & Woods Europe ("KBW Europe"); collectively "KBW". Both KBWI and KBW Europe are affiliates of Stifel, Nicolaus & Company, Inc. KBWI is regulated by FINRA and the United States Securities and Exchange Commission, is a member of NYSE, and its headquarters is located at 787 7th Avenue, New York, NY 10019. Stifel Nicolaus Europe Limited, also trading as Keefe, Bruyette & Woods Europe, is registered in England and Wales, no. 03719559 and its registered office is 7th Floor, One Broadgate, London EC2M 2QS. Stifel Nicolaus Europe Limited, also trading as Keefe, Bruyette & Woods Europe, is authorised and regulated by the Financial Conduct Authority (FCA) in the UK entered on the FCA's register, no. 190412 and is a member of the London Stock Exchange. Disclosures in the Important Disclosures section referencing KBW include one or all affiliated entities unless otherwise specified.

Registration of non-U.S. Analysts: Any non-U.S. Research Analyst employed by a non-U.S. affiliate of KBWI contributing to this report is not registered/qualified as research analyst with FINRA and/or the NYSE and may not be an associated person of KBWI and therefore may not be subject to NASD Rule 2711 or NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

Disclosure Information: For current company-specific disclosures, please write to one of the KBW entities: For **U.S. Research**: Keefe, Bruyette & Woods, Inc. Research Department, 787 7th Avenue, 4th Floor, New York, NY 10019. For **European Research:** The Compliance Officer, Keefe, Bruyette and Woods Europe, 7th Floor, One Broadgate, London EC2m 2QS. Or visit our website at http://www.kbw.com/research/disclosures. KBW has arrangements in place to manage conflicts of interest including information barriers between the Research Department and certain other business groups. As a result, KBW does not disclose certain client relationships with, or compensation received from, such companies in its research reports.

Distribution of Ratings/IB Services
KBW

			*IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
Outperform [BUY]	**221**	**36.05**	**79**	**35.75**
Market Perform [HOLD]	**330**	**53.83**	**87**	**26.36**
Underperform [SELL]	**44**	**7.18**	**9**	**20.45**
Restricted [RES]	**0**	**0.00**	**0**	**0.00**
Suspended [SP]	**18**	**2.94**	**3**	**16.67**
Covered -Not Rated [CNR]	**1**	**0.16**	**1**	**100.00**

* KBW maintains separate research departments; however, the above chart, "Distribution of Ratings/IB Services," reflects combined information related to the distribution of research ratings and the receipt of investment banking fees globally.**Note: All ratings for Keefe, Bruyette and Woods, Inc. as of January 15, 2015 reflect a relative ratings system.

Explanation of Ratings: KBW Research Department provides three core ratings: Outperform, Market Perform, and Underperform, and three ancillary ratings: Suspended, Restricted, and Covered-Not Rated. For purposes of New York Stock Exchange Rule 472 and FINRA Rule 2711, Outperform is classified as a Buy, Market Perform is classified as a Hold, and Underperform is classified as a Sell. Suspended indicates that KBW's investment rating and/or target price have been temporarily suspended due to applicable regulations and/or KBW policies. Restricted indicates that KBW is precluded from providing an investment rating or price target due to the firm's role in connection with a merger or other strategic financial transaction. Covered-Not Rated indicates that KBW is not providing an investment rating and/or price target due to the lack of publicly available information and/or its inability to adequately quantify the publicly available information to sufficiently produce such metrics.

North American Stocks and European Stocks are rated based on the share price upside to target price relative to the relevant sector index performance on a 12-month horizon. Outperform rated stocks have a greater than 10 percentage point ("pp") relative performance versus the sector, Market Perform rated stocks between +10pp to -10pp relative performance versus the sector, and Underperform rated stocks a lower than 10pp relative performance versus the sector. The 12-month price target may be determined by the stock's fundamentally driven fair value and/or other factors (e.g., takeover premium or illiquidity discount).

KBW Model Portfolio: "Model Portfolio Buy" - Companies placed on this list are expected to generate a total rate of return (percentage price change plus dividend yield) of 10% or more over the next 3 to 6 months. "Model Portfolio Sell" - Companies placed on this list are expected to generate a total rate of return (percentage price change plus dividend yield) at or below -10% over the next 3 to 6 months.

The purpose of the Model Portfolio is to inform institutional investors of KBWI's short-term (as described above) outlook for a particular industry sector. The Portfolio is not available for purchase or sale, cannot be duplicated as shown, is hypothetical and is for illustrative purposes only. For a more detailed description of the selection criteria and other specifics related to the construction of the Model Portfolio, please refer to the January 5, 2010 Model Portfolio Primer and/or contact your KBWI representative for more information.

