Managing Liquidity in a Rising Rate Environment

Not-for-Profit Summit

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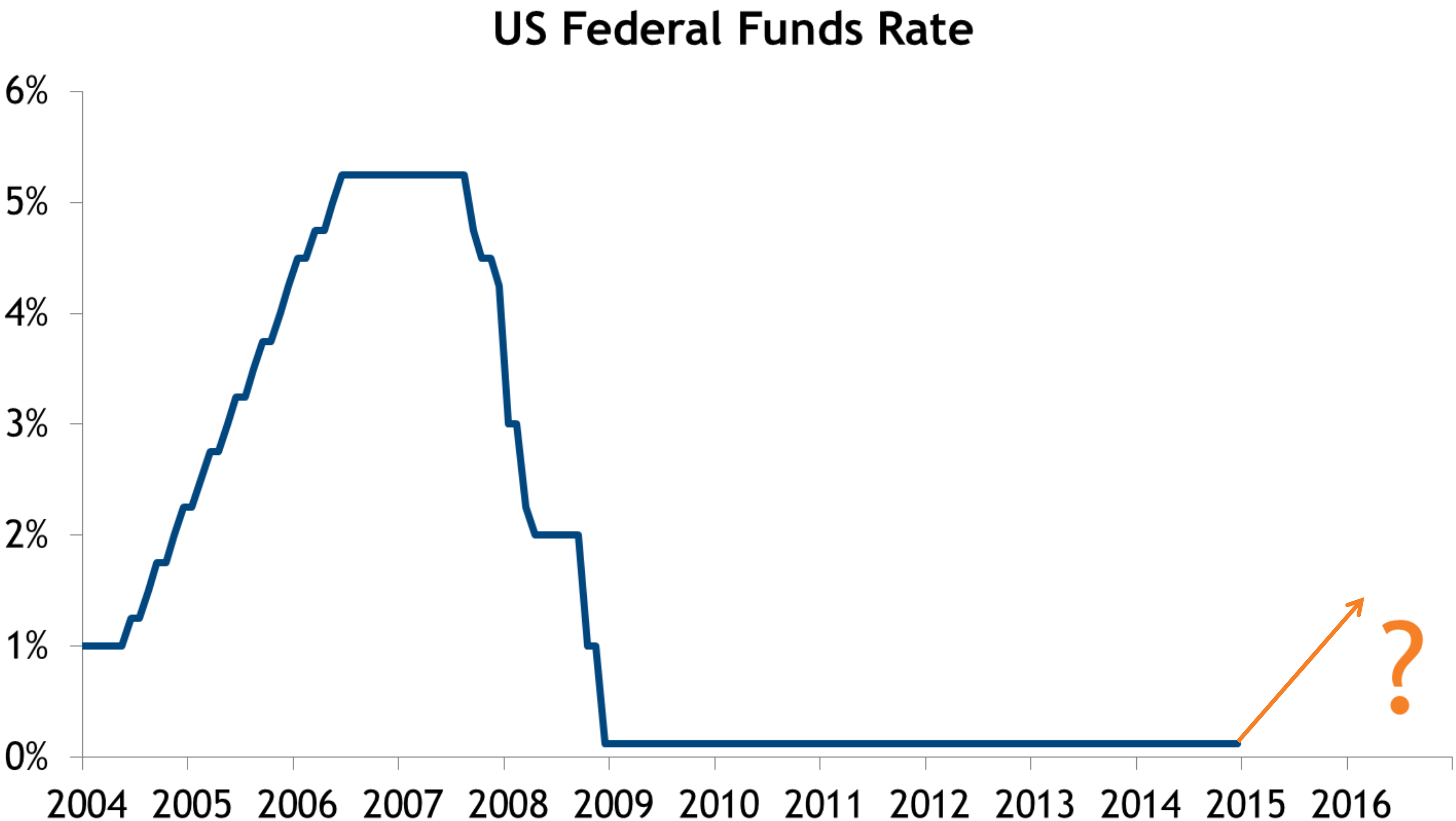
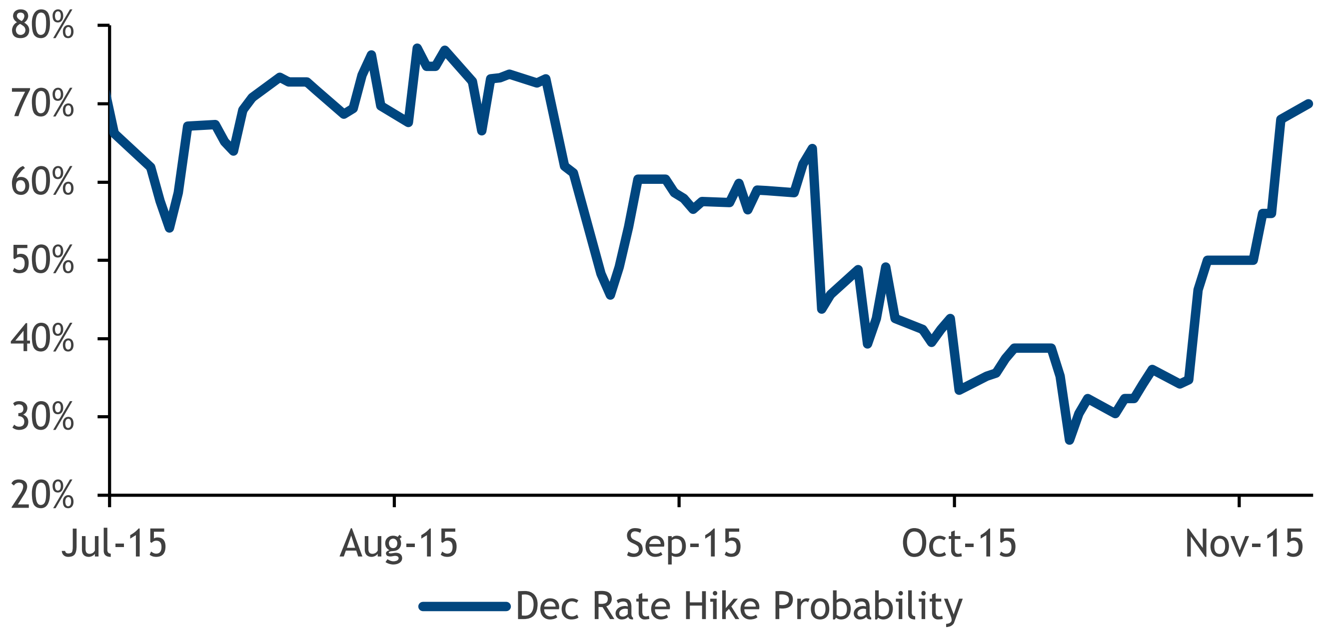
Fed Uncertainty Weighing on the Market



