


**Expansion Opportunities:
The Sherlock Holmes Analysis,
Banking Out of Recession**

Gary D. Keith – Regional Economist
October 25, 2011

 **M&T Bank**
Understanding what's important

Presentation Topics

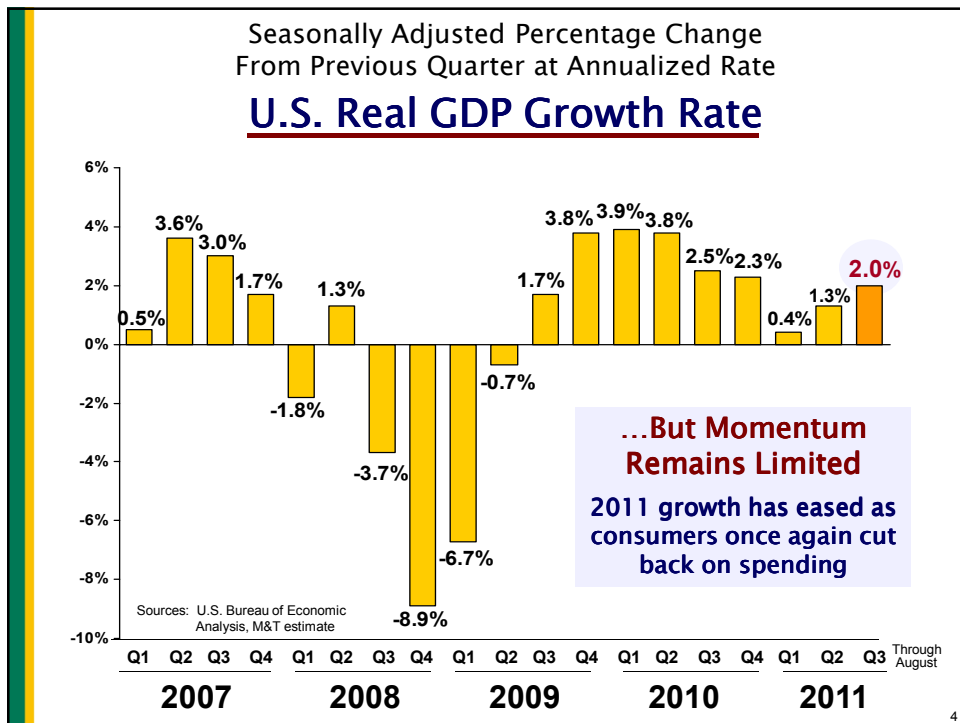
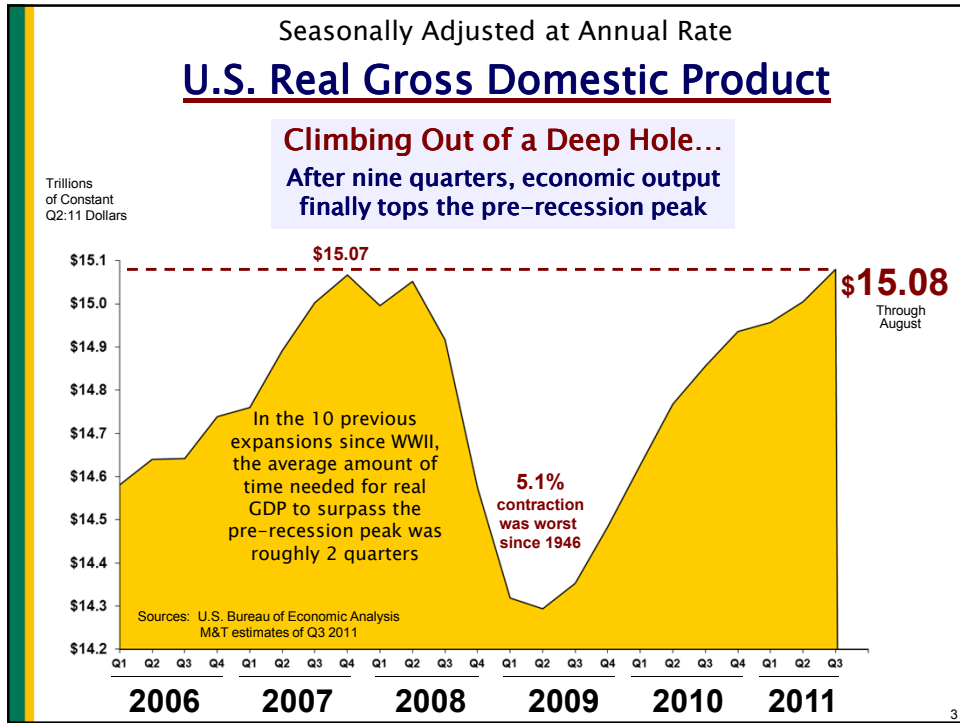


**Macro Economic Trends
and Outlook**

**U.S. Banking Industry
Performance**

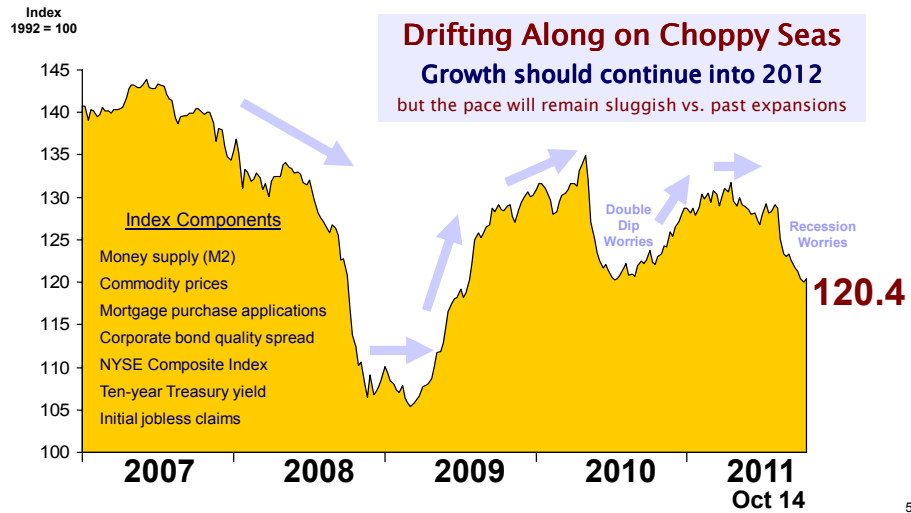
**Opportunities For
NYS Community Banks**

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Economic Cycle Research Institute
U.S. Leading Economic Index

Indicates a turning point in the economic cycle when changes in the direction of the index are persistent, pronounced, and pervasive over several months. Designed to turn down before a recession and turn up before an expansion.



Challenge #1

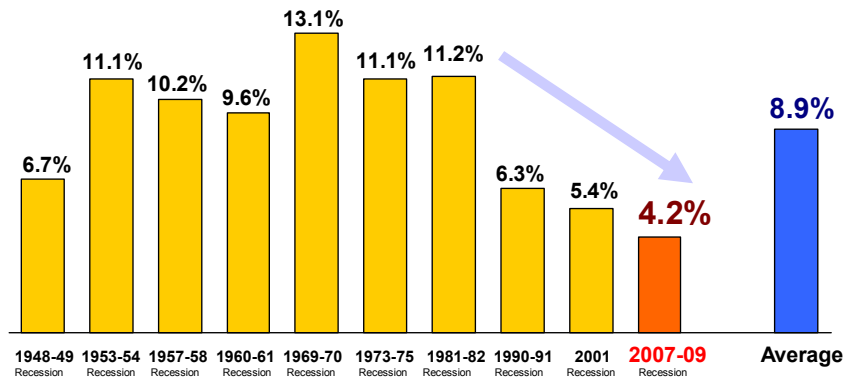
**Understand why
 growth is so anemic**



Percentage Increase
Eight Quarters From End of Recession

Real Personal Consumption Spending Growth

The Economy's Engine is Sputtering...
With consumer spending accounting for 70% of GDP, reluctance/inability to resume shopping is a key drag



Note: excludes the 1980 recession since the time interval until the 1981-2 downturn was less than eight quarters

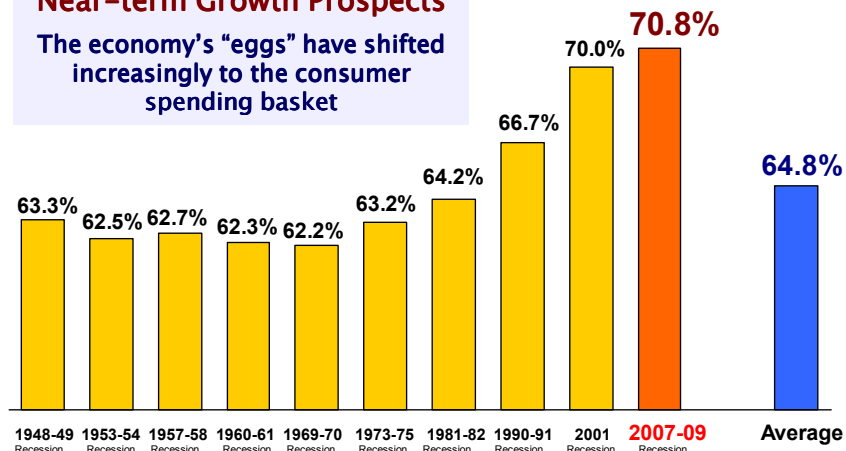
Source: U.S. Bureau of Economic Analysis

