

Wake Me Up When September Ends

2011 ABIA Annual Conference
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Wake Me Up When September Ends

Here comes the rain again
falling from the stars
drenched in my pain again
becoming who we are.

As my memory rests
but never forgets what I lost
wake me up when September ends.

- Green Day

Key Themes

- **It's Not 2008**

(Even Though It Feels That Way)

- **Time Horizon is 5-6 Years**
- **It's a Small World After All**
- **Self-Inflicted Head Wounds**

It's Not 2008

(Even Though It Feels That Way)

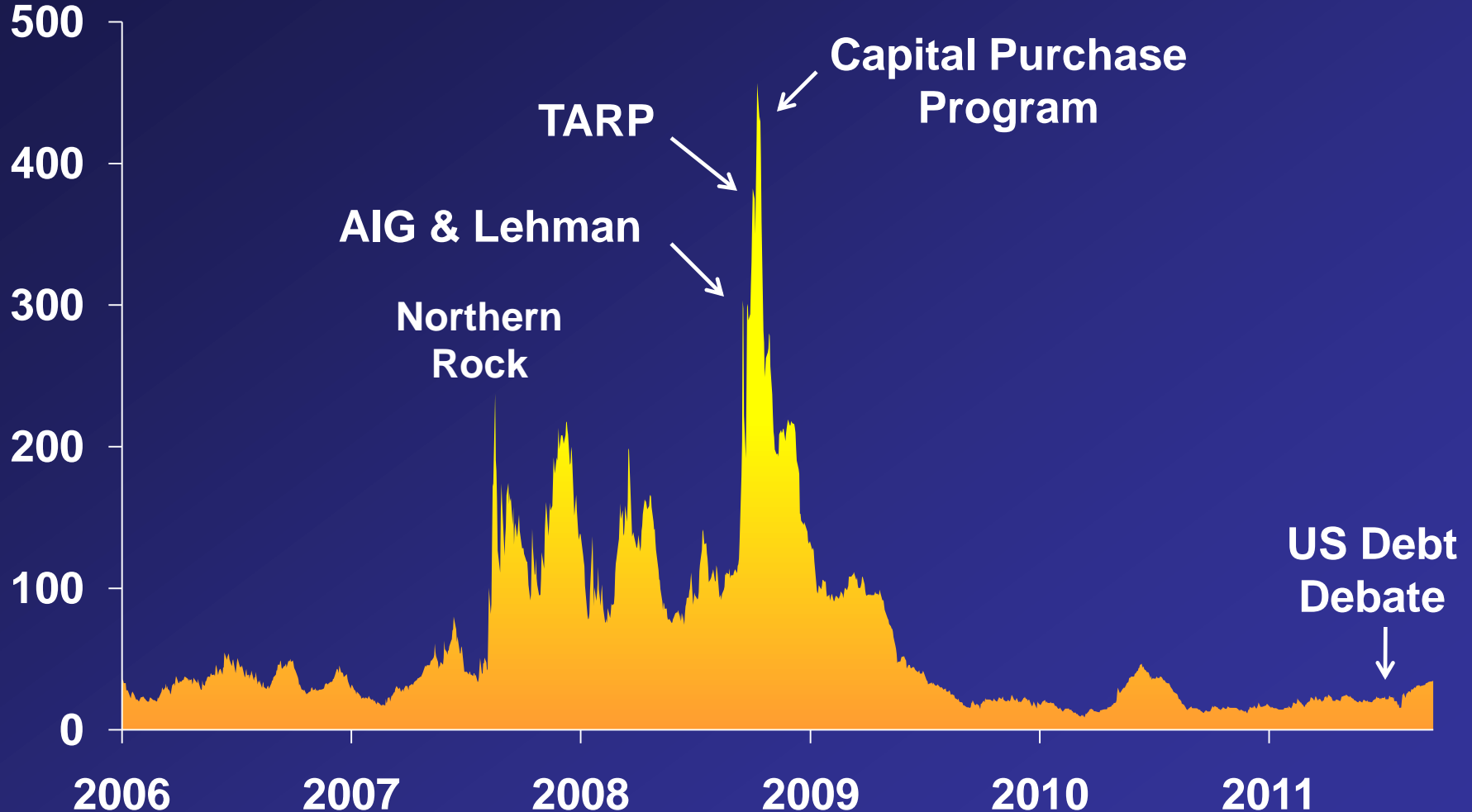
Markets Remain Volatile

VIX: Expected Annualized % Change in S&P 500 Over Future 30 Days



Risk Spreads Remain Low

Basis Points



Source: Federal Reserve and British Bankers' Association. 3 Month USD Libor to the 3 Month Treasury Bill.

Just One of Those Things?

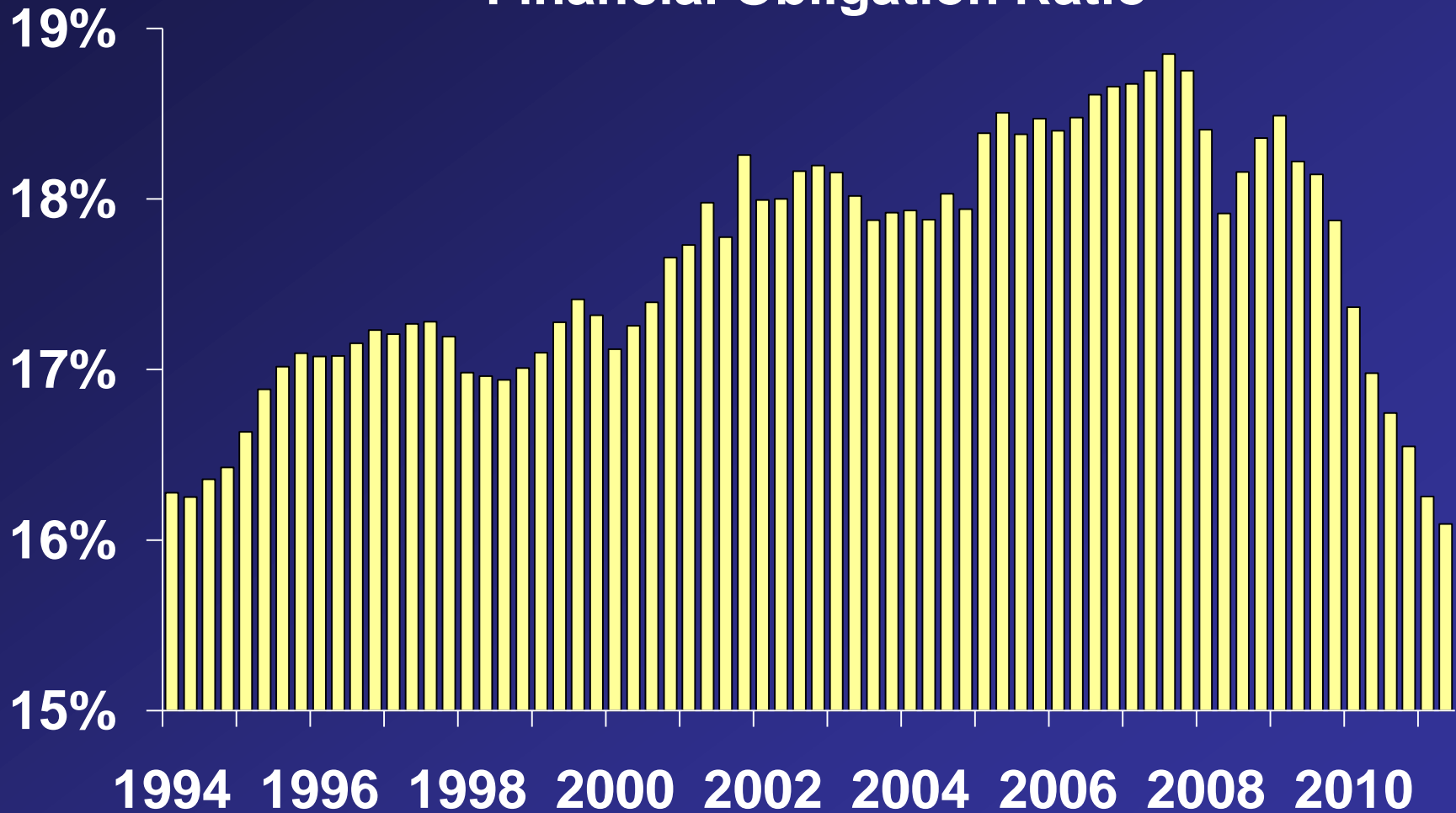
**If we thought a bit
about the end of it
when we started painting the town.**