Data Source: Haver

Market Expectations for a 2015 Fed Funds Rate Hike

- Coming into the close of 2015, all eyes are focused on US economic data and its implications for a Fed rate hike decision. A strikingly positive October jobs report showed the US economy adding 271k jobs, unemployment falling to 5.0% and wage growth accelerating to 2.5% y/y. While the Fed has emphasized a data dependent approach, the latest FOMC language about "determining whether it will be appropriate to raise the target range at its next meeting," when combined with October's positive labor report, has raised the probability of a December rate hike to 70% as measured by Fed Funds futures

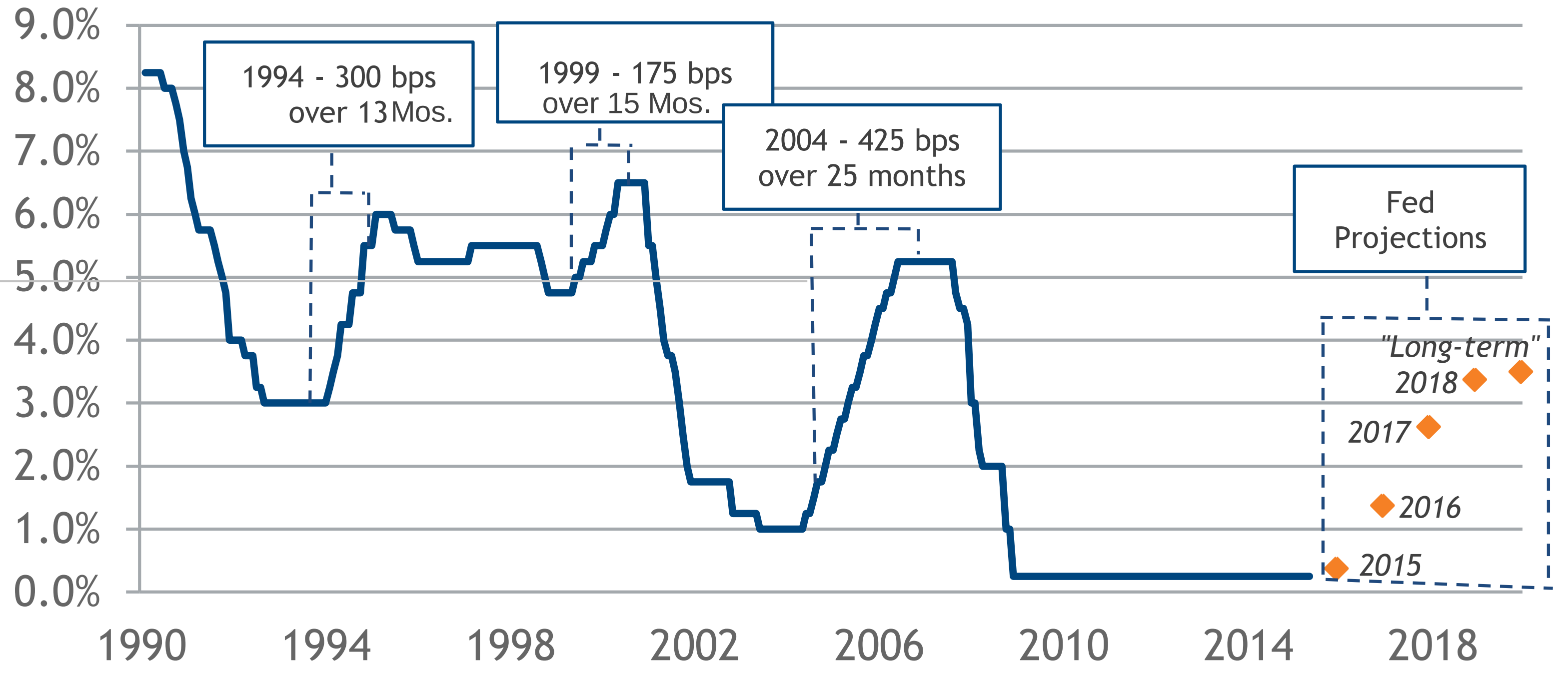


The Importance of Recent Fed Commentary

FOMC provided further insight into the timing of the first rate increase at its October meeting

- The FOMC left its target Fed Funds rate at 0.00% - 0.25%
- The October statement indicated that economy continues to expand at a moderate pace, however the statement was more hawkish than the September release, which now removed references to global uncertainty. The Fed appears less concerned with the isolated international economic events, which suggests that the impact on domestic growth will be limited