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Average Over Eight Post-Recession Quarters

Personal Consumption Share of U.S. GDP

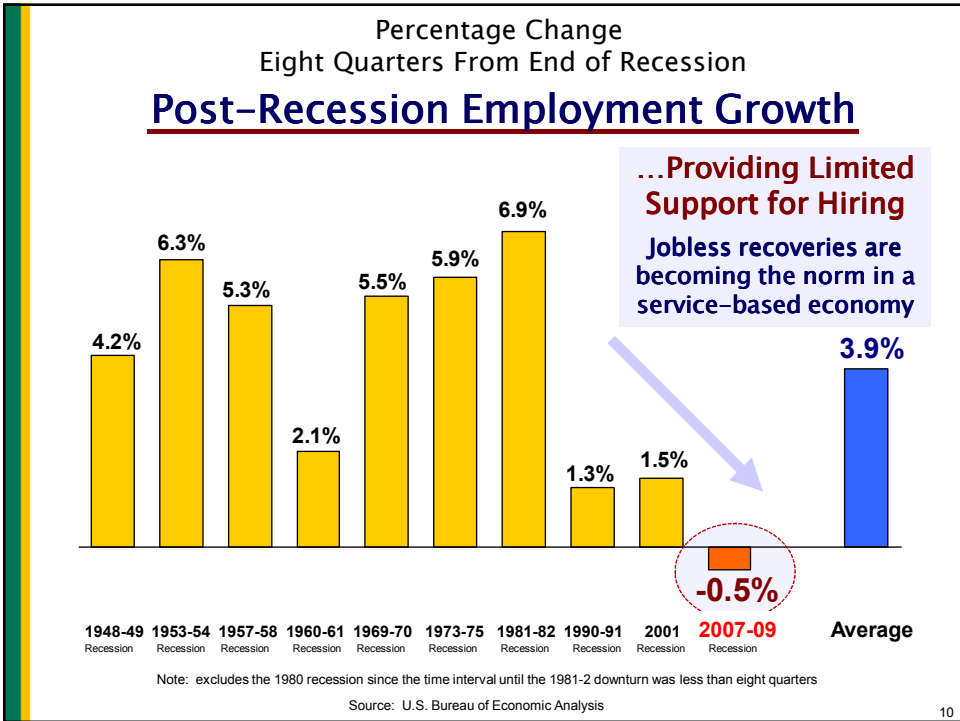
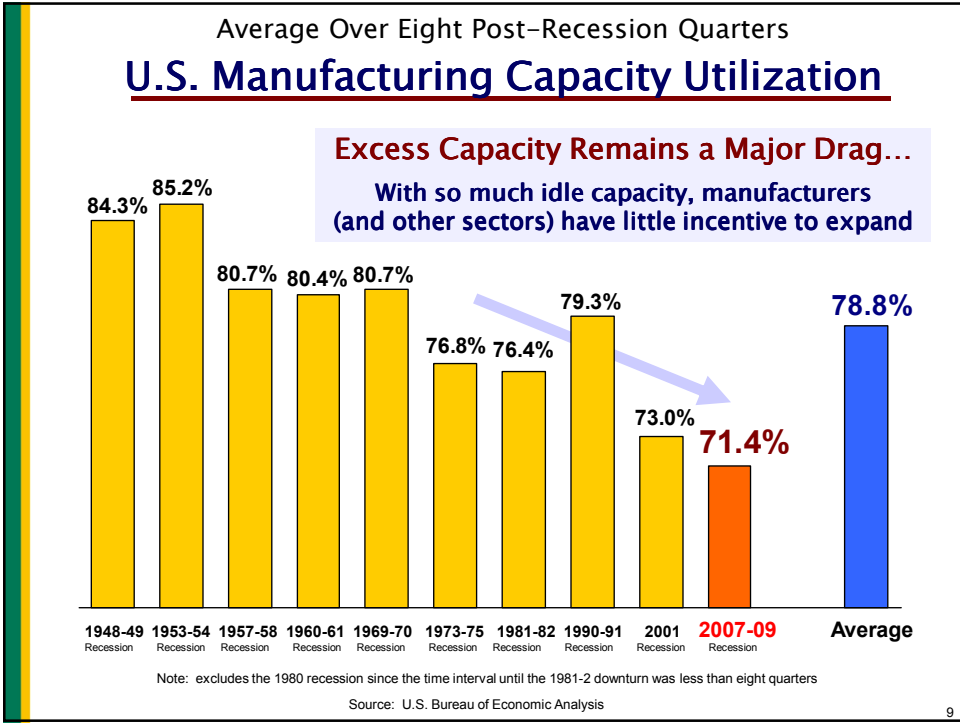
...Which is Bad News For Near-term Growth Prospects
The economy's "eggs" have shifted increasingly to the consumer spending basket

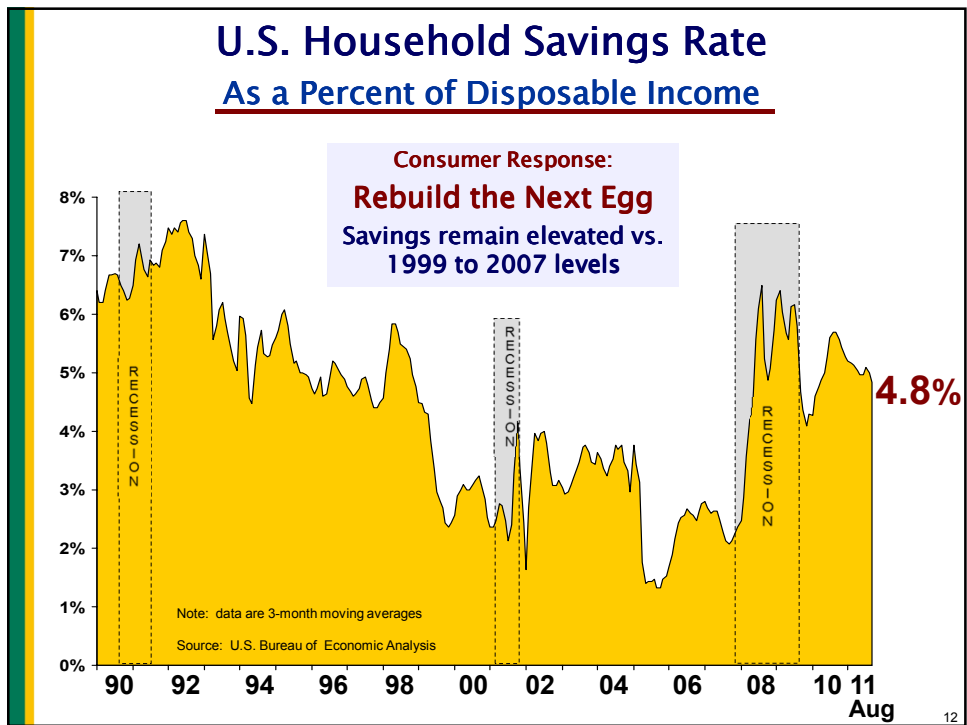
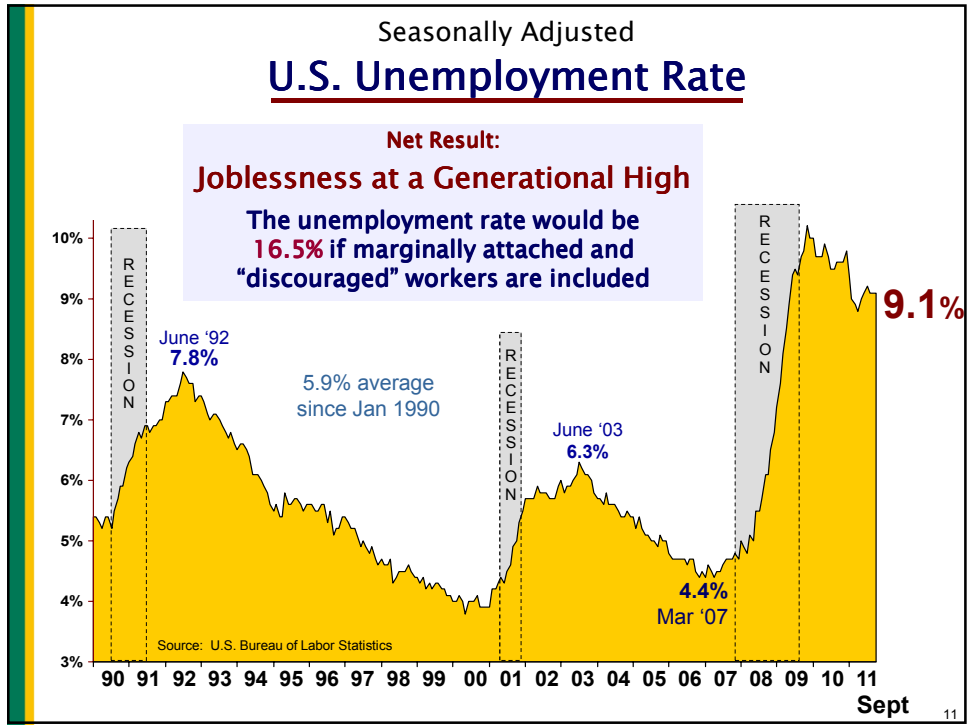