**We'd have been aware that our love affair
was too hot not to cool down.**

- Cole Porter

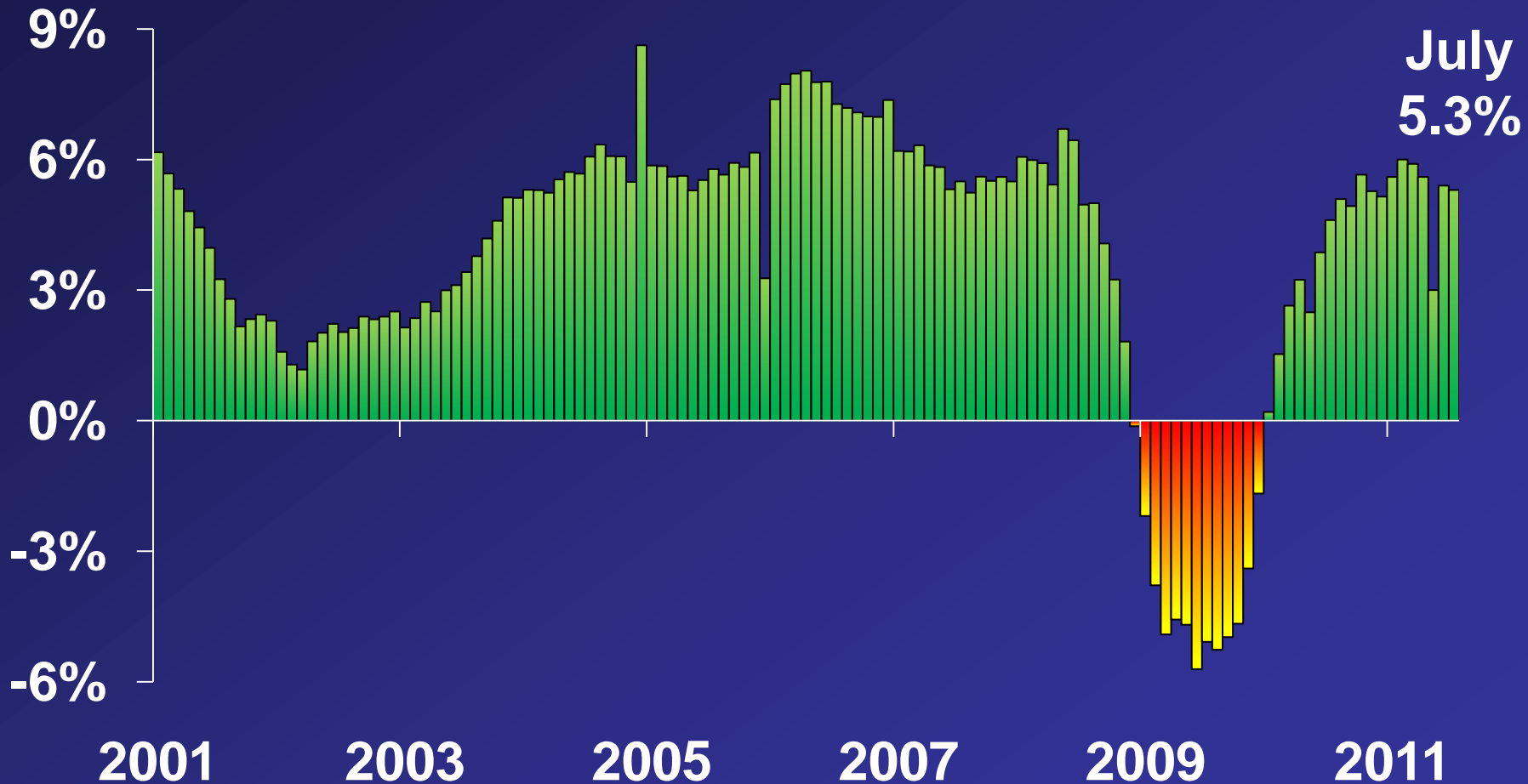
Households' Balance Sheets Stronger

Financial Obligation Ratio

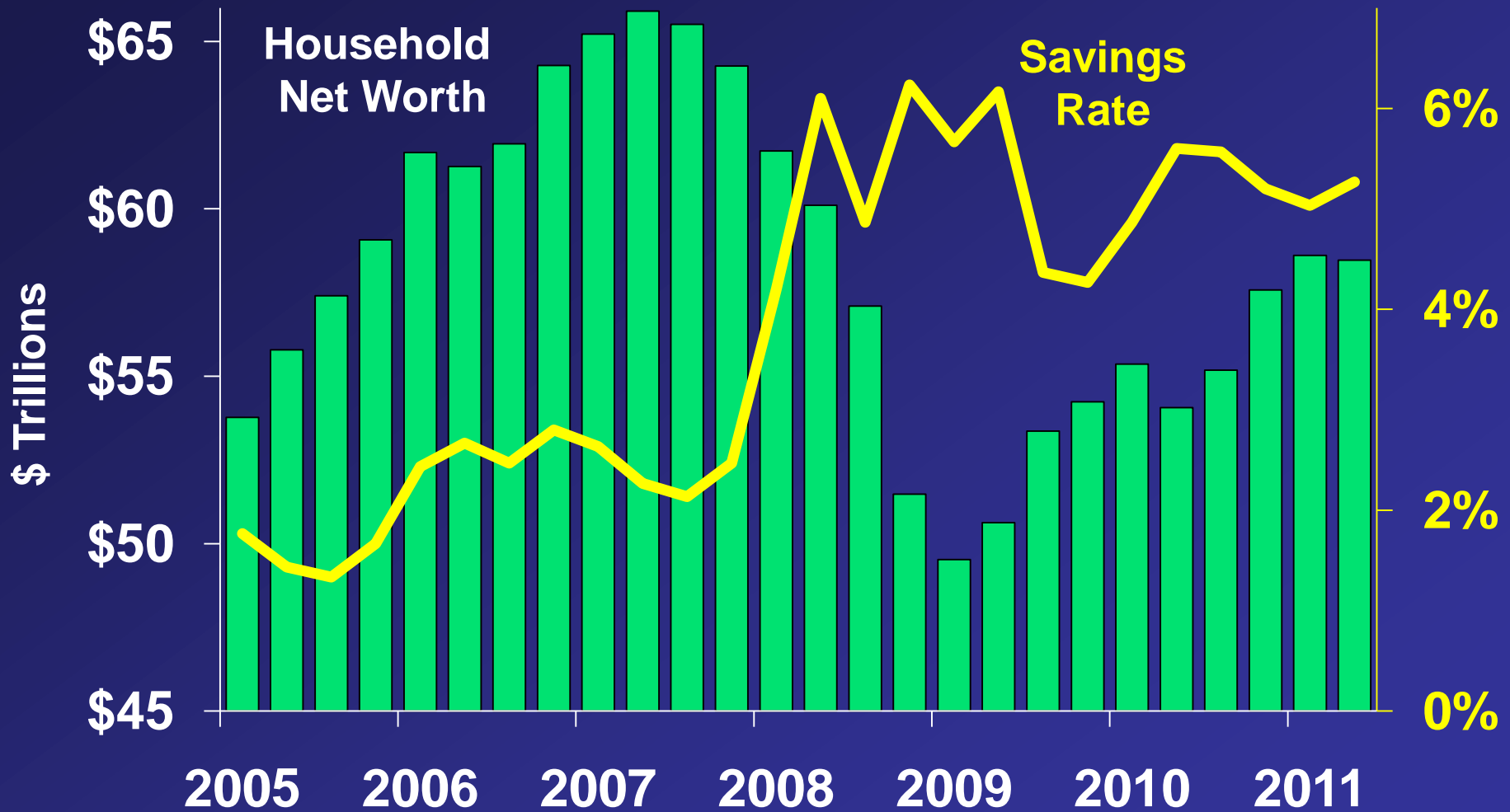


Personal Income Growth

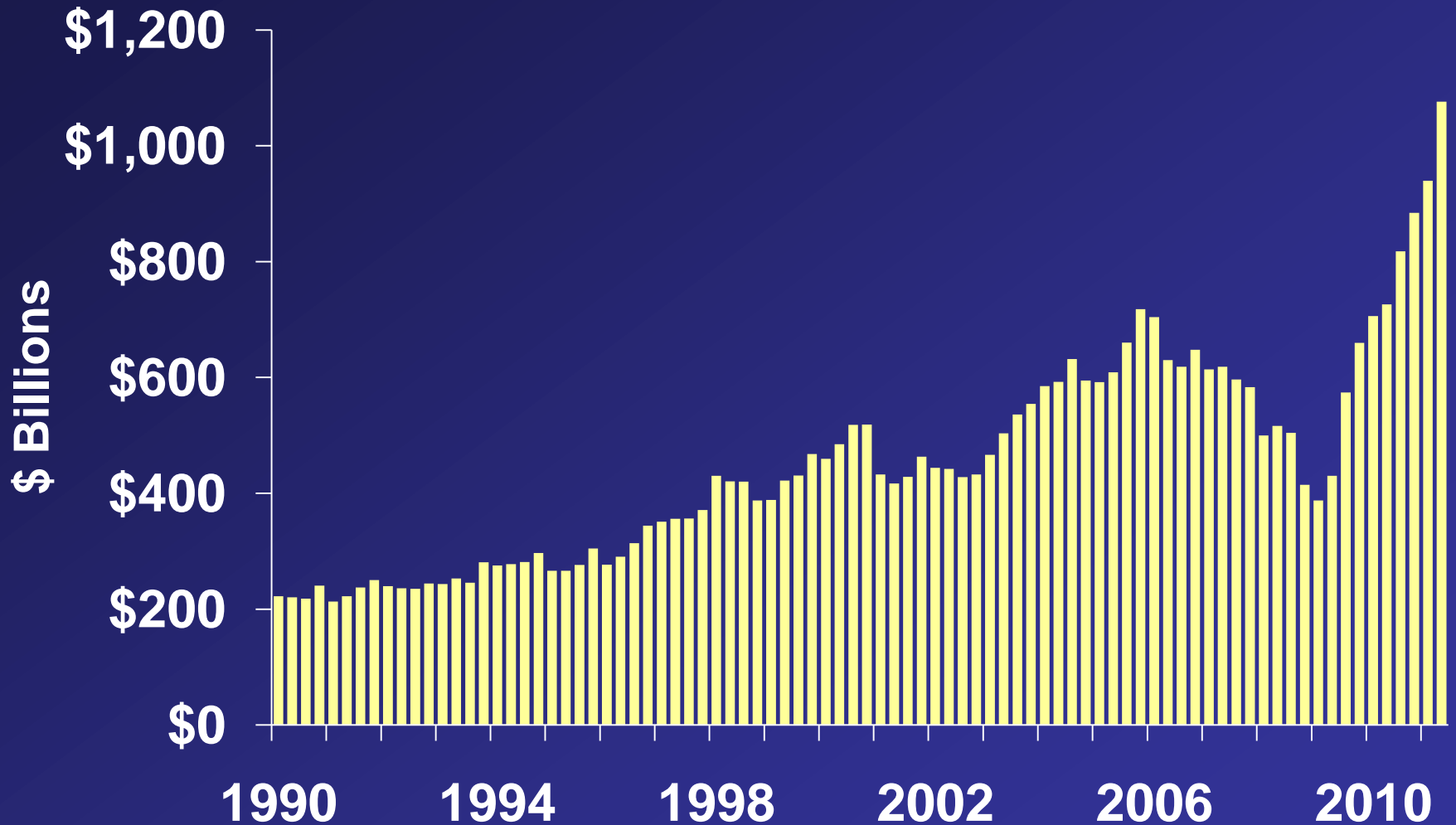
Seasonally Adjusted Year-Over-Year Growth Rate