Fed Funds Target Rate with Last Three Tightening Campaigns



[1]Follows the median of the Fed's Projections. Implied 1mL forward curve is for approximately four years from start date. Assumes 1mL trades 16 bps above the Fed Funds Rate (historical average since December 1984). Source: Bloomberg, Federal Reserve

LIBOR on the rise

Ahead of a likely 2015 Fed rate hike, LIBOR resets have edged higher

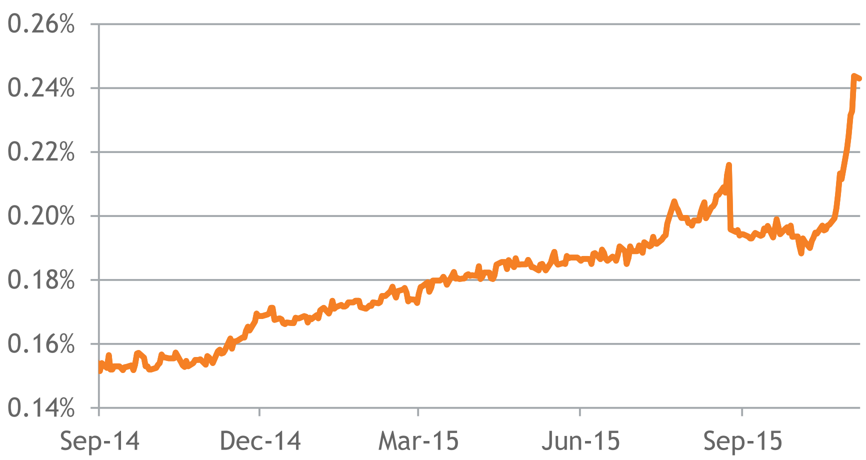
The timing of the Fed still remains in question, but current futures markets are pricing in a ~70% chance of a rate hike at the December 16th FOMC meeting

The Fed ended its latest Quantitative Easing program in October 2014. Since then, market participants have tried to determine the timing and pace of the first tightening cycle since June 2004

Recent labor market data suggests a robust job environment. Over the past 12 months, the economy added nearly 3 million jobs. Moreover, the number of private industry positions open (JOLT Survey) jumped to 5.53 million

However, inflation data remains below the Fed's targeted 2% threshold. Personal Consumption Expenditures, the Fed's preferred measure of inflation, was +1.3% (ex food and energy) y/y for the September reading