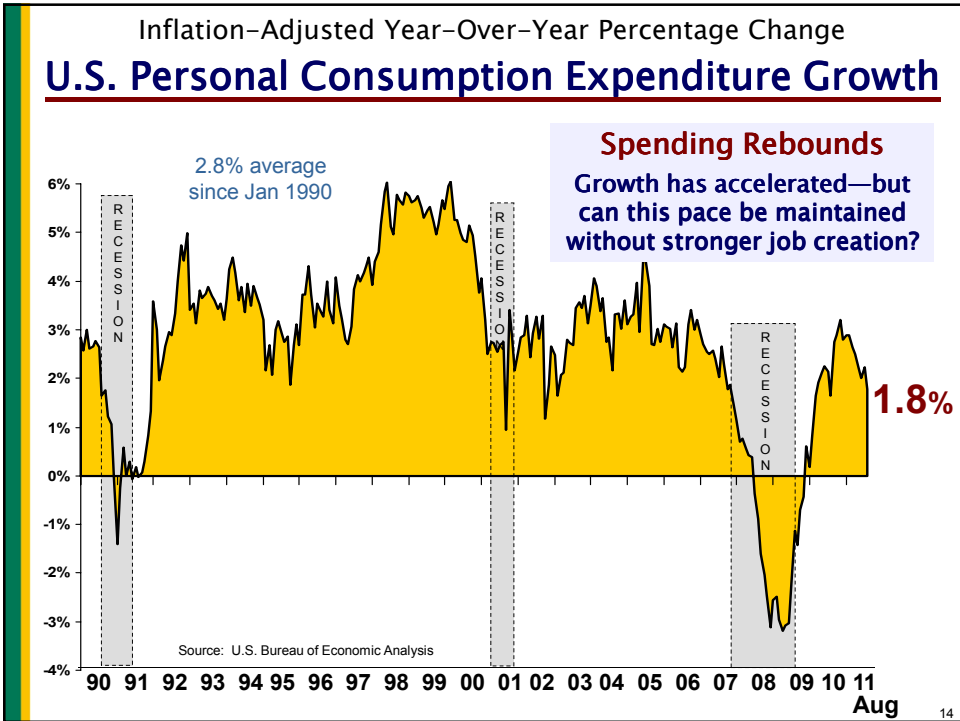
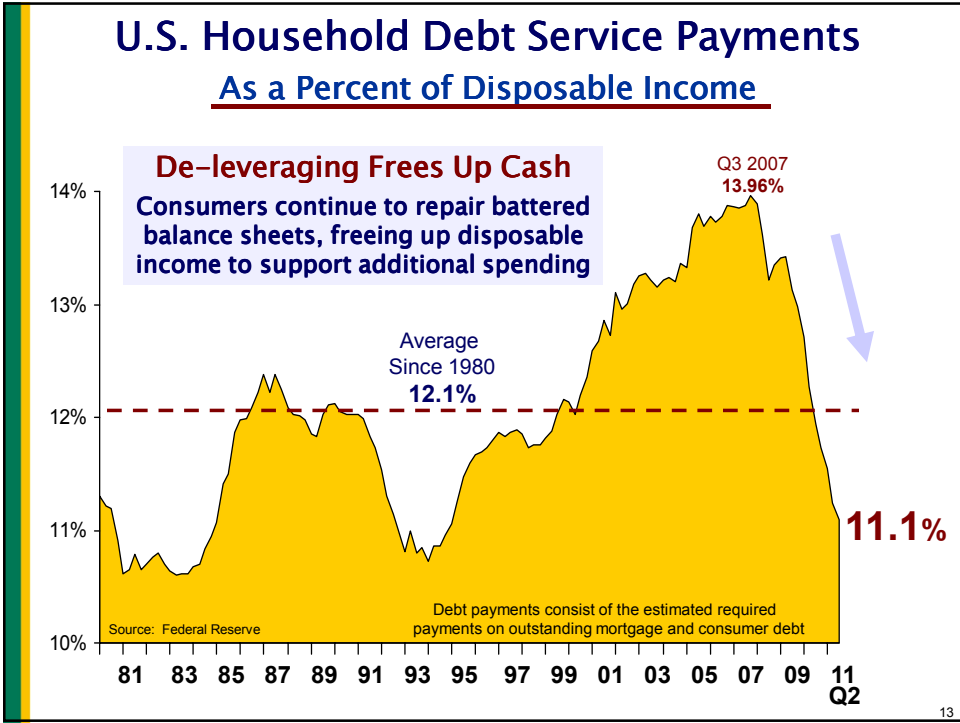
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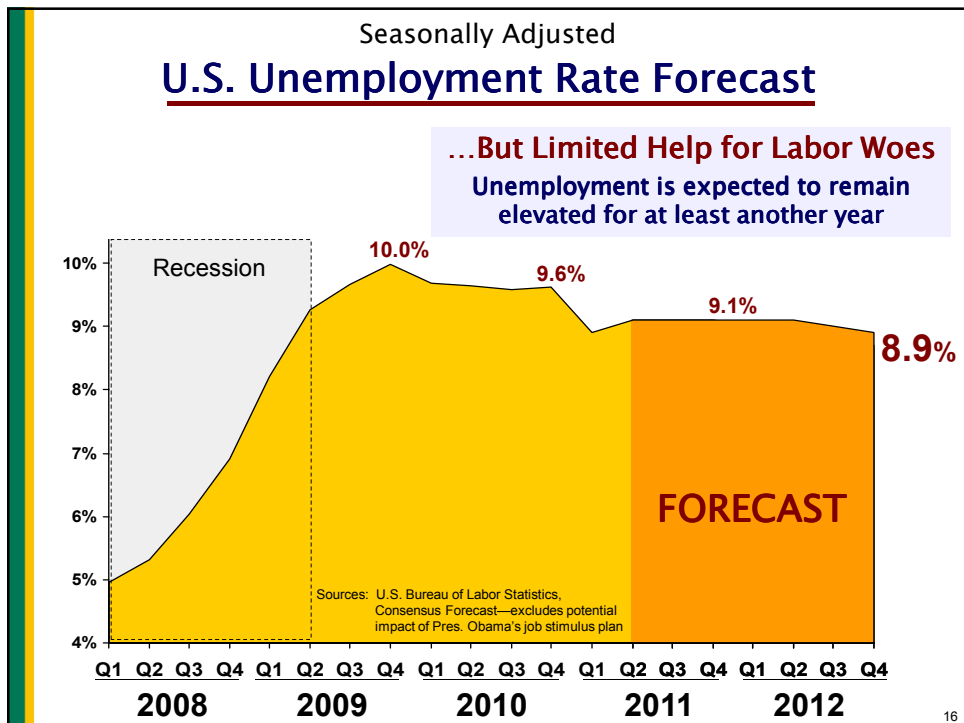
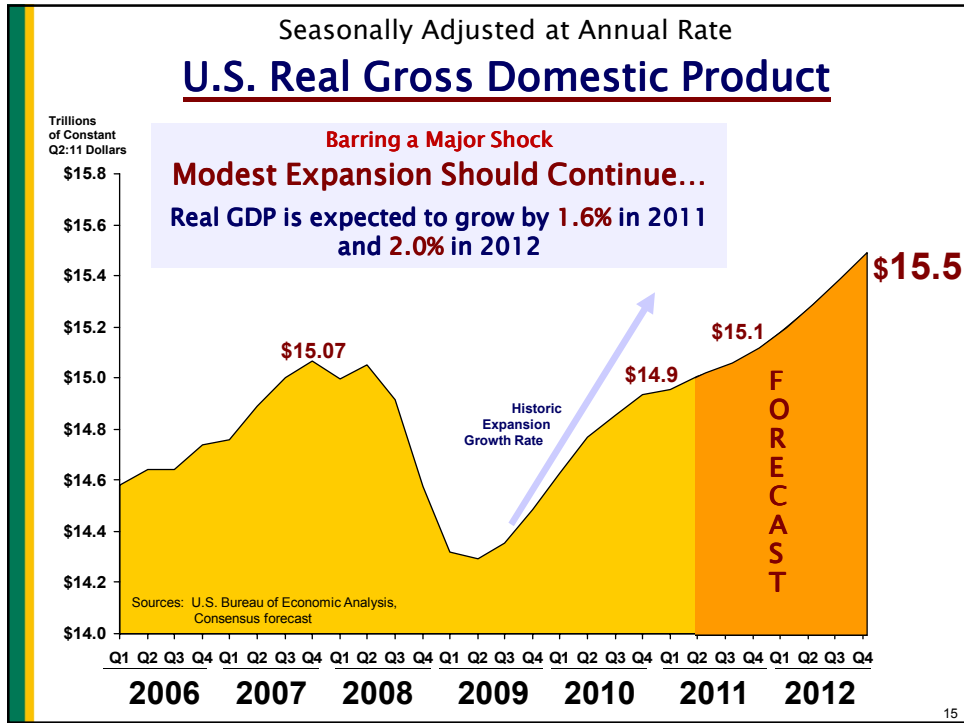
Source: U.S. Bureau of Economic Analysis