The Model Portfolio should be viewed as a short-term outlook of a particular industry sector, not as individual security recommendations. The Model Portfolio uses a three-to-six-month time horizon and should not be considered when making longer term investments. KBWI Research publishes research with a 12-month outlook on each issuer of securities contained in the Model Portfolio. Investors who are interested in a particular security should request KBWI Research's coverage of such securities by contacting your KBWI representative. KBW research contains analyses of fundamentals underlying each issuer.

KBWI's long-term recommendations may differ from recommendations made for the Model Portfolio. These differences are the result of different time horizons—KBWI research has a 12-month outlook and the Model Portfolio has a three-to-six-month outlook.

Although the model portfolio is based upon actual performance of actual investments, KBWI did not recommend that investors purchase this combination—or hypothetical portfolio—of investments during the time period depicted here. As this hypothetical portfolio was designed with the benefit of hindsight, the choice of investments contained in it reflects a subjective choice by KBWI. Accordingly, this hypothetical portfolio may reflect a choice of investments that performed better than an actual portfolio, which was recommended during the depicted time frame, would have performed during the same time period. Moreover, unlike an actual performance record, these results do not represent actual trading wherein market conditions or other risk factors may have caused the holder of the portfolio to liquidate or retain all or part of the represented holdings.

Stifel/KBW Income Opportunity List, Stifel/KBW Analyst Select List, and Stifel/KBW Select Income Opportunity—The Crossovers List: These lists include companies that analysts believe have the most attractive risk-adjusted return potential over the next 12 months, or, in the case of the Stifel/KBW Income Opportunity Ideas List, have yield in excess of 2%. In some cases, analysts who cover more than one sub-sector may have more than one name on the list.

Other Research Methods: Please be advised that KBW provides to certain customers on request specialized research products or services that focus on covered stocks from a particular perspective. These products or services include, but are not limited to, compilations, reviews, and analysis that may use different research methodologies or focus on the prospects for individual stocks as compared to other covered stocks or over differing time horizons or under assumed market events or conditions.

OTHER DISCLOSURES

Indices: The following indices: U.S.: KBW Bank Index (BKX), KBW Insurance Index (KIX), KBW Capital Markets Index (KSX), KBW Regional Banking Index (KRX), KBW Mortgage Finance Index (MFX), KBW Property & Casualty Index (KPX), KBW Premium Yield Equity REIT Index (KYX); KBW Financial Sector Dividend Yield Index (KDX) and Global: KBW Global ex-U.S. Financial Sector Index (KGX), are the property of KBWI.

KBWI does not guarantee the accuracy and/or completeness of the Indices, makes no express or implied warranties with respect to the Indices and shall have no liability for any damages, claims, losses, or expenses caused by errors in the index calculation. KBWI makes no representation regarding the advisability of investing in options on the Index. **Past performance is not necessarily indicative of future results.**

ETFs: The shares ("Shares") of KBW ETFs are not sponsored, endorsed, sold, or promoted by KBWI. KBWI makes no representation or warranty, express or implied, to the owners of the Shares or any member of the public regarding the advisability of investing in securities generally or in the Shares particularly or the ability of its Indices to track general stock market performance. The only relationship of KBWI to Invesco PowerShares Capital Management LLC and ProShares is the licensing of certain trademarks and trade names of KBWI and its Indices which are determined, composed, and calculated by KBWI without regard to Invesco PowerShares Capital Management LLC and ProShares, the fund, or the Shares. KBWI has no obligation to take the needs of Invesco PowerShares Capital Management LLC and ProShares or the owners of the shares into consideration in determining, composing, or calculating the Indices. KBWI is not responsible for and has not participated in any determination or calculation made with respect to issuance or redemption of the Shares. KBWI has no obligation or liability in connection with the administration, marketing, or trading of the Shares.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Investing in a single sector may be subject to more volatility than funds investing in a diverse group of sectors. Brokerage commissions and ETF expenses will reduce returns. In general, ETFs can be expected to move up or down in value with the value of the applicable index. Although ETFs may be bought and sold on the exchange through any brokerage account, ETFs are not individually redeemable from the Fund. Investors may acquire ETFs and tender them for redemption through the Fund in Creation Unit Aggregations only, please see the prospectus for more details. There are risks involved with investing in ETFs, including possible loss of money. Shares are not actively managed and are subject to risks including those regarding short selling and margin maintenance requirements. Past performance is not necessarily indicative of future results.

Leverage and Inverse ETFs: ProShares Ultra KBW Regional Banking (KRU) and ProShares Short KBW Regional Banking (KRS) ETFs seek returns that are either 2x, -1x, respectively, the return of an index or other benchmark (target) **for a single day**, as measured from one NAV calculation to the next. **Due to the compounding of daily returns, returns over periods other than one day will likely differ in amount and possibly direction from the target return for the same period.** These effects may be more pronounced in funds with larger or inverse multiples and in funds with volatile benchmarks. These funds may not be suitable for all investors and should be used only by knowledgeable investors who understand the potential consequences of seeking daily leveraged investment results. **Investing involves risk, including the possible loss of principal. ProShares Short are non-diversified and should lose value when their market indexes rise—a result that is opposite from traditional ETFs—**and they entail certain risks including risk associated with the use of derivatives, imperfect benchmark correlation, leverage, and market price variance, all of which can increase volatility and decrease performance.