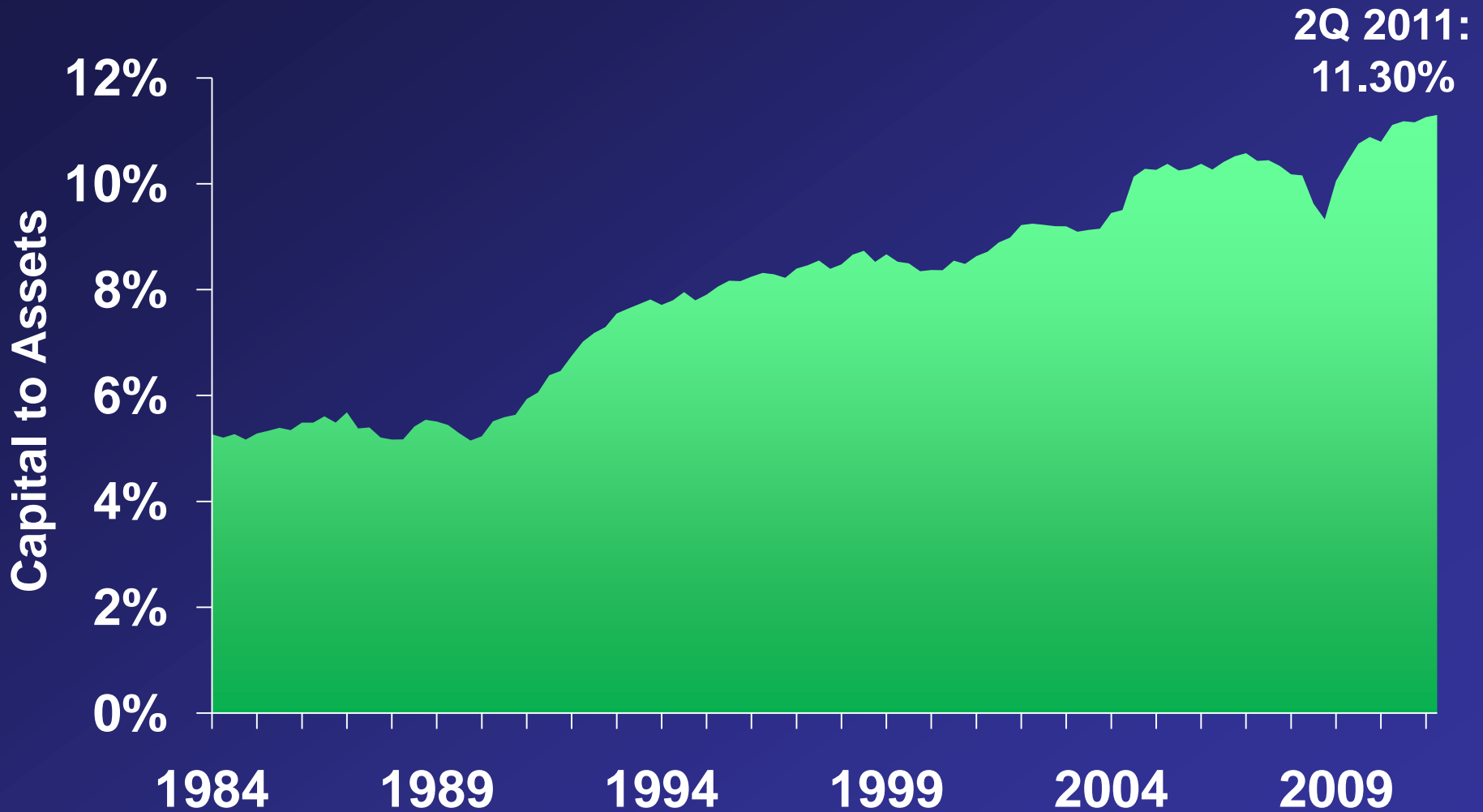
Household Net Worth



Corporate Cash At Record Levels

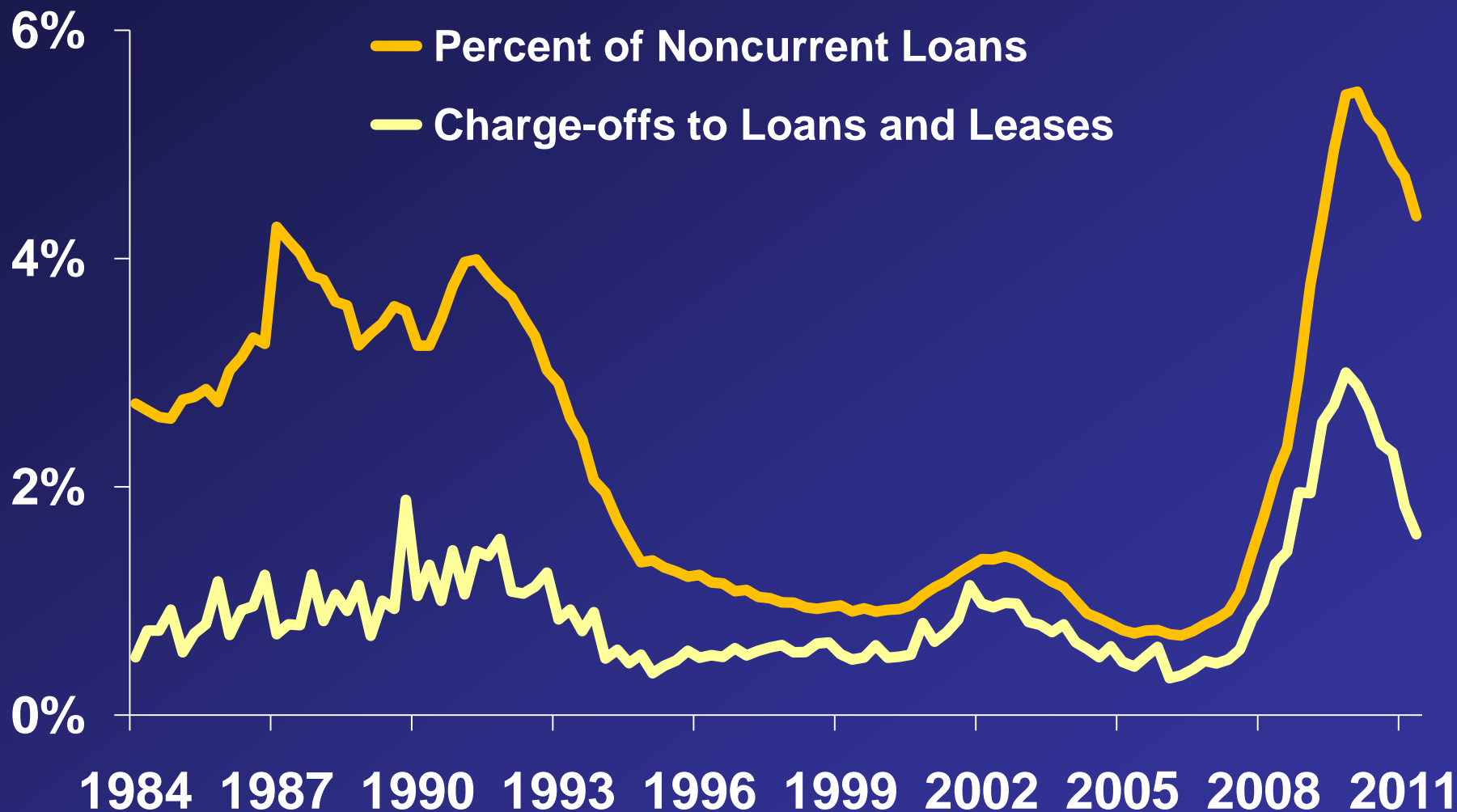


Banks Holding More Capital

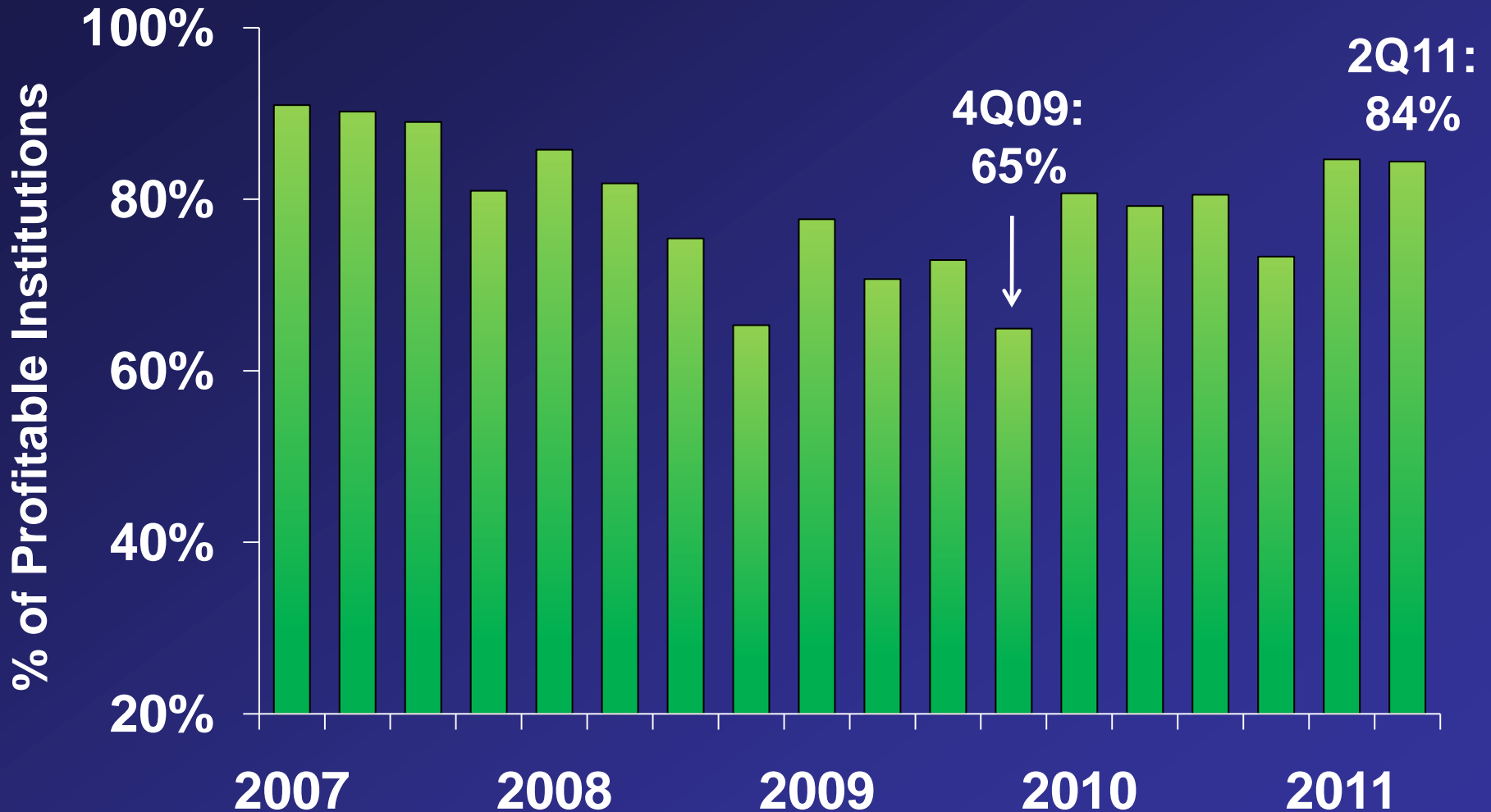


Source: FDIC through 2Q 2011.