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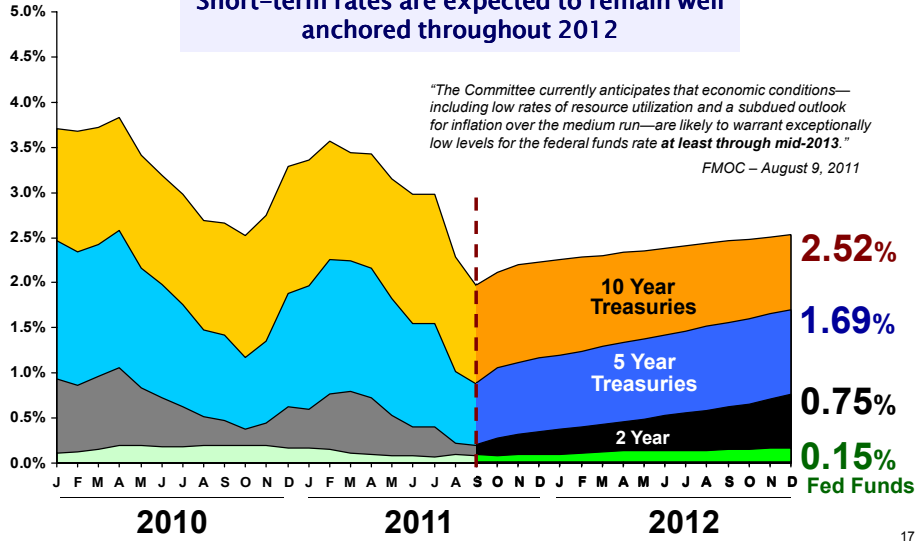
Interest Rate Forecast

As of October 20, 2011

Moderate Rise in Intermediate Rates
 Short-term rates are expected to remain well anchored throughout 2012

"The Committee currently anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013."

FMOC – August 9, 2011

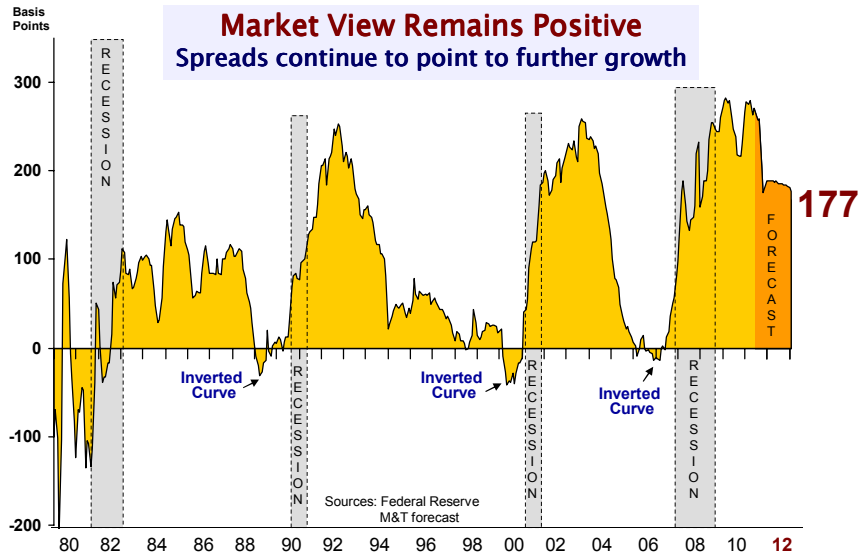


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Interest Rate Spread Between 2-year and 10-year Treasuries