1-month LIBOR



3-month LIBOR

Source: Bloomberg. The counterparty in all Financial Risk Management transactions is SunTrust Bank

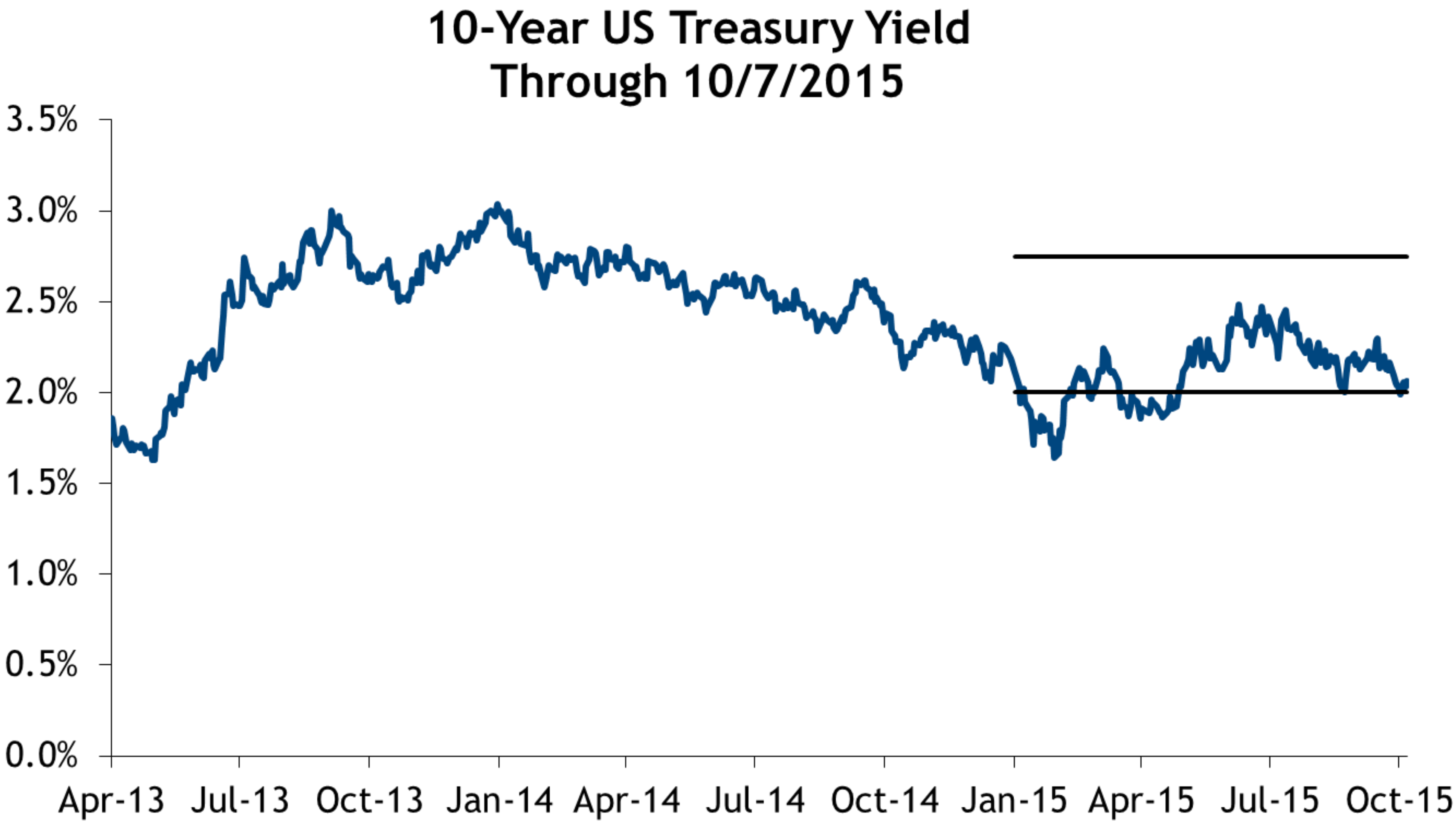
Historical Periods vs. Today

Four Most Recent Tightening Cycles vs. Today			
Indicator	**Average**	**Current**	**Condition for Fed Hike?**
Unemployment Rate	5.5%	5.1%	GO
PMI Manufacturing	57.0	50.2	SLOW
Inflation	2.9%	0.2%	STOP

Source: Haver; SunTrust IAG

Q & A

Interest Rates Range Bound



Source: FactSet; SunTrust IAG

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