Asset Quality Remains an Issue



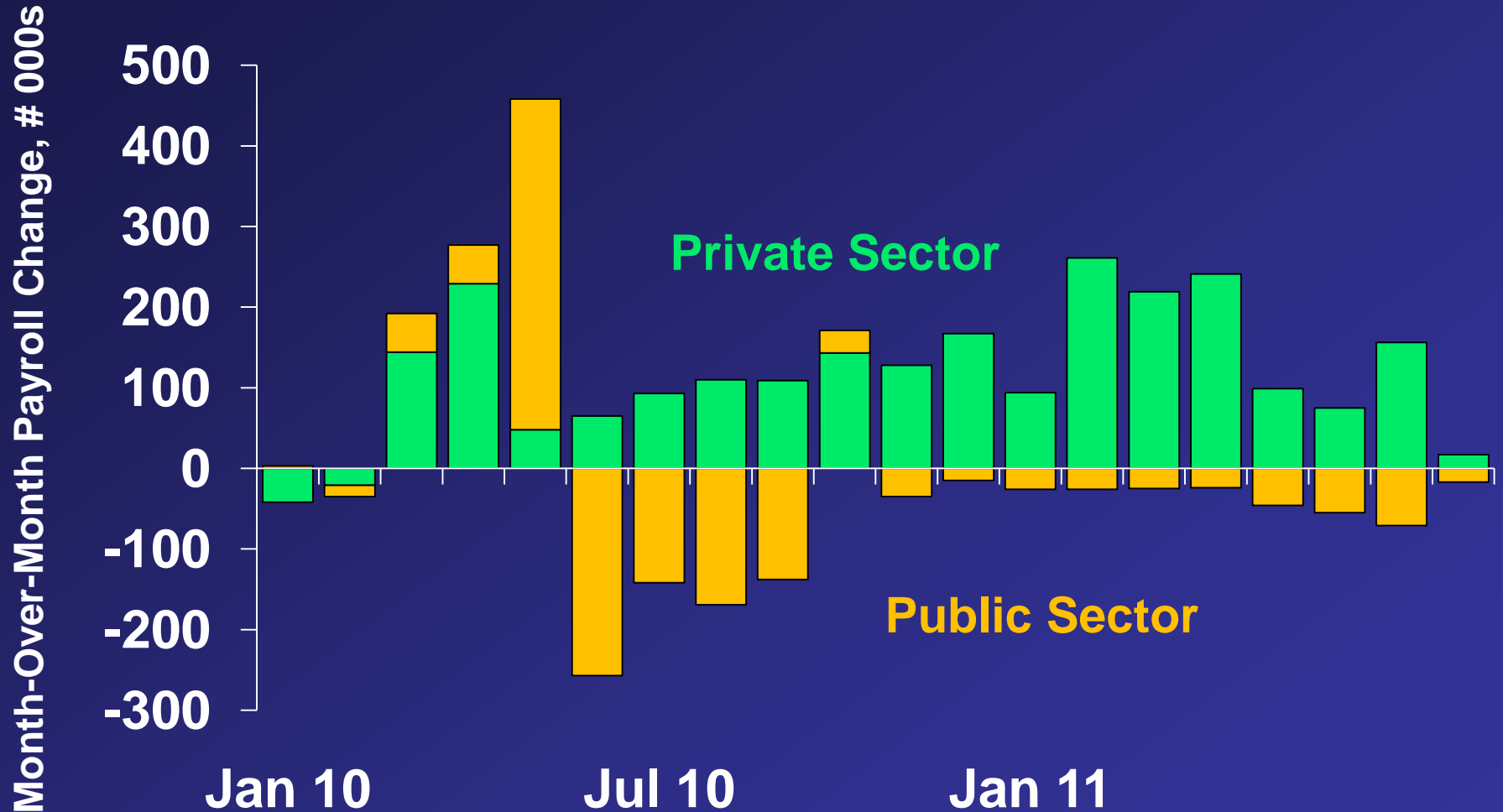
Majority of Banks Remain Profitable



Payrolls

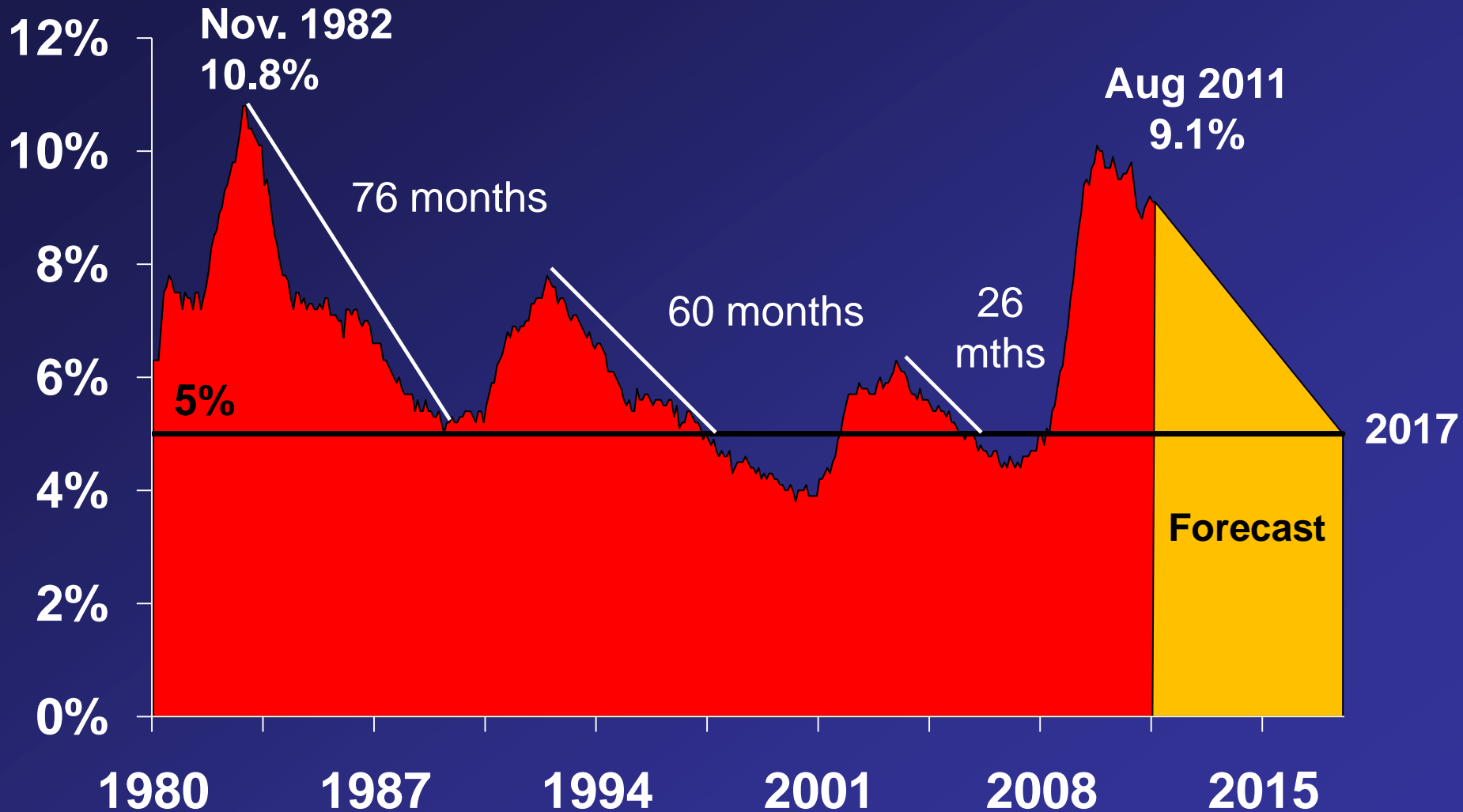


Monthly Payroll Change By Sector

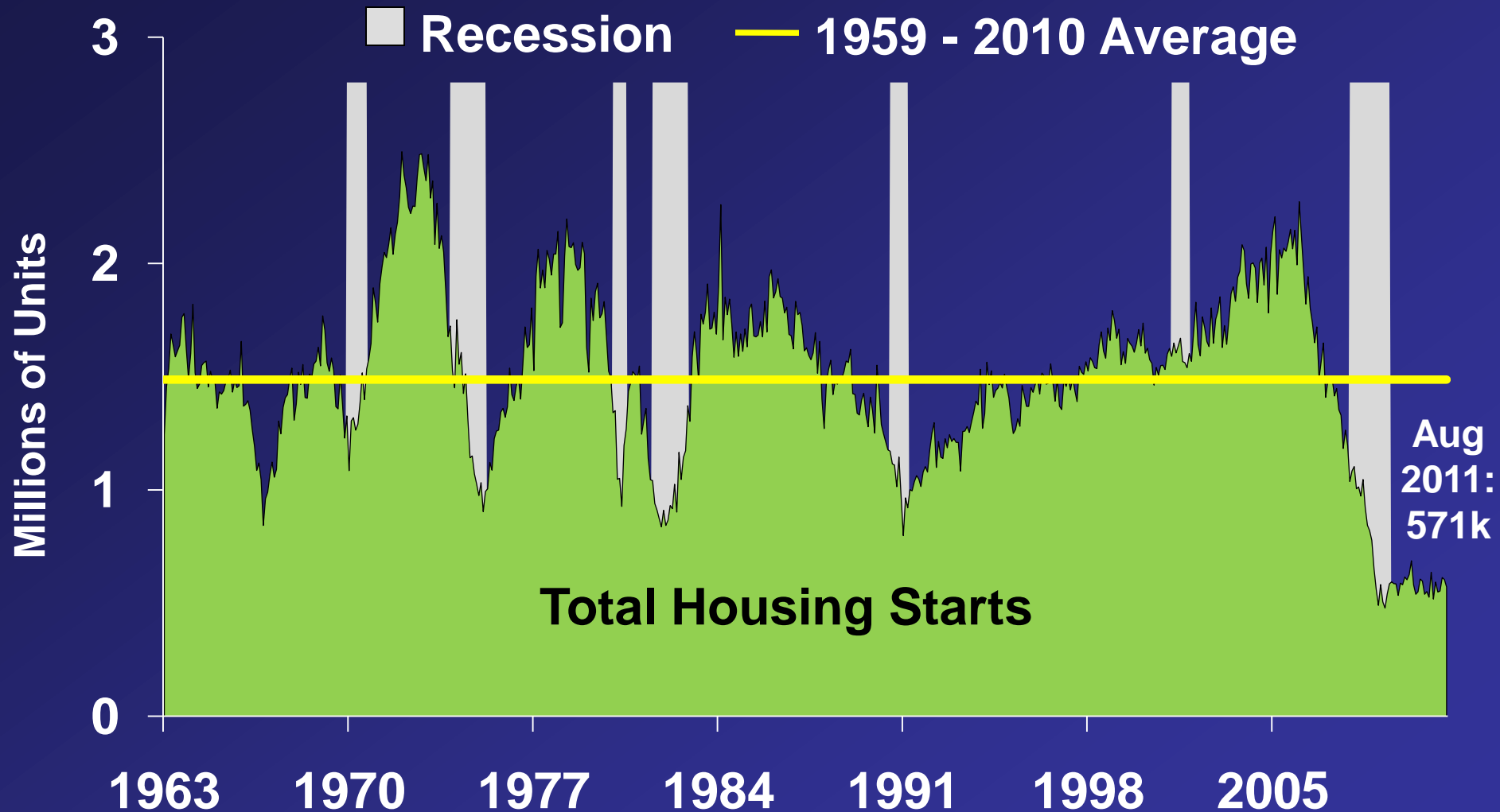


Time Horizon is 5-6 Years

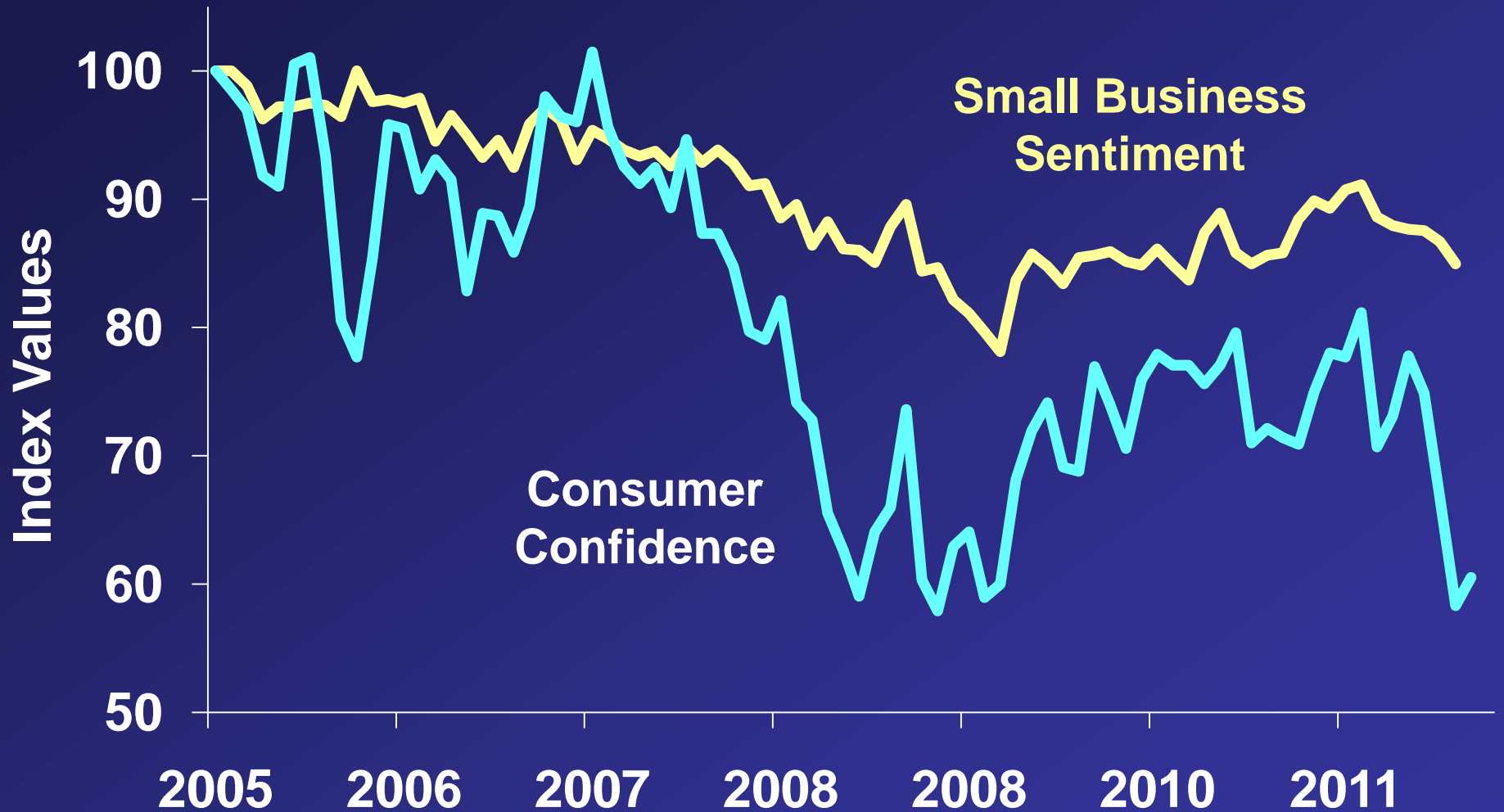
Unemployment



Housing Starts



Confidence Recession



It's a Small World After All

**It's a world of laughter, it's a world of tears.
It's a world of hopes, it's a world of fears.**

**There's so much that we share,
That its time we're aware,
It's a small world after all.**

Walt Disney Company

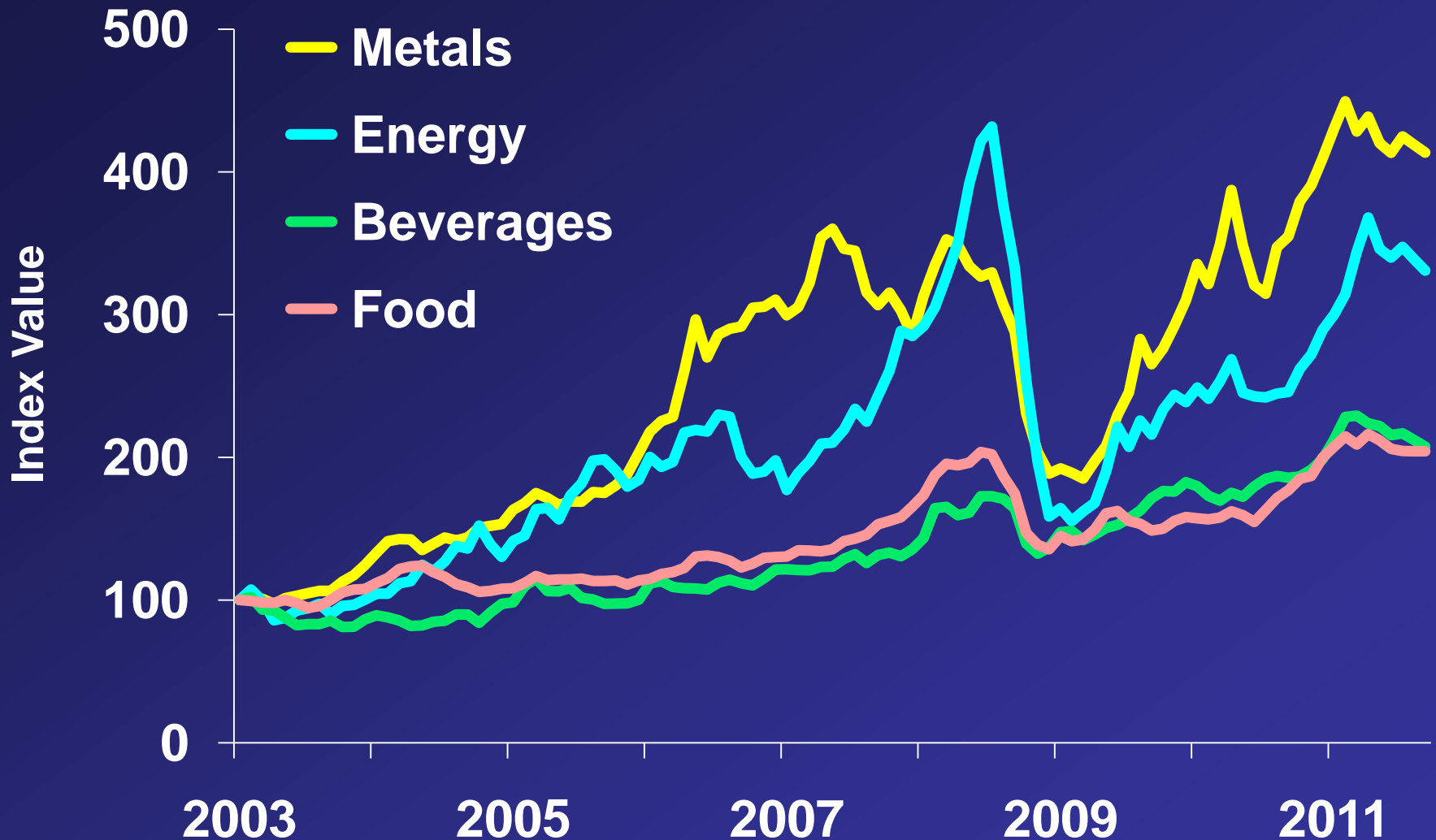
IMF's World GDP Forecast

Country	2011 IMF GDP Growth Prediction
World	4.0%
United States	1.5%
Europe	1.6%
Japan	-0.5%
Emerging Countries	6.4%
Brazil	3.8%
Russia	4.3%
India	7.8%
China	9.5%

Downside Risks to the Forecast

- **Decline in Equity Values**
- **Sovereign Debt Troubles**
- **State & Muni Finances**
- **Weaker External Demand**
- **Downturn in Business Confidence**
- **Oil Prices**