Forecast as of October 20, 2011

Market View Remains Positive
 Spreads continue to point to further growth

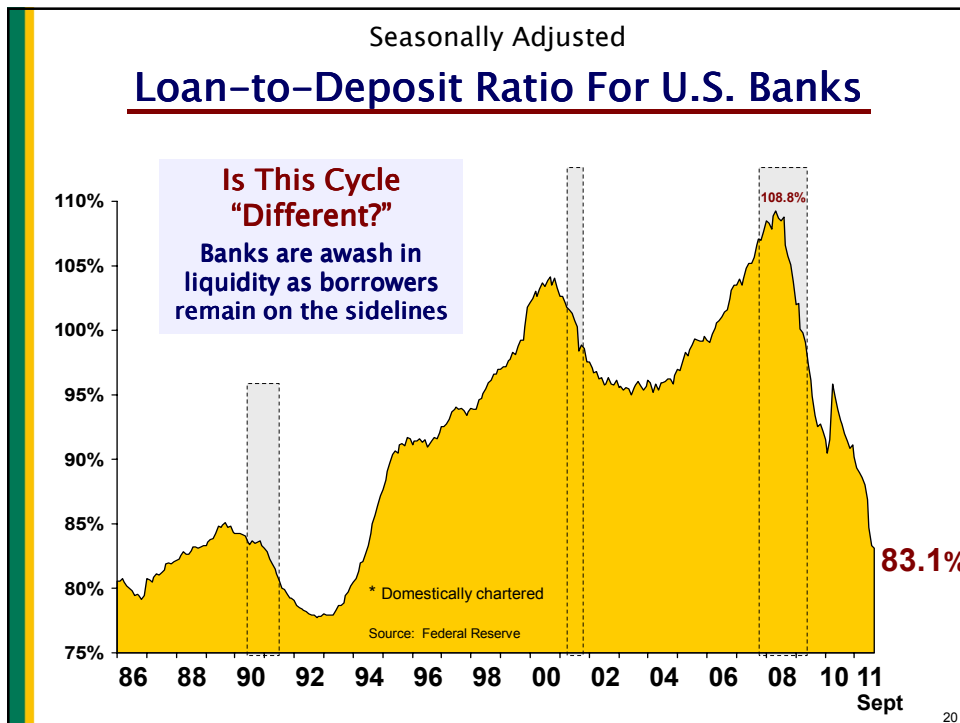


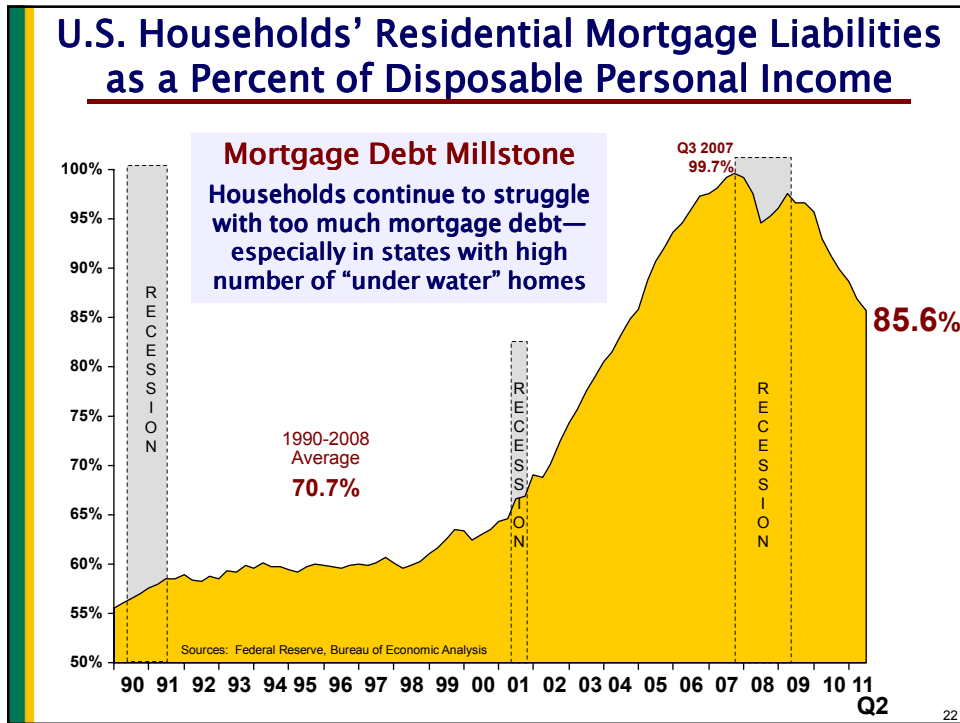
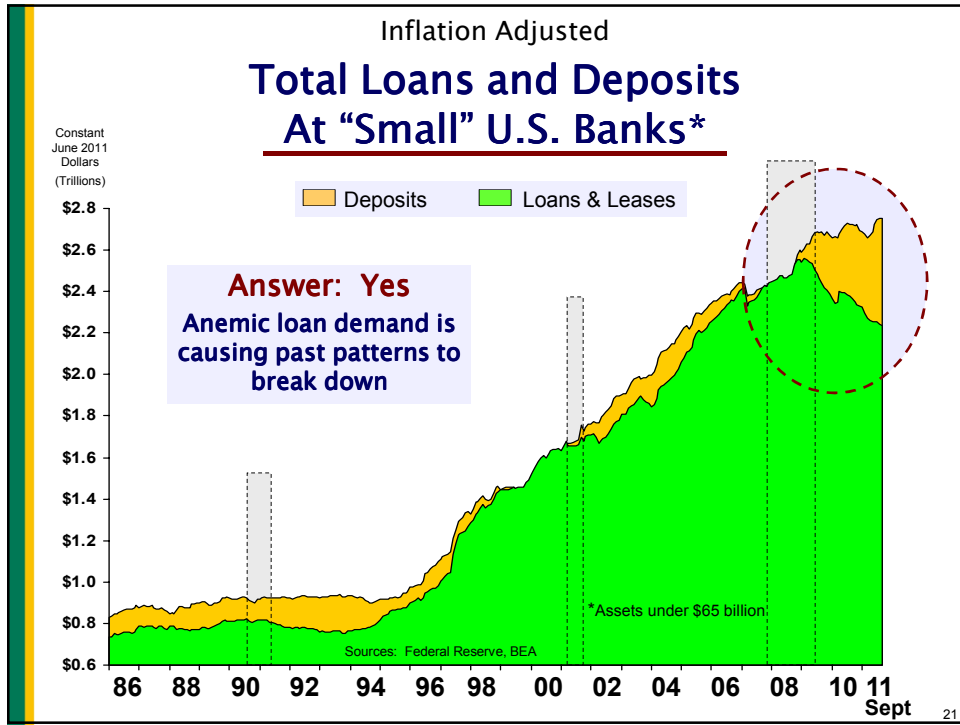
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Challenge #2

What are banking industry trends telling us?

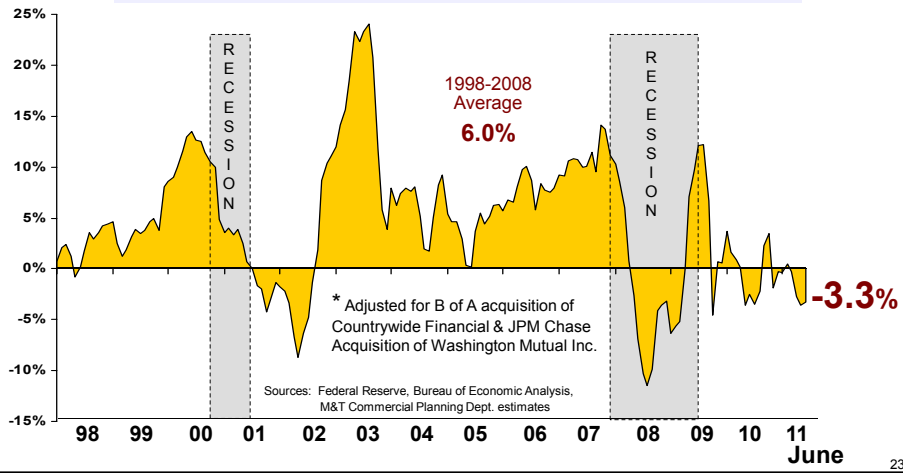
M&T Bank *Understanding what's important.*





Inflation-Adjusted Year-Over-Year Percentage Change
Growth in Residential Real Estate Loans at All Domestically Chartered U.S. Banks*

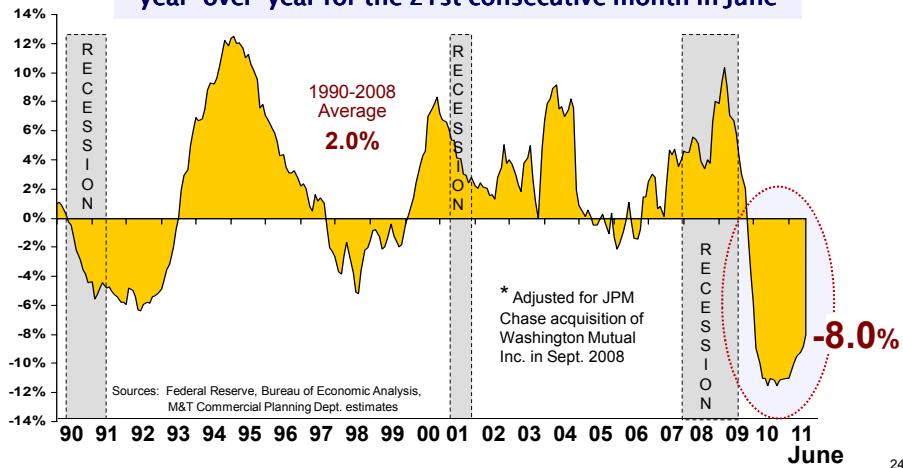
Bouncing Along the Bottom
 Real residential mortgage loan demand remains anemic



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Inflation-Adjusted Year-Over-Year Percentage Change
Growth in Consumer Loans at All Domestically Chartered U.S. Banks*

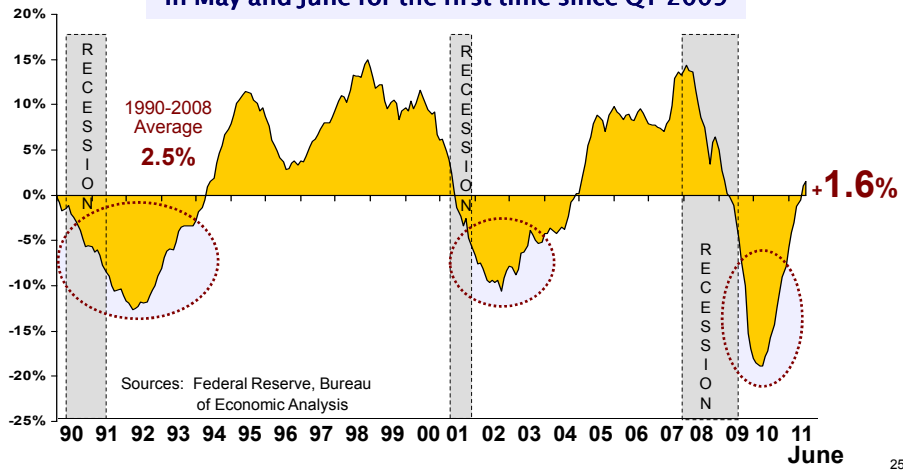
A Long Way From Normal
 Loan demand remains very soft, with real balances down year-over-year for the 21st consecutive month in June