For more on correlation, leverage, and other risks, please read the prospectus.

An investor should consider the Funds' investment objectives, risks, charges, and expenses carefully before investing. This and other information can be found in their prospectuses. For this and more complete information about the Funds, call InvescoPowerShares at 1-800-983-0903 or visit https://invescopowershares.com; or call ProShares Client Services at 1-866-776-5125 or visit http://www.proshares.com/resources/litcenter/ for a prospectus. The prospectus should be read carefully before investing.

Shares of the ETFs funds are not guaranteed or insured by the FDIC or by another governmental agency; they are not obligations of the FDIC nor are they deposits or obligations of or guaranteed by KBWI, Invesco PowerShares Capital Management LLC or ProShares. ETFs are distributed by Invesco Distributors, Inc. the distributor of the PowerShares Exchange-Traded Fund Trust II. PowerShares® is a registered trademark of Invesco PowerShares Capital Management LLC; ProShares are distributed by SEI Investments Distribution Co., which is not affiliated with ProFunds Group or its affiliates.

General Risk Disclosure: Investments in securities or financial instrument involve numerous risks which may include market risk, counterparty default risk, liquidity risk and exchange rate risk. No security or financial instrument is suitable for all investors, and some investors may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in this communication. The securities of some issuers may not be subject to the audit and reporting standards, practices and requirements comparable to those companies located in the investor's local jurisdiction. Where net dividends to ADR investors are discussed, these are estimated, using withholding tax rate conventions, and deemed accurate, but recipients should always consult their tax advisor for exact dividend computations.

COUNTRY-SPECIFIC AND JURISDICTIONAL DISCLOSURES

United States: This report is being distributed in the U.S. by KBWI. Where the report has been prepared by a non-U.S. affiliate, KBWI accepts responsibility for its contents. **U.K. and European Economic Area (EEA):** This report is issued and approved for distribution in the EEA by Stifel Nicolaus Europe Limited, also trading as Keefe, Bruyette & Woods Europe, which is regulated in the United Kingdom by the Financial Conduct Authority (FCA).

In jurisdictions where KBW is not already licensed or registered to trade securities, transactions will only be affected in accordance with local securities legislation which will vary from jurisdiction to jurisdiction and may require that a transaction is carried out in accordance with applicable exemptions from registration and licensing requirements. Non-U.S. customers wishing to effect a transaction should contact a representative of the KBW entity in their regional jurisdiction except where governing law permits otherwise. U.S. customers wishing to effect a transaction should do so by contacting a representative of KBWI.

ONLY DISTRIBUTE UNDER REGULATORY LICENSE

This communication is only intended for and will only be distributed to persons residing in any jurisdictions where such distribution or availability would not be contrary to local law or regulation. This communication must not be acted upon or relied on by persons in any jurisdiction other than in accordance with local law or regulation and where such person is an investment professional with the requisite sophistication and resources to understand an investment in such securities of the type communicated and assume the risks associated therewith.

The securities discussed in this report may not be available for sale in all jurisdictions. Clients considering an investment in the securities discussed should speak with their sales representative prior to making an investment decision.

CONFIDENTIAL INFO

This communication is confidential and is intended solely for the addressee. It is not to be forwarded to any other person or copied without the permission of the sender. Please notify the sender in the event you have received this communication in error.

NO SOLICITATION OR PERSONAL ADVICE

This communication is provided for information purposes only. It is not a personal recommendation or an offer to sell or a solicitation to buy the securities mentioned. Investors should obtain independent professional advice before making an investment.

ASSUMPTIONS, EFFECTIVE DATE, AND UPDATES

Certain assumptions may have been made in connection with the analysis presented herein, so changes to assumptions may have a material impact on the conclusions or statements made in this communication. Facts and views presented in this communication have not been reviewed by, and may not reflect information known to, professionals in other business areas of KBW, including investment banking personnel.

The information relating to any company herein is derived from publicly available sources and KBW makes no representation as to the accuracy or completeness of such information. Neither KBW nor any of its officers or employees accept any liability whatsoever for any direct, indirect, or consequential damages or losses arising from any use of this report or its content.

This communication has been prepared as of the date of the report.

KBW does not undertake to advise clients of any changes in information, estimates, price targets, or ratings, all of which are subject to change without notice. The recipients should assume that KBW will not update any fact, circumstance, or opinion contained in this report.

COPYRIGHT