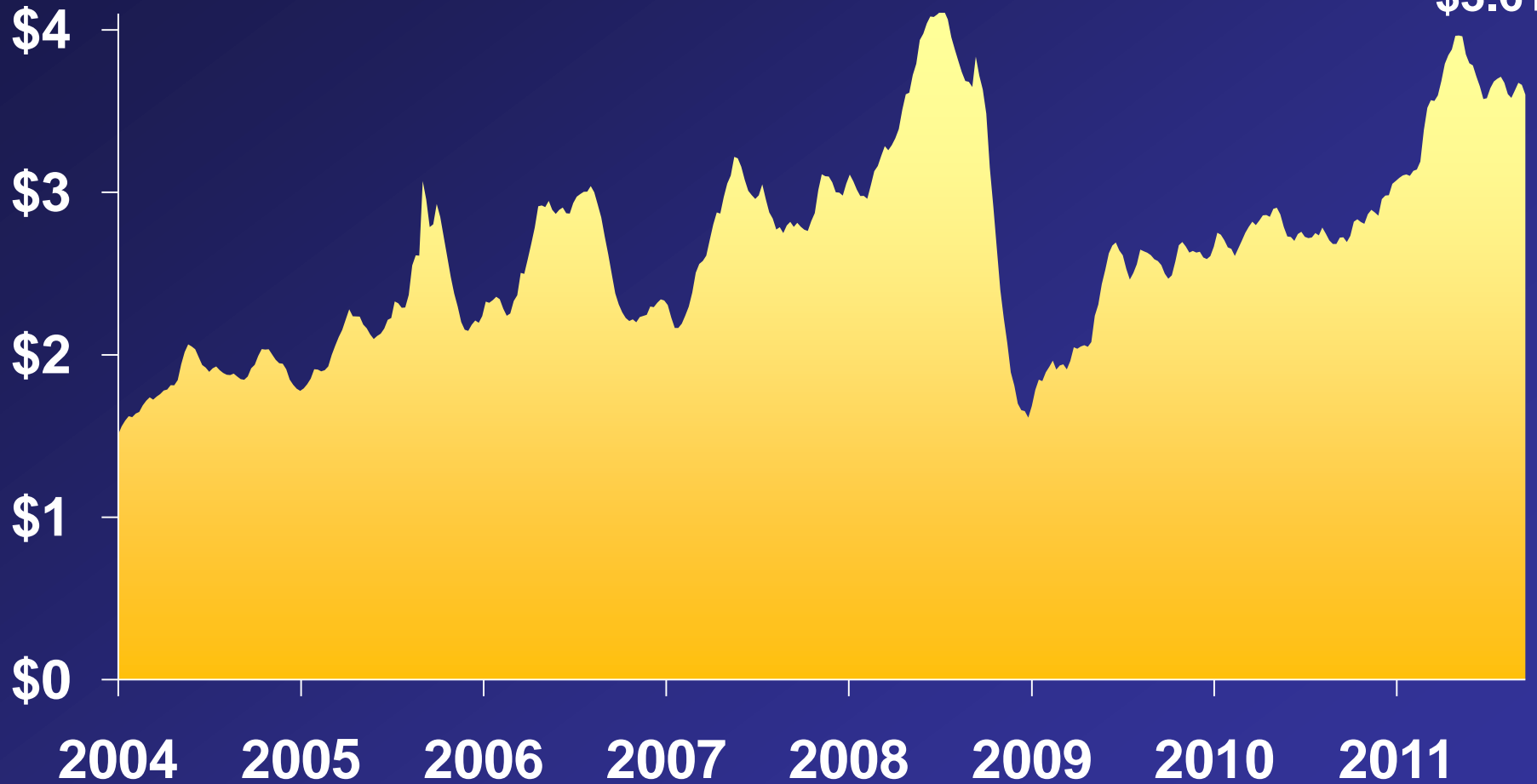
Commodity Prices Rise



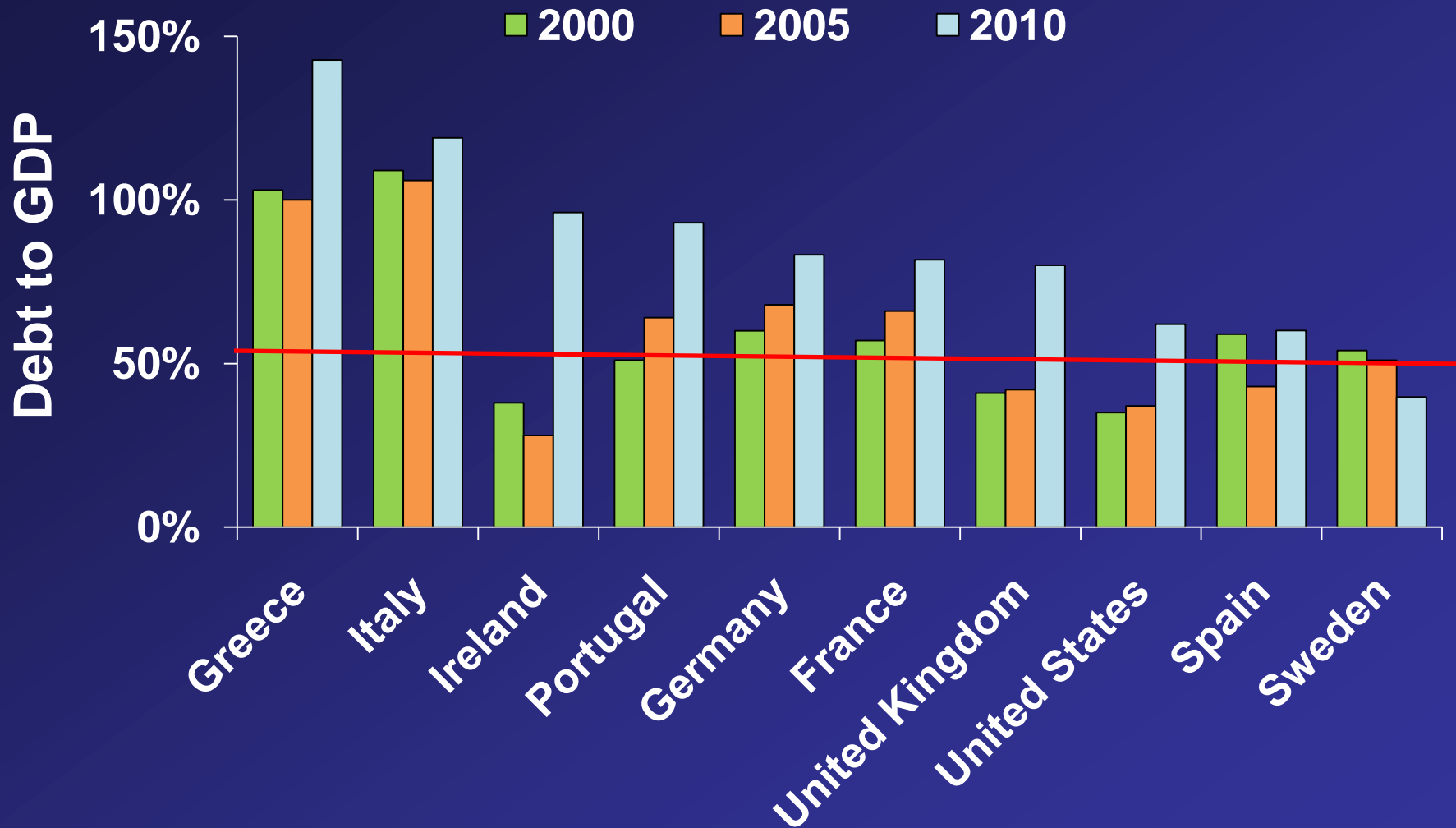
Gallon of Gas

Regular Gas, Nationwide Average

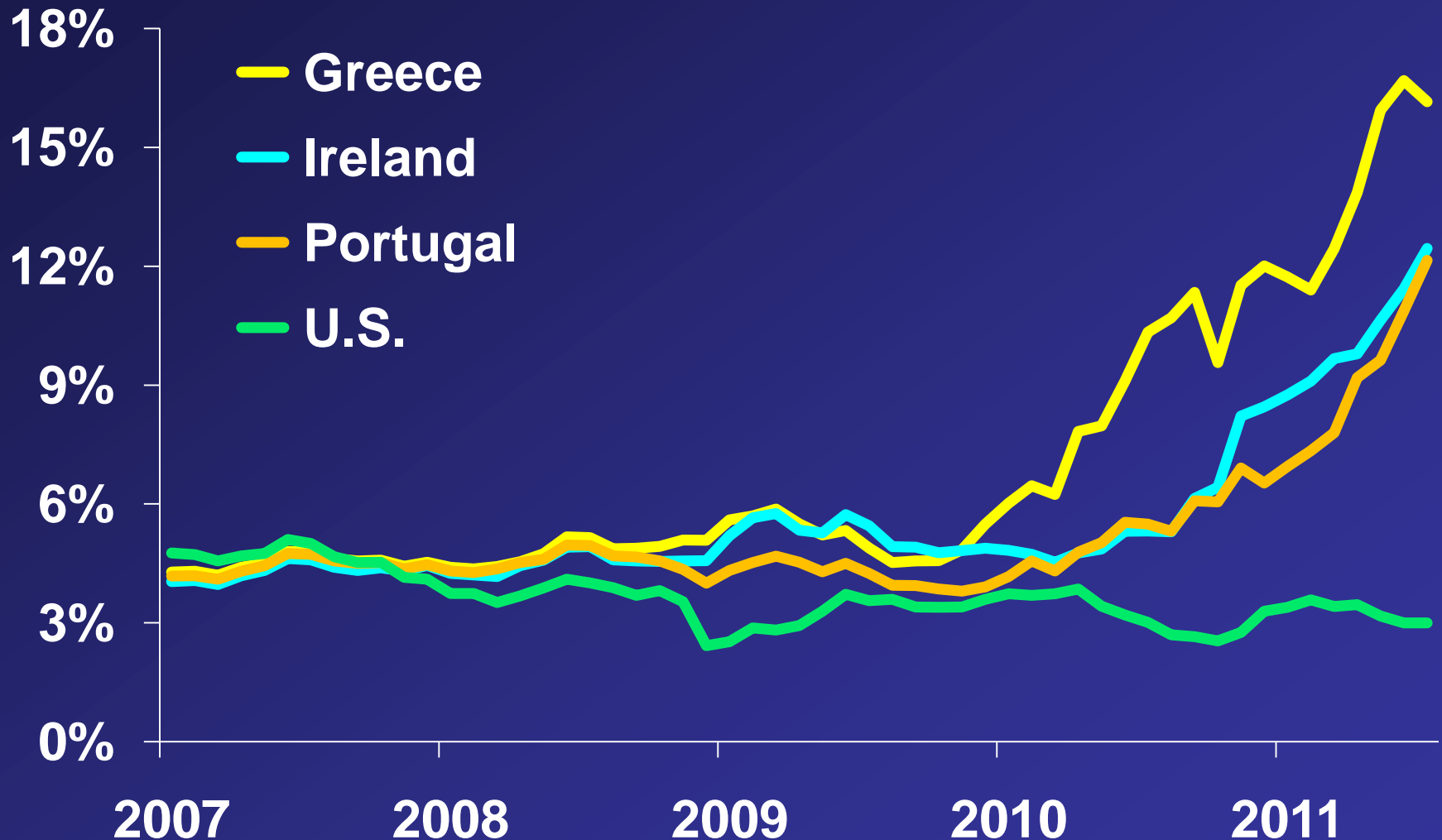
Sept 19:
\$3.61



European Debt Has Been Rising



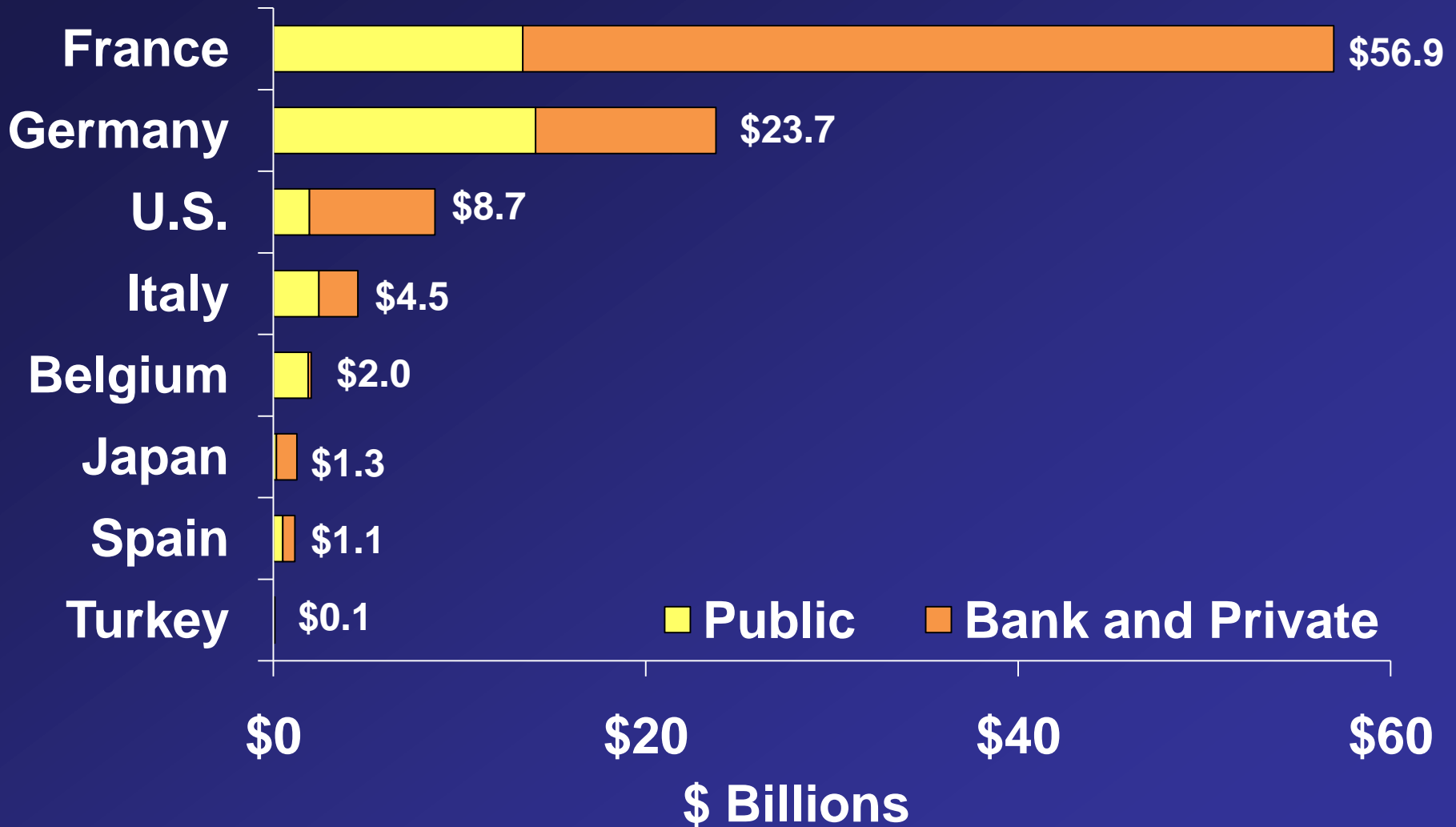
PIGs' Rates Reflect Risk



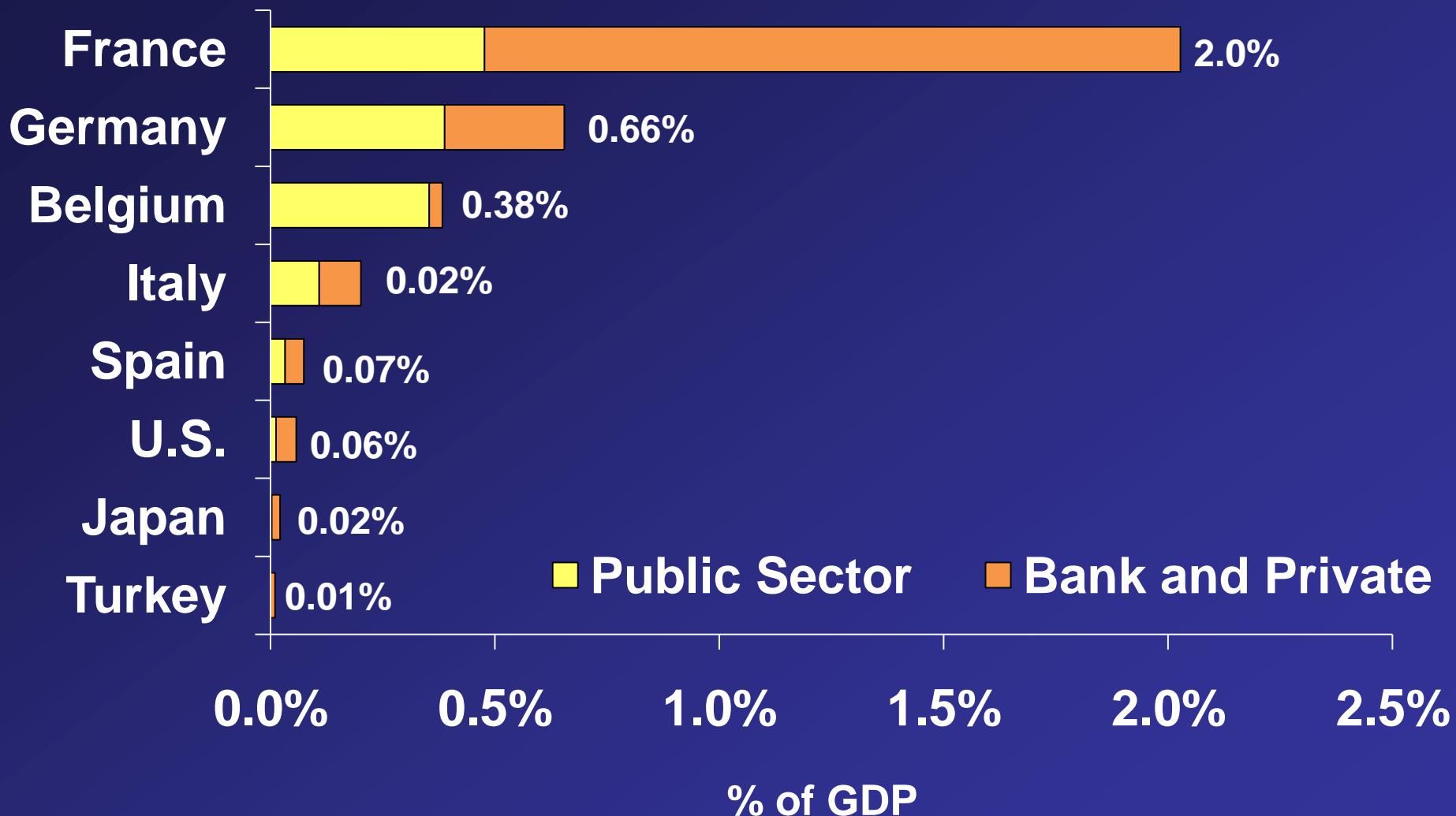
U.S. Least Likely To Default

	Credit Default Swap Rate	S&P Rating
United States	52	AA+
U.K.	87	AAA
Germany	98	AAA
France	190	AAA
Italy	521	A+