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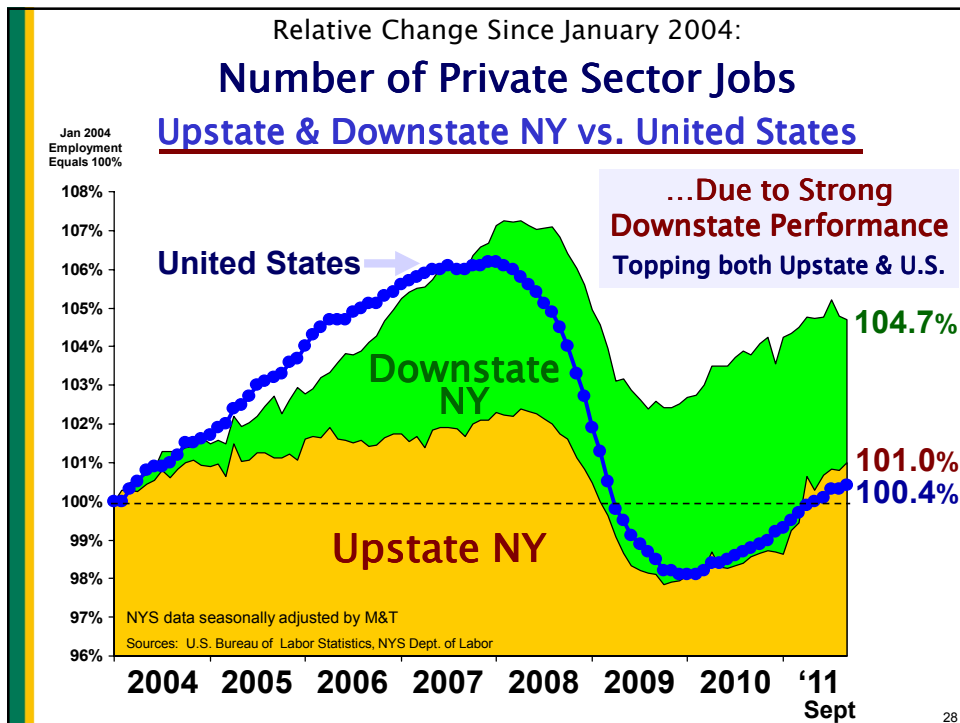
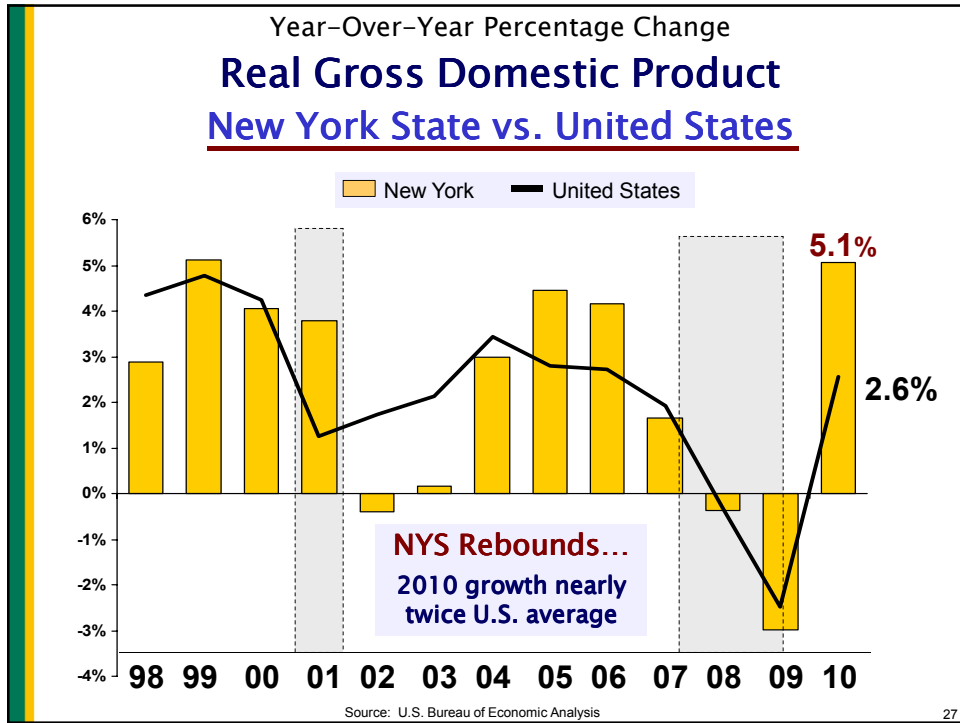
Inflation-Adjusted Year-Over-Year Percentage Change
**Growth in Commercial & Industrial Loans at
 All Domestically Chartered U.S. Banks**

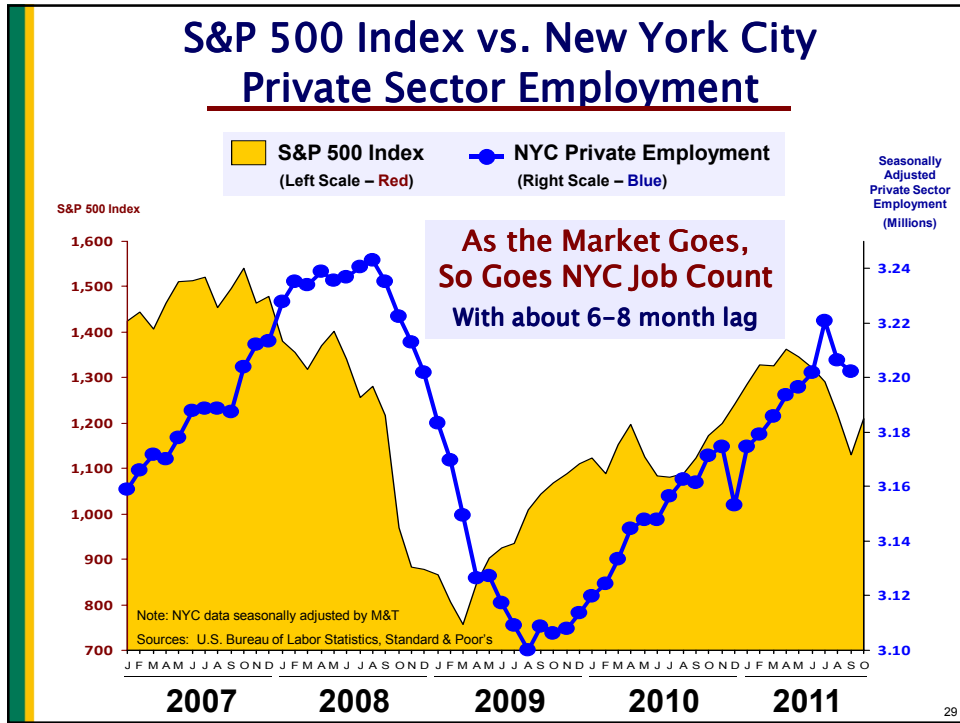
At a Tipping Point
 Real C&I loan balances increased year-over-year
 in May and June for the first time since Q1 2009

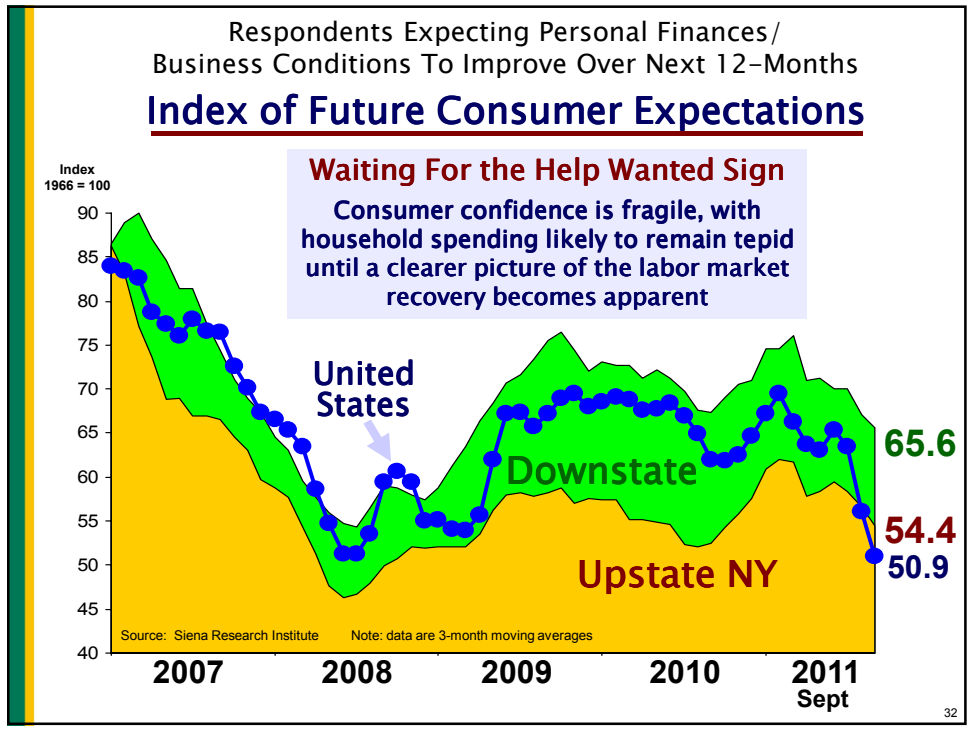
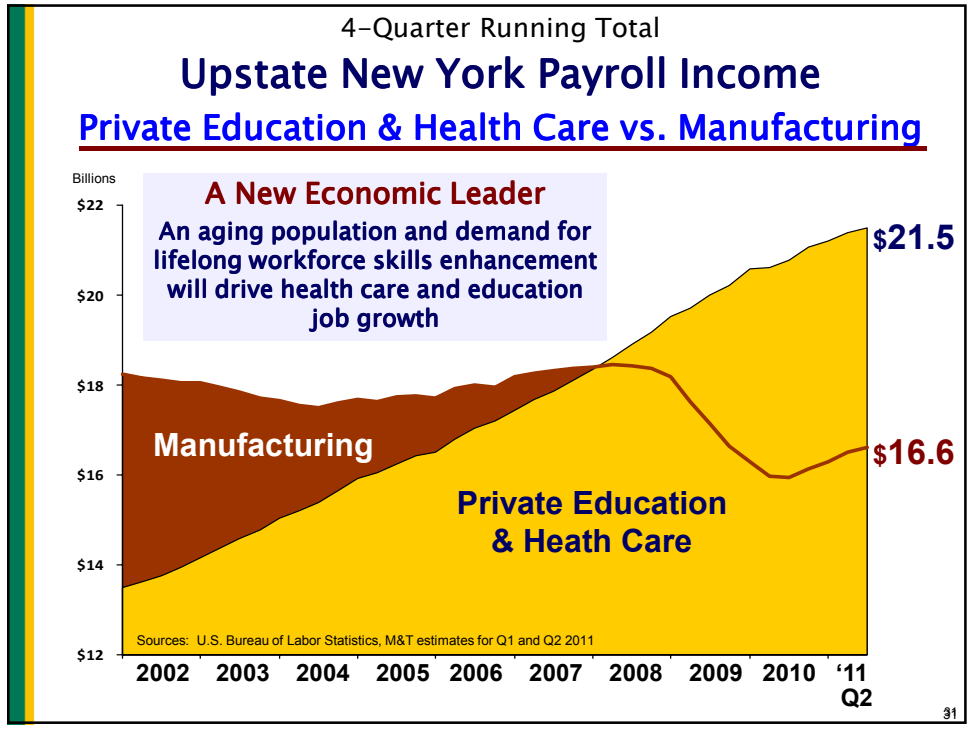