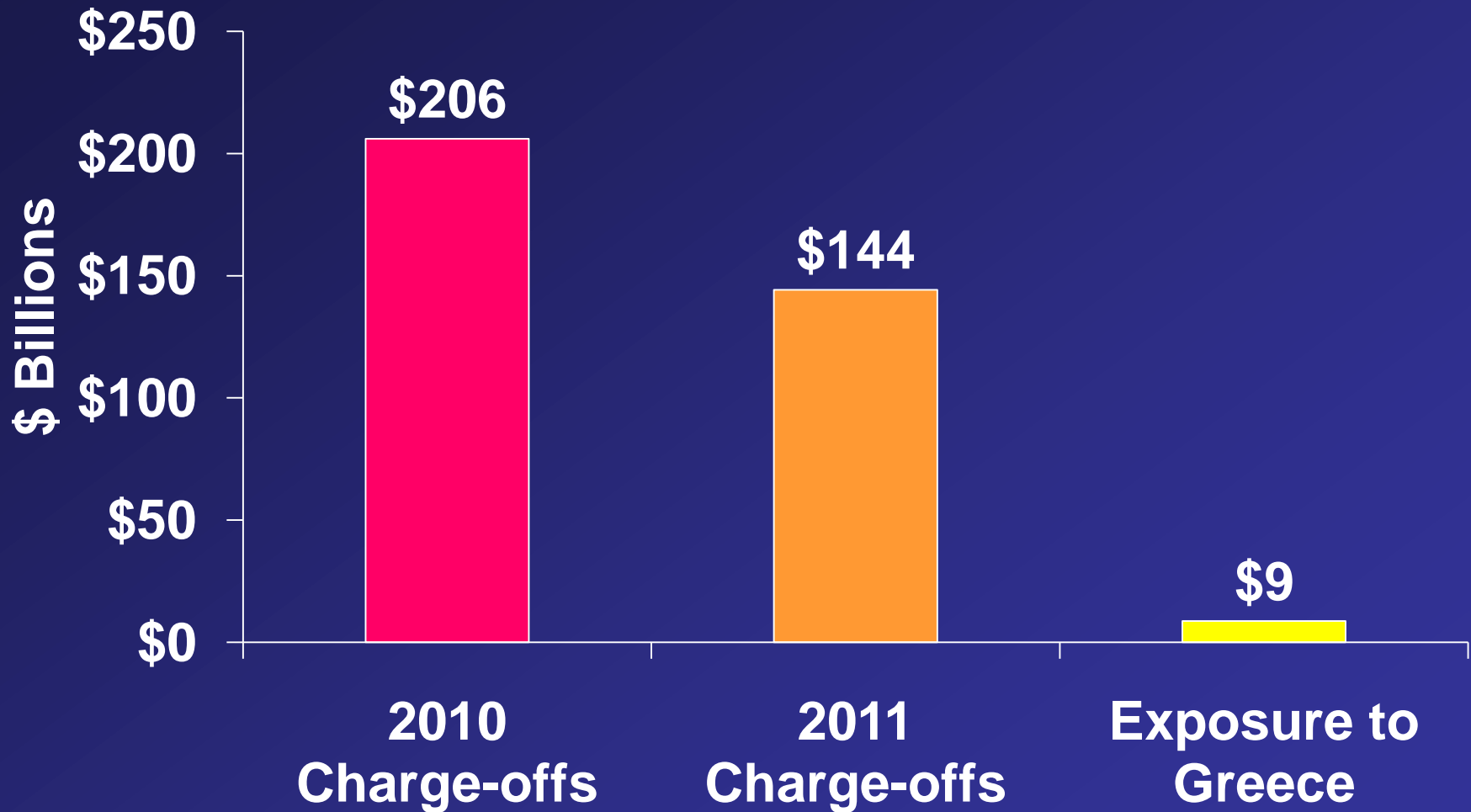
Banks' Exposure to Greece



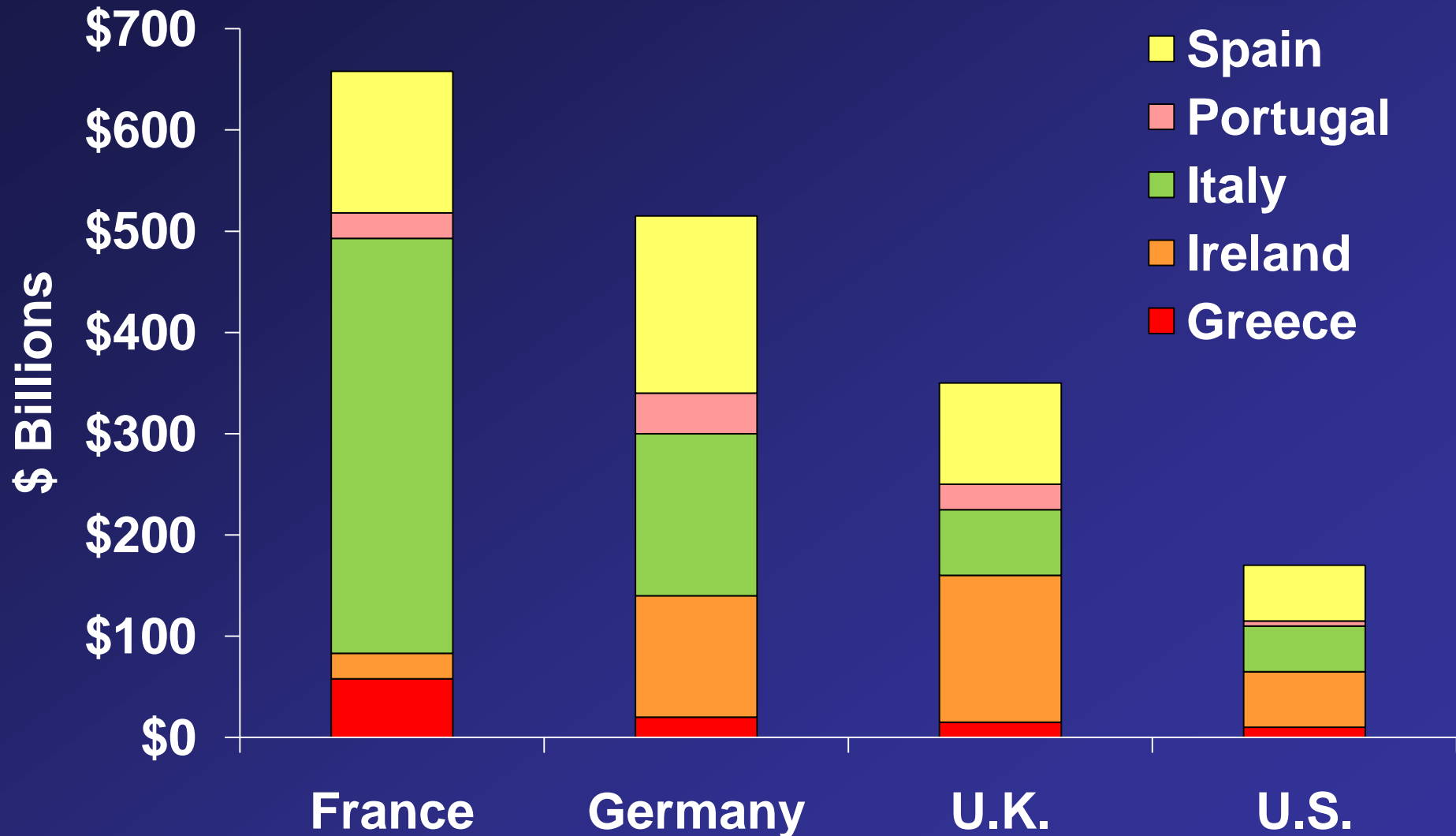
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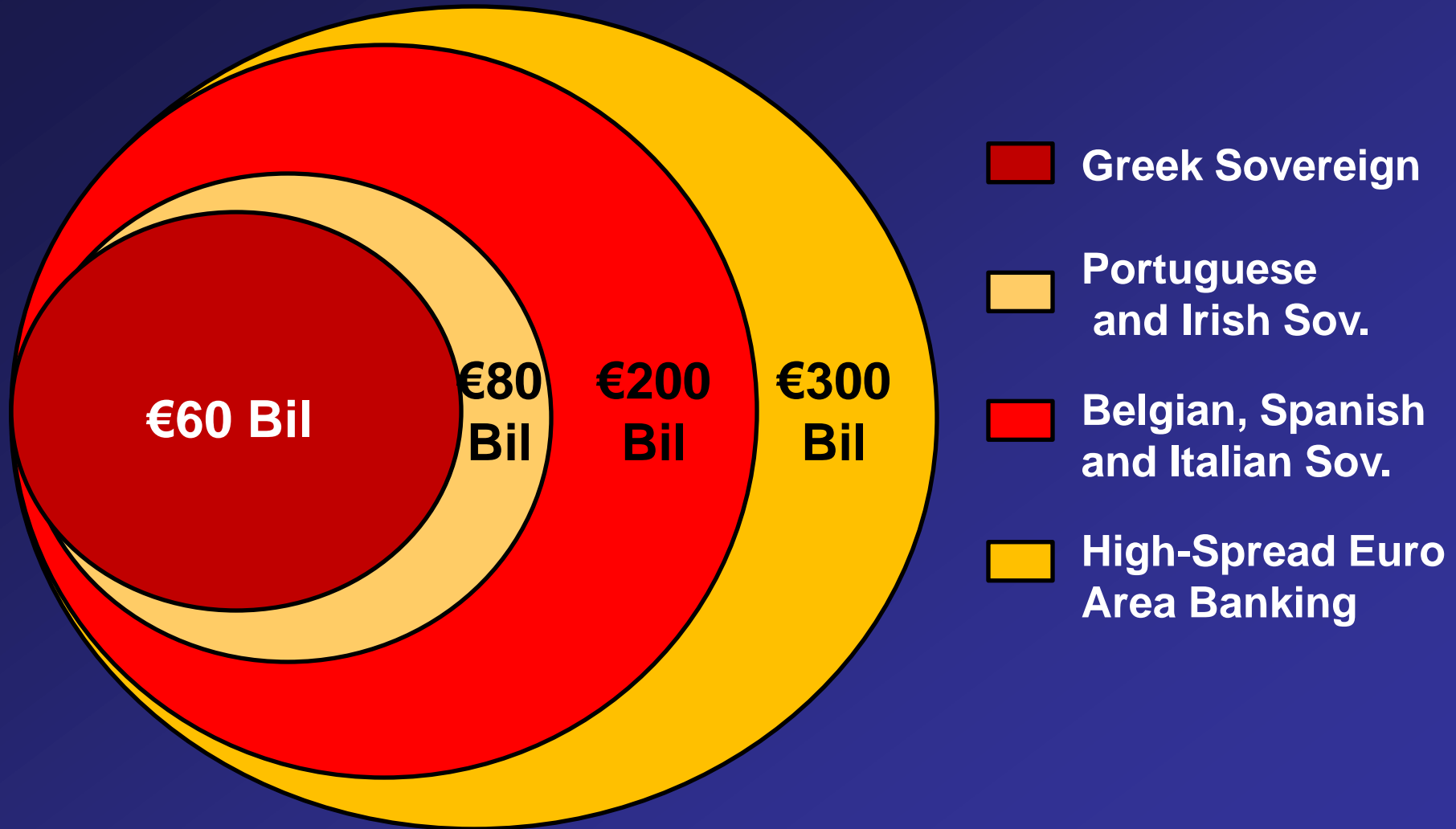
US Banks' Exposure to Greece