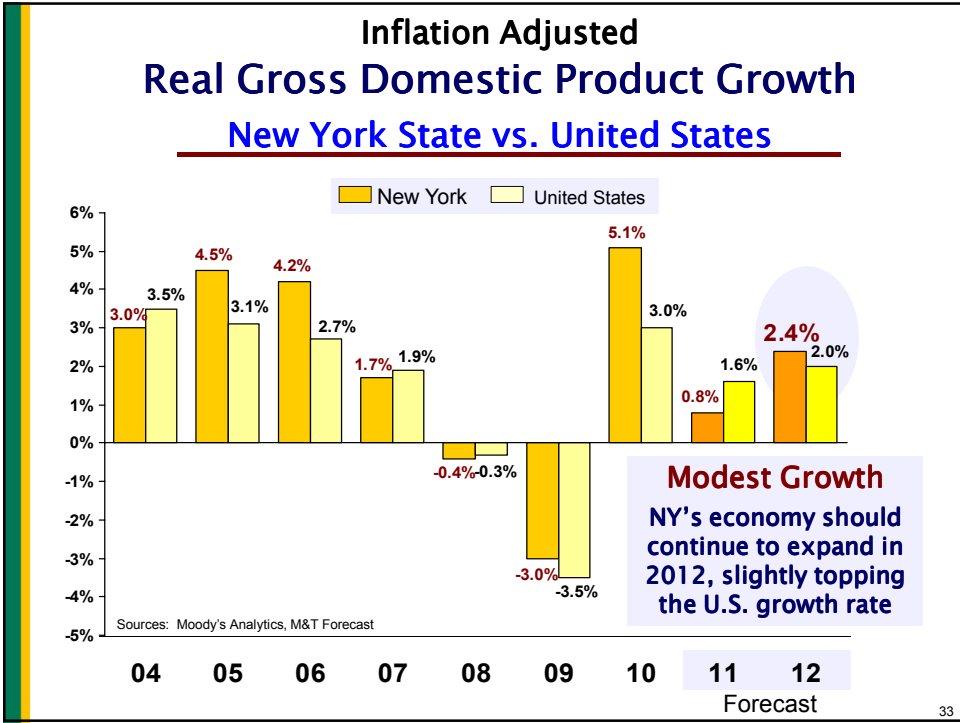
Challenge #3

**How do these
 trends impact NYS?**



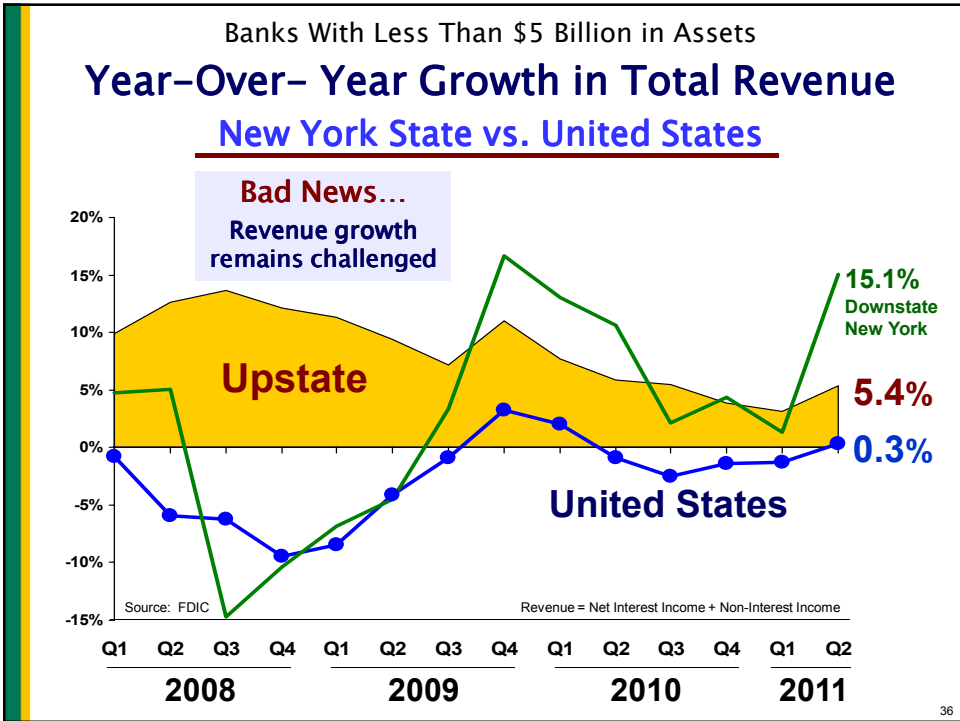
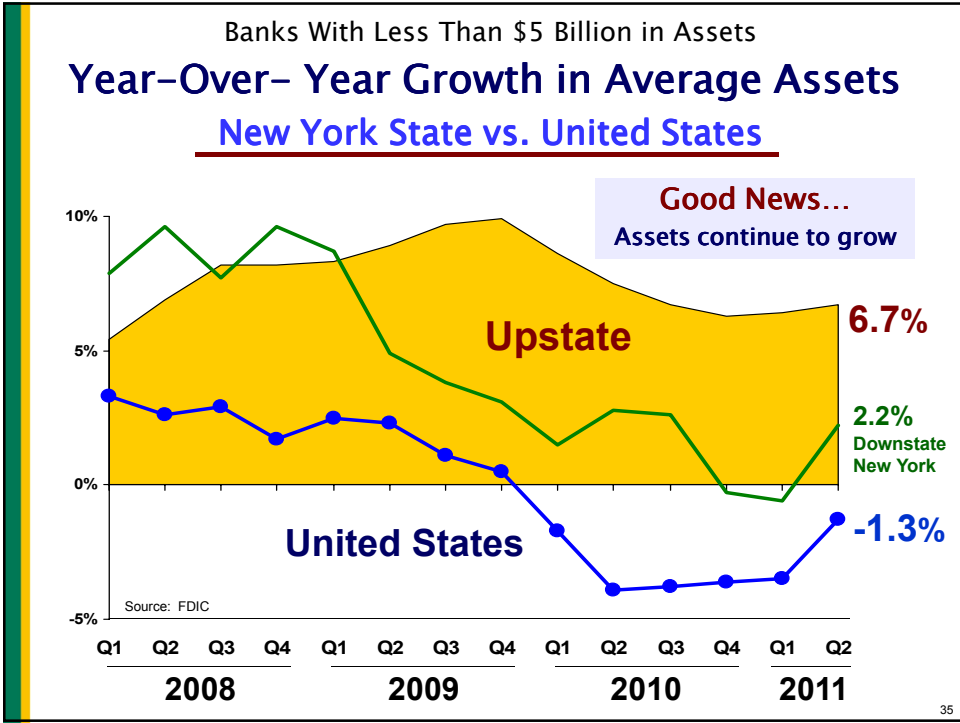


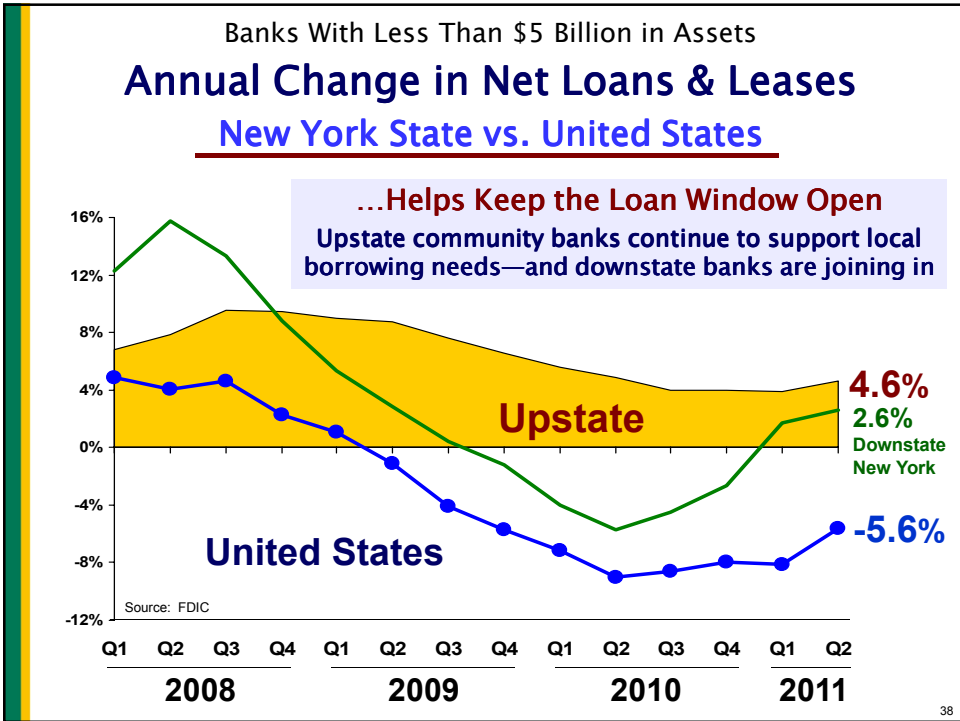
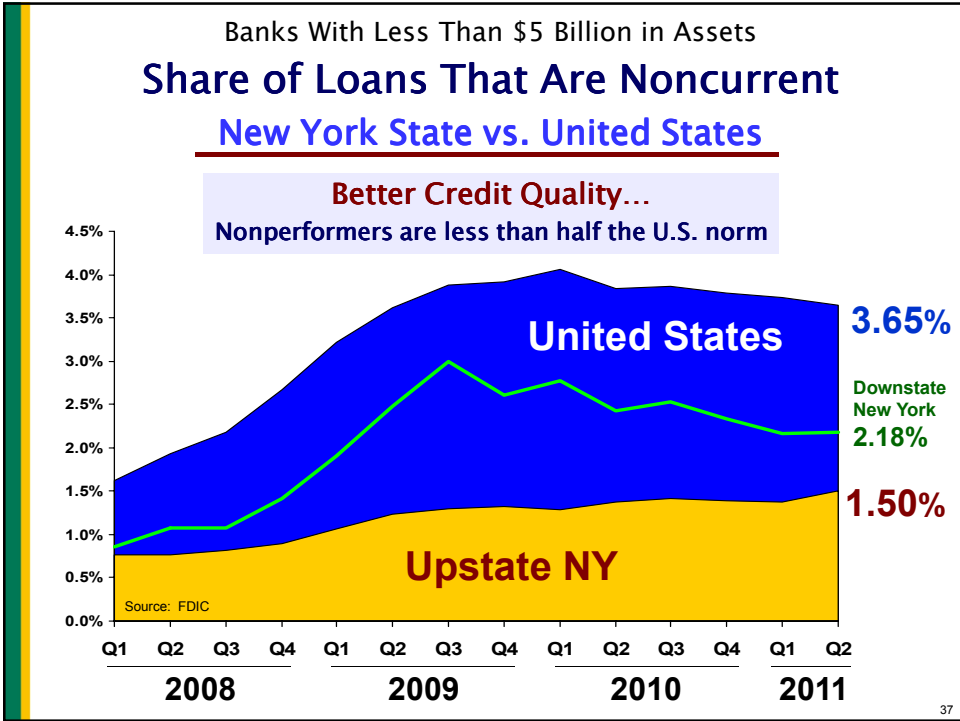


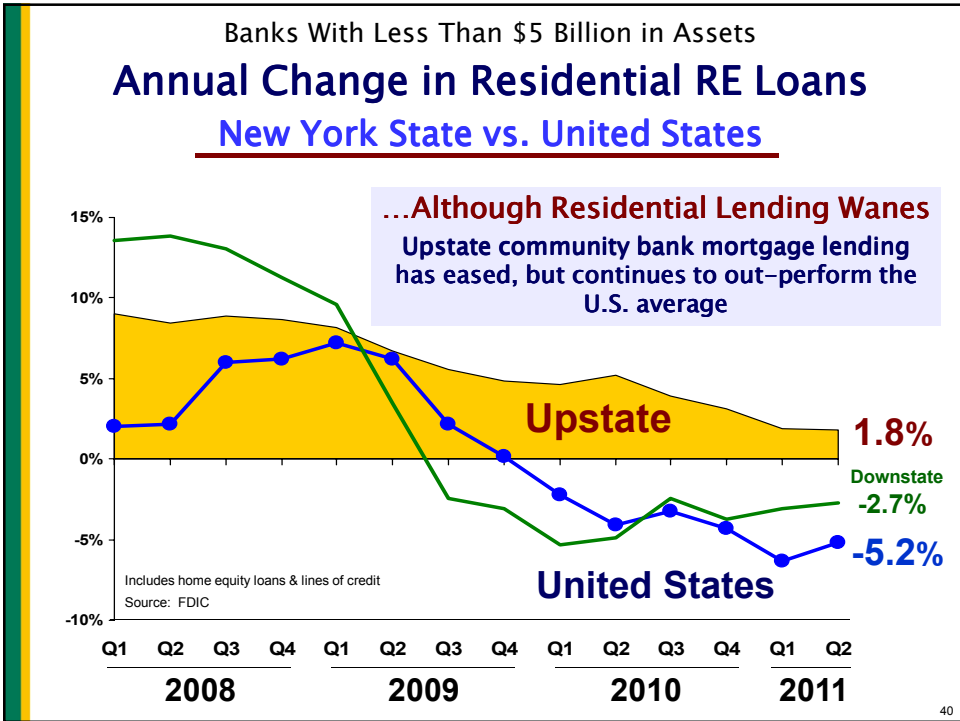
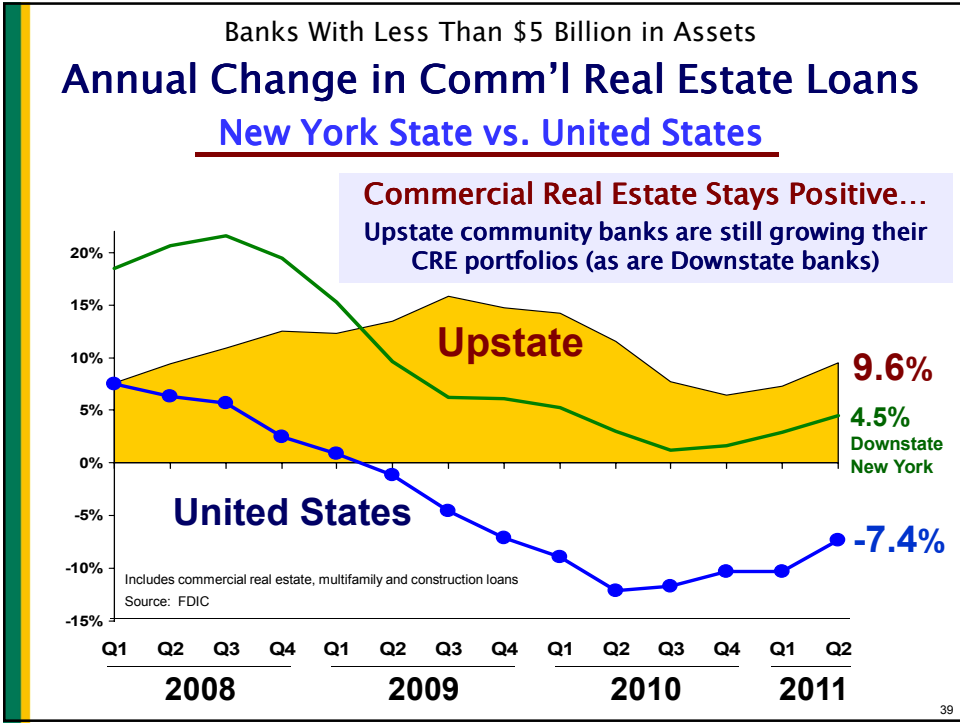