Exposure to the PIIGS



Threat of Spillover in Europe



Self-Inflicted Head Wounds

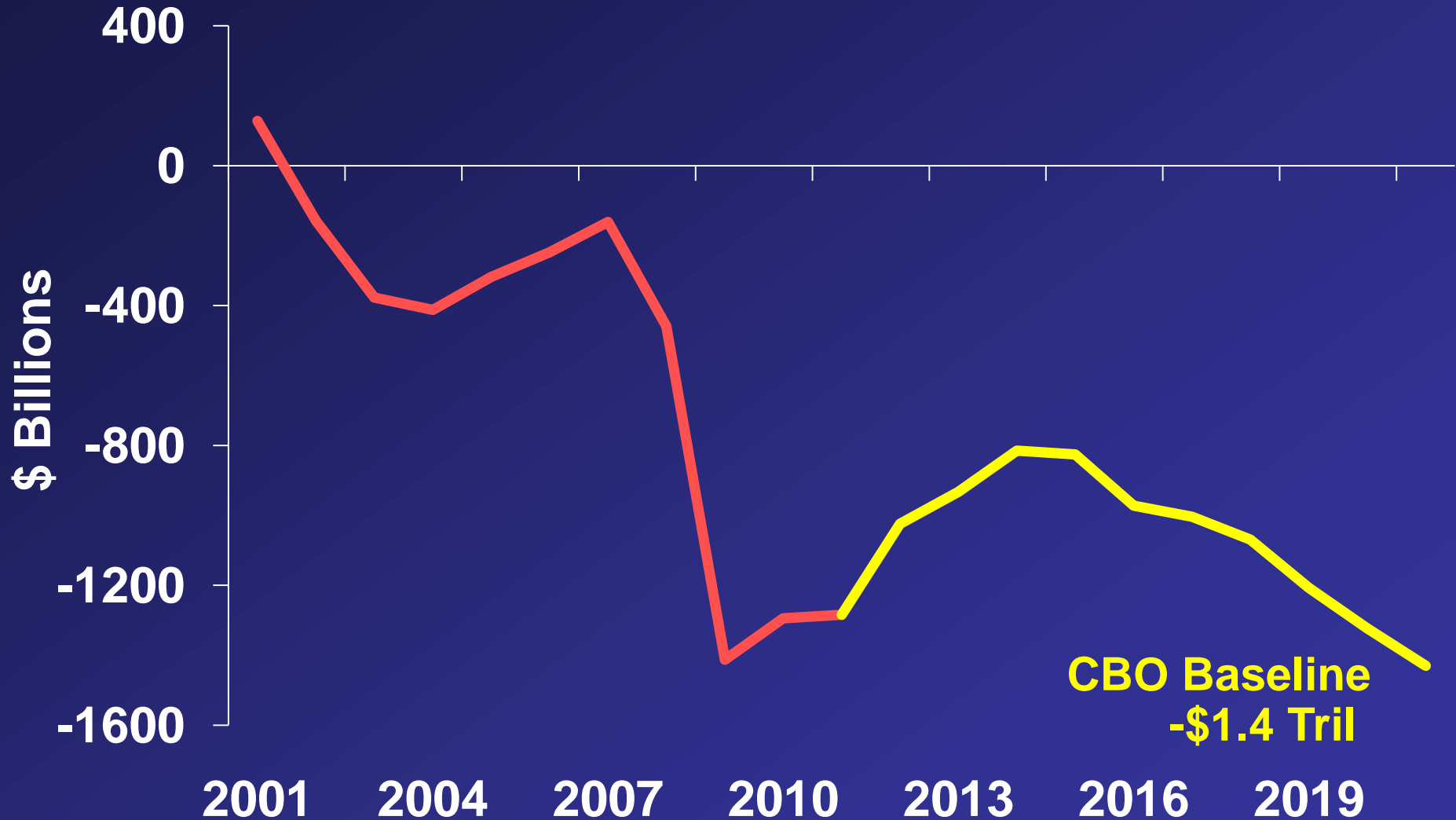


Federal Budget Deficit

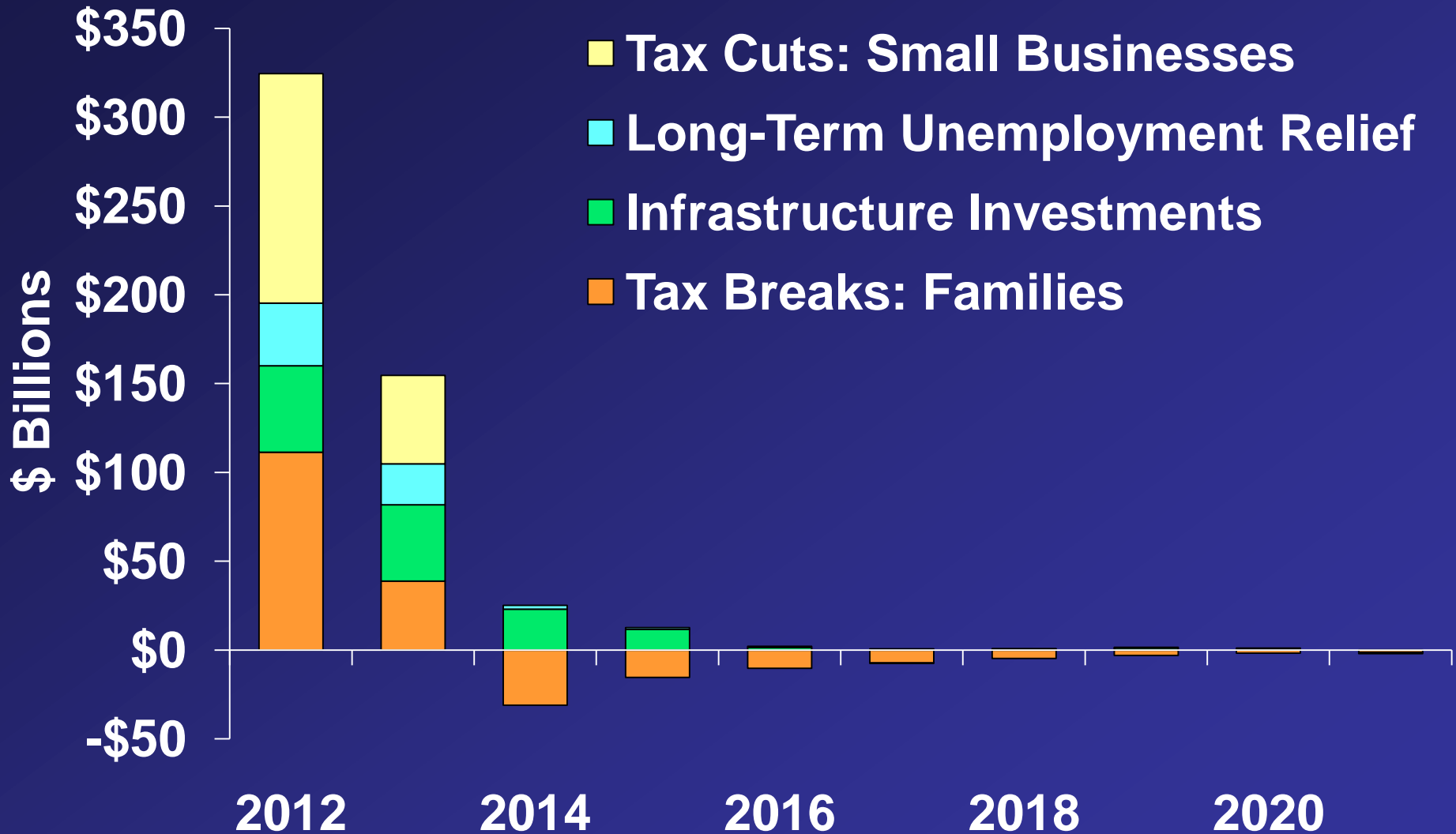


2011:
-\$1.3 Tril

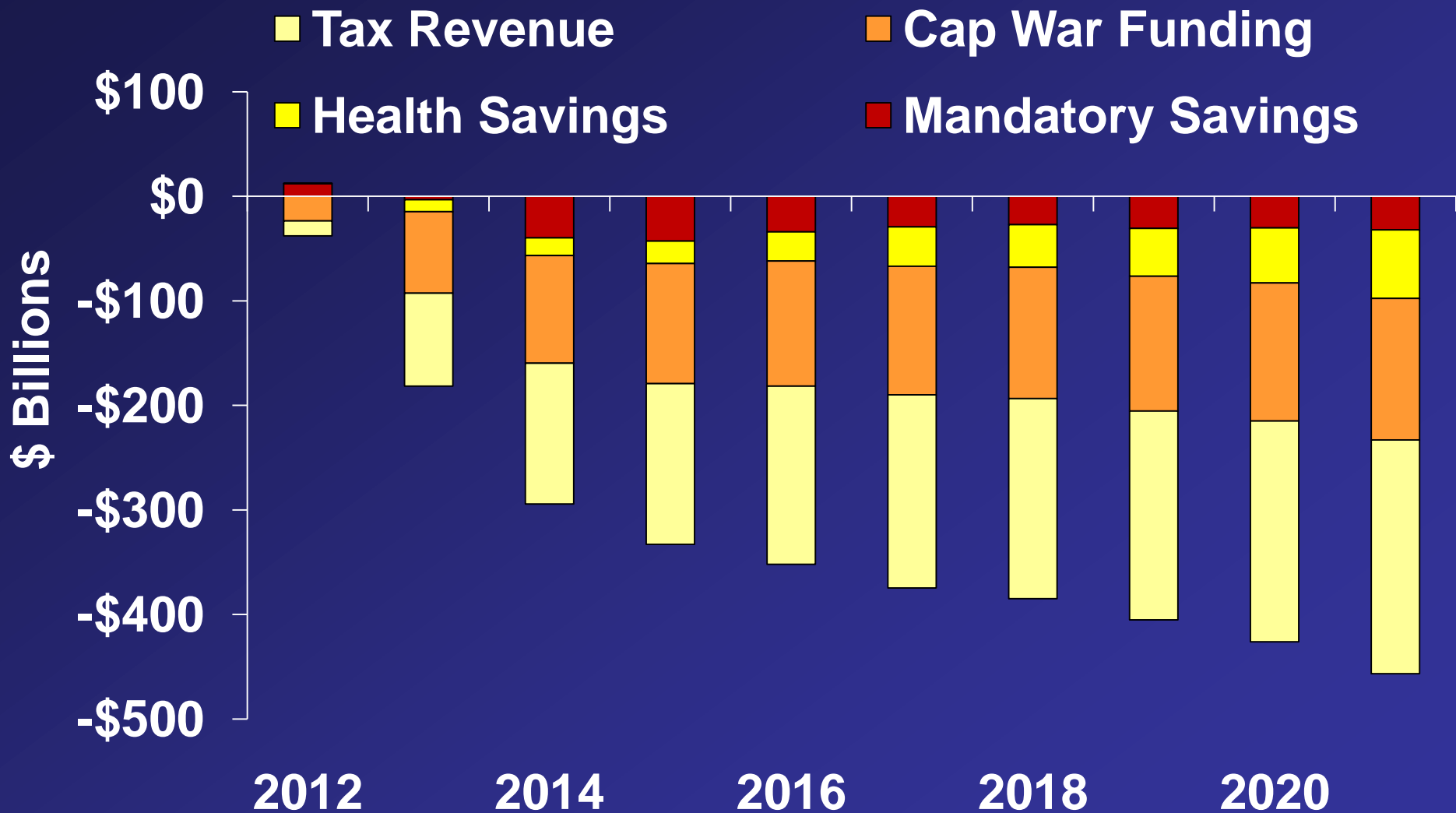
Federal Budget Deficit



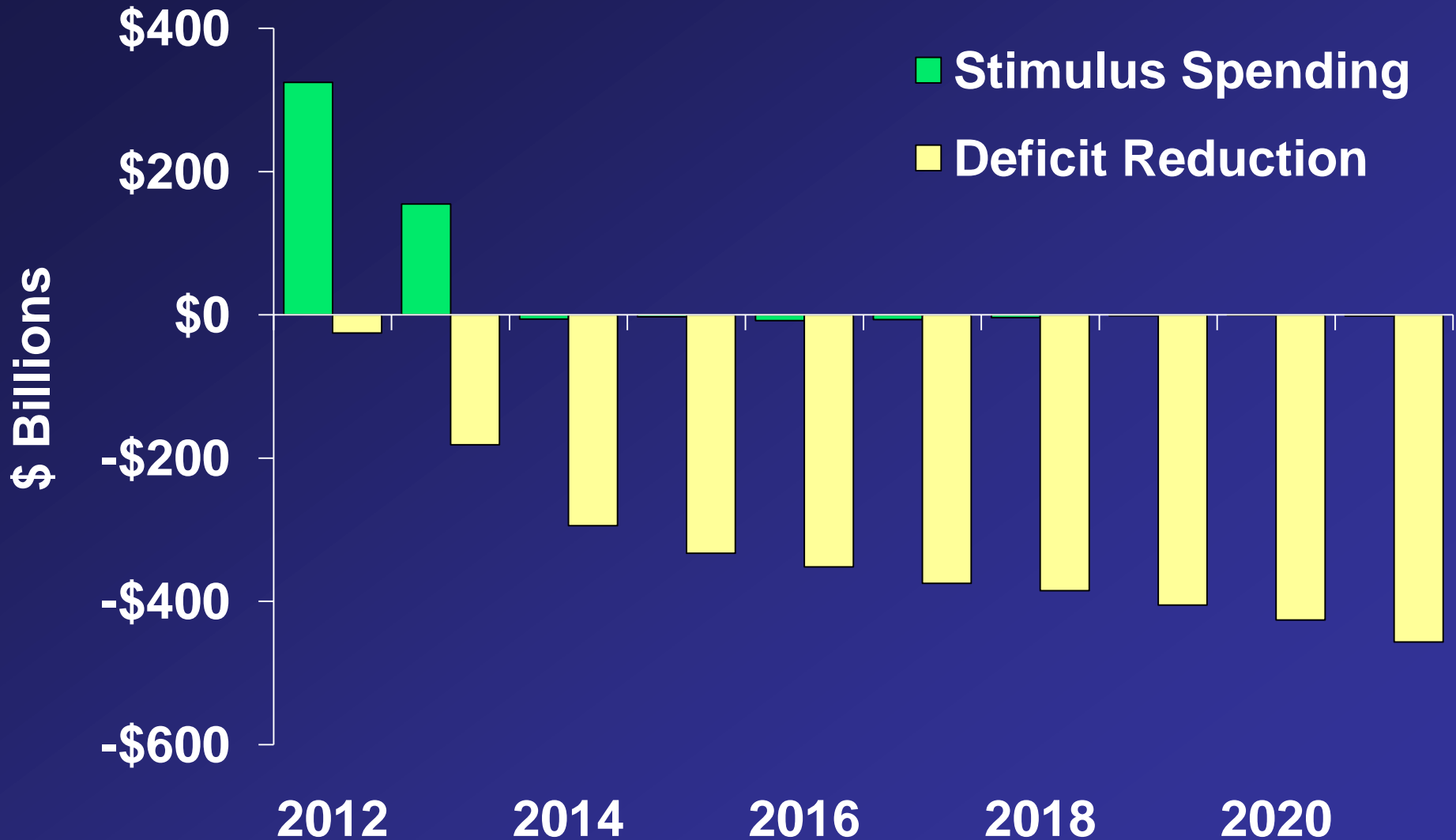
Front-Loaded Stimulus



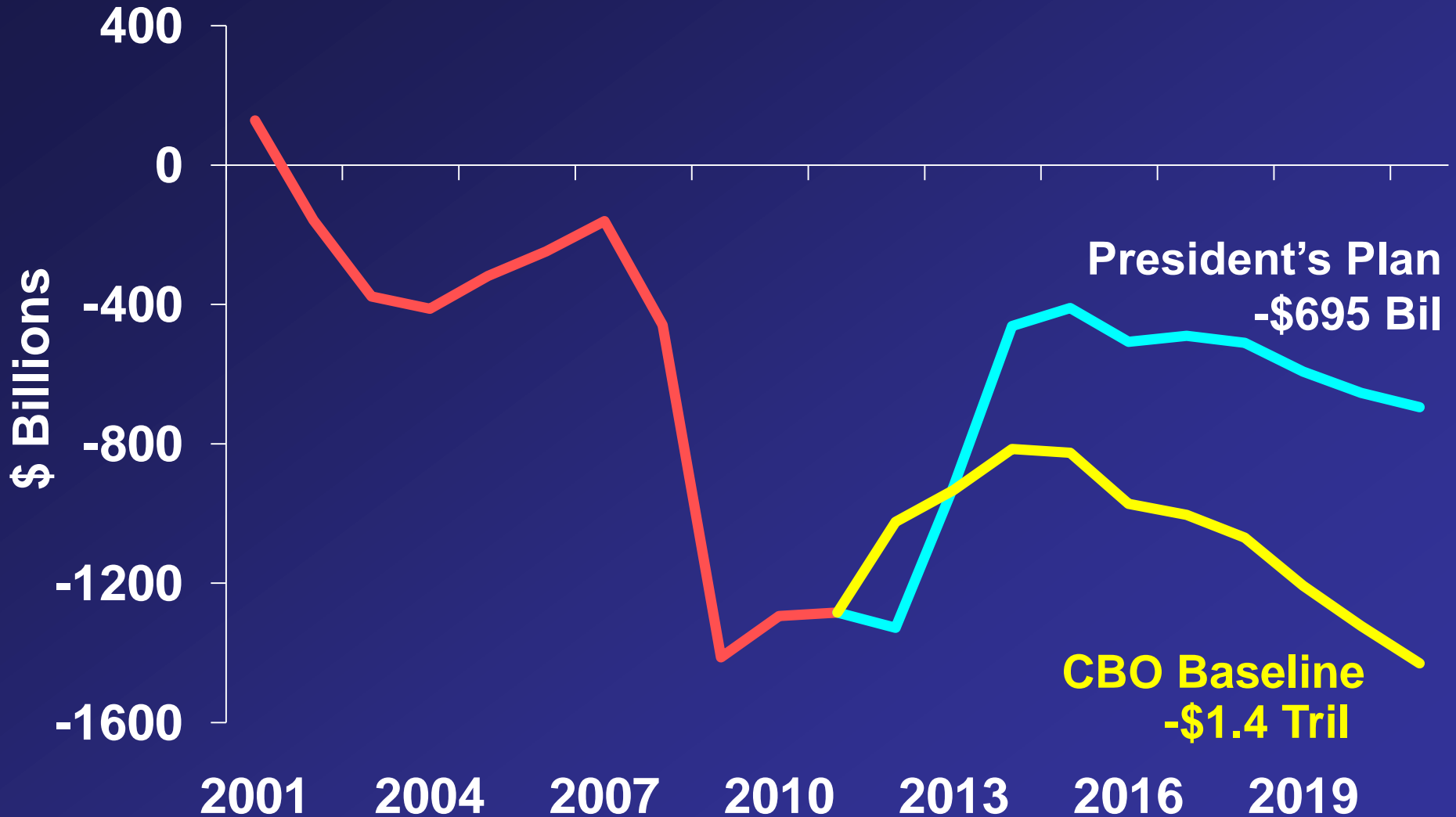
Back-Loaded Deficit Reduction



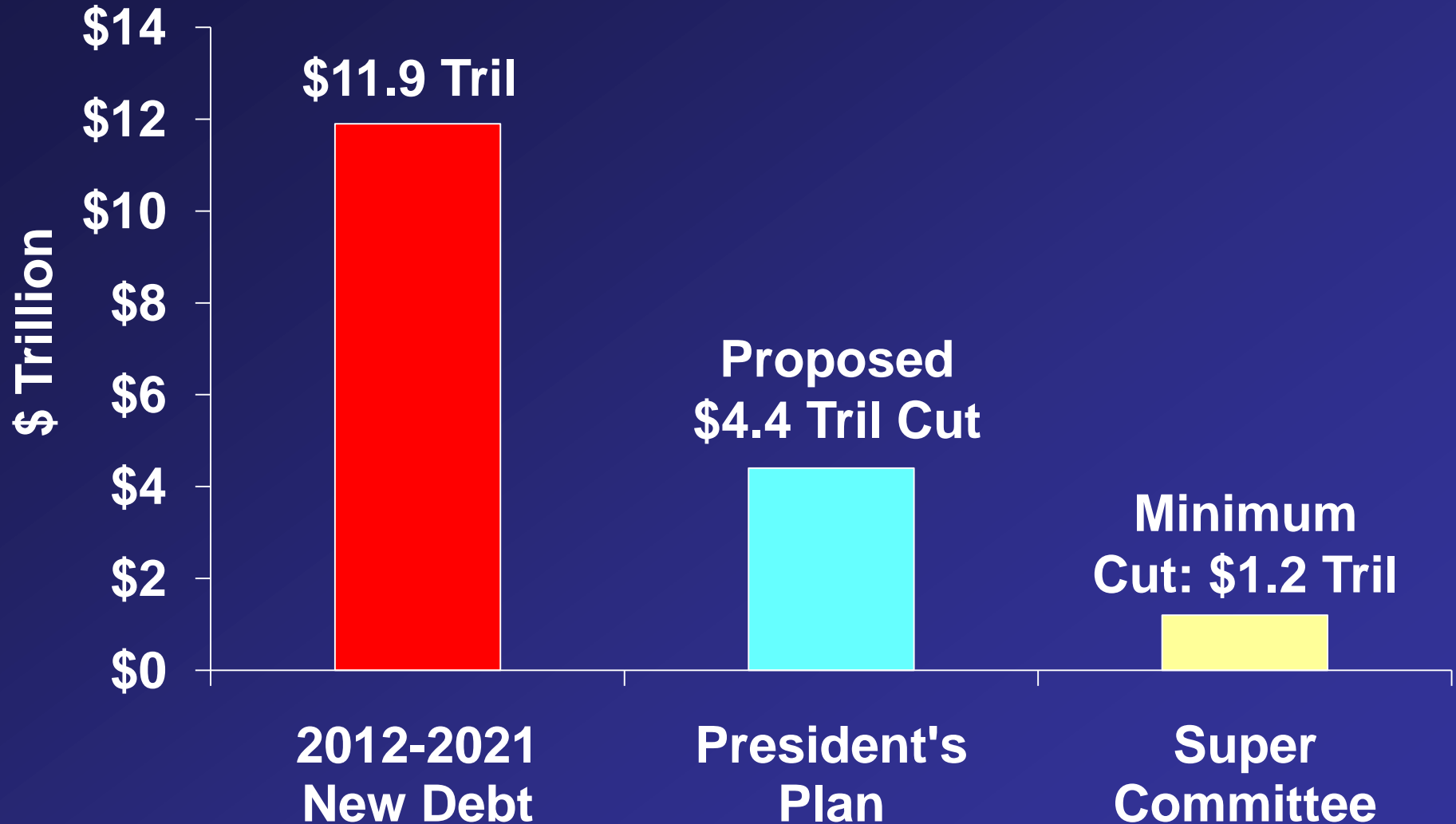
Stimulus vs Deficit Reduction Timeline



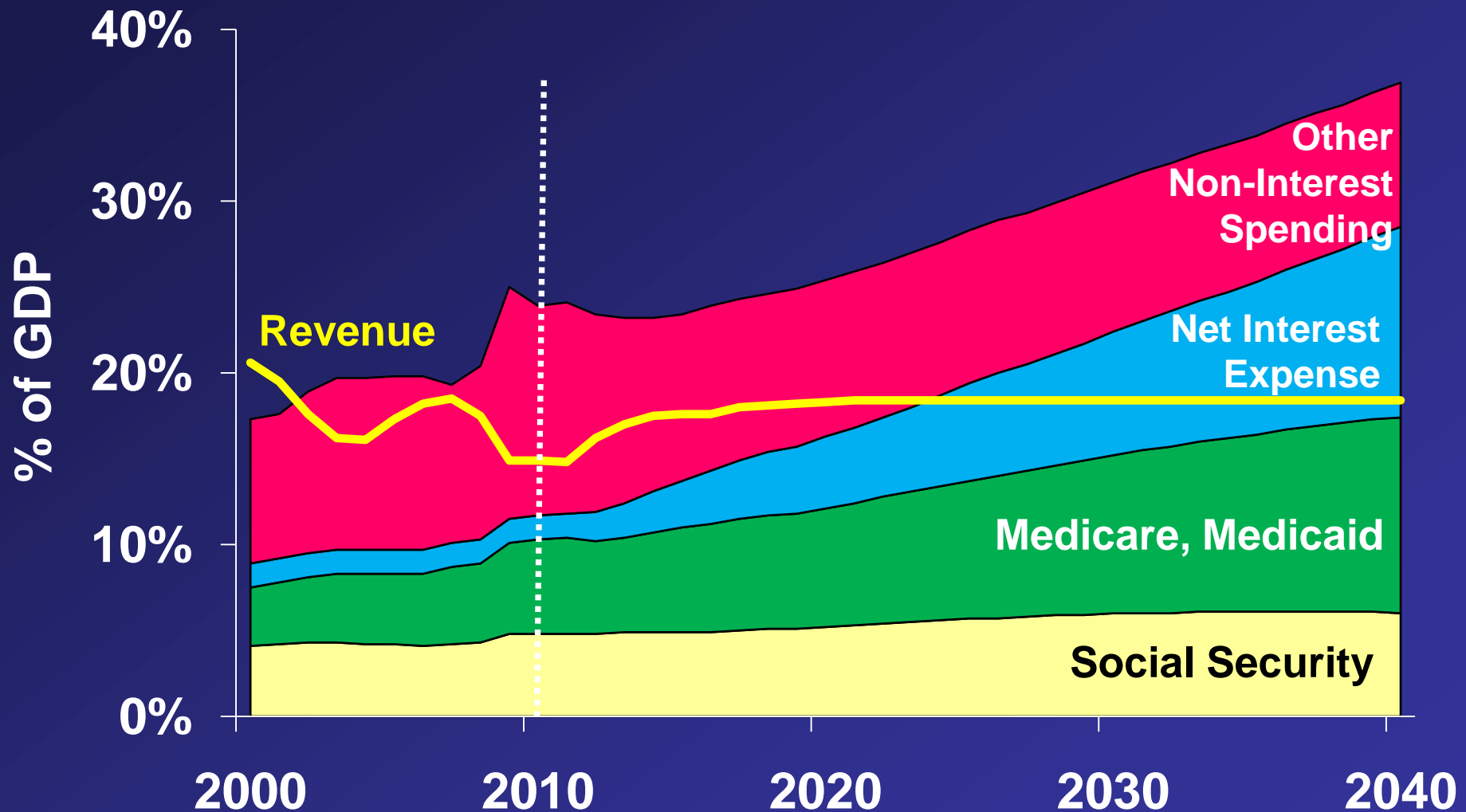
Federal Budget Deficit



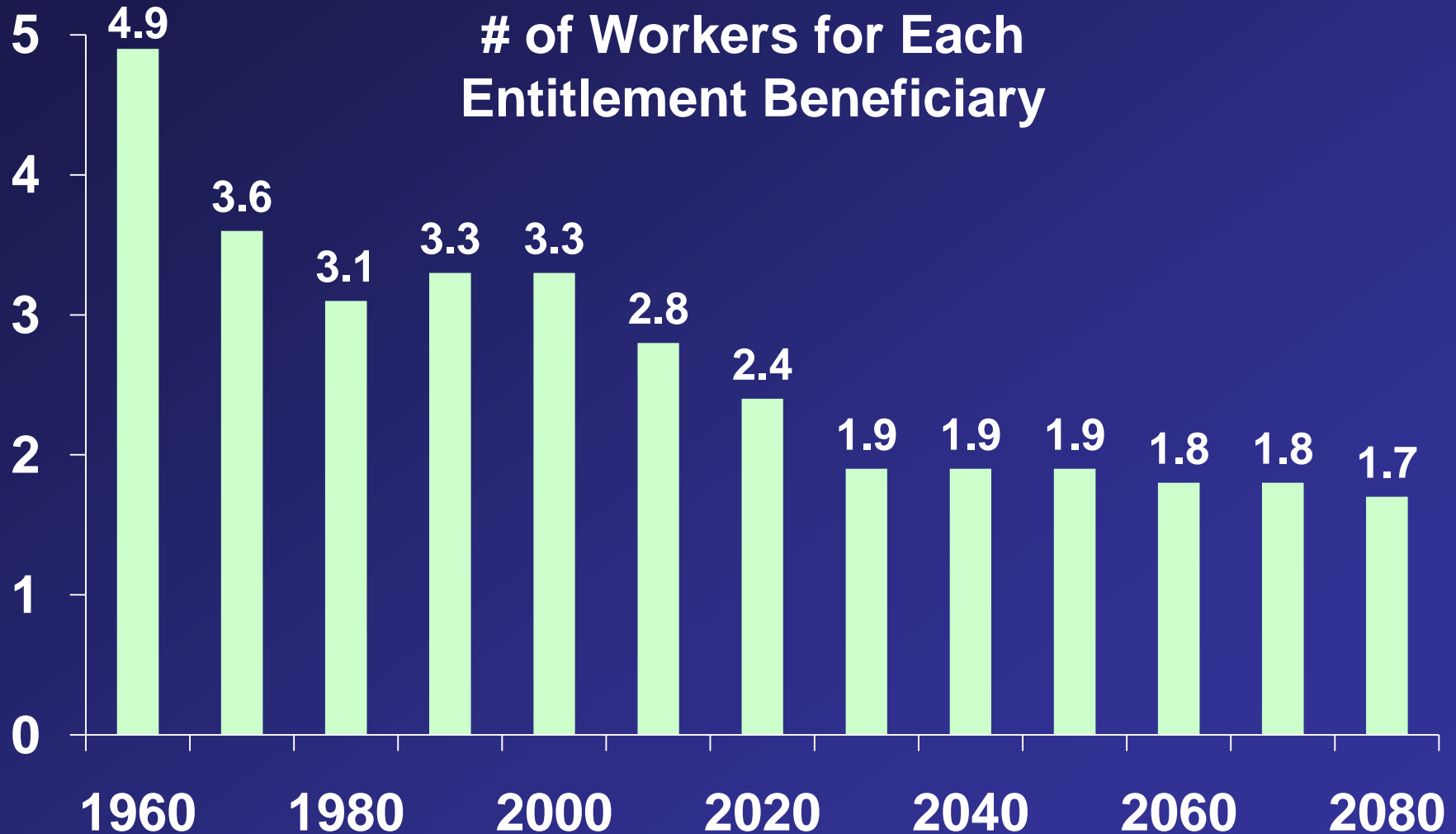
Deficit Outweighs Proposed Solutions



Entitlements Overwhelm Revenue



Worker-to-Beneficiary Ratio



Cumulative State Budget Shortfalls

\$ in Billions

■ Remaining Budget Gap

■ Budget Gaps Offset by Stimulus

2009

2010

2011

2012



Principles for Dealing with the Deficit

- **Any plan must be credible.**
- **Address the deficit comprehensively.**
- **Preserve spending that enhances growth & employment.**

For More See Our Blogs:

Dodd-Frank Tracker

RegReformTracker.ABA.com

Banks and the Economy

www.BanksAndTheEconomy

.blogspot.com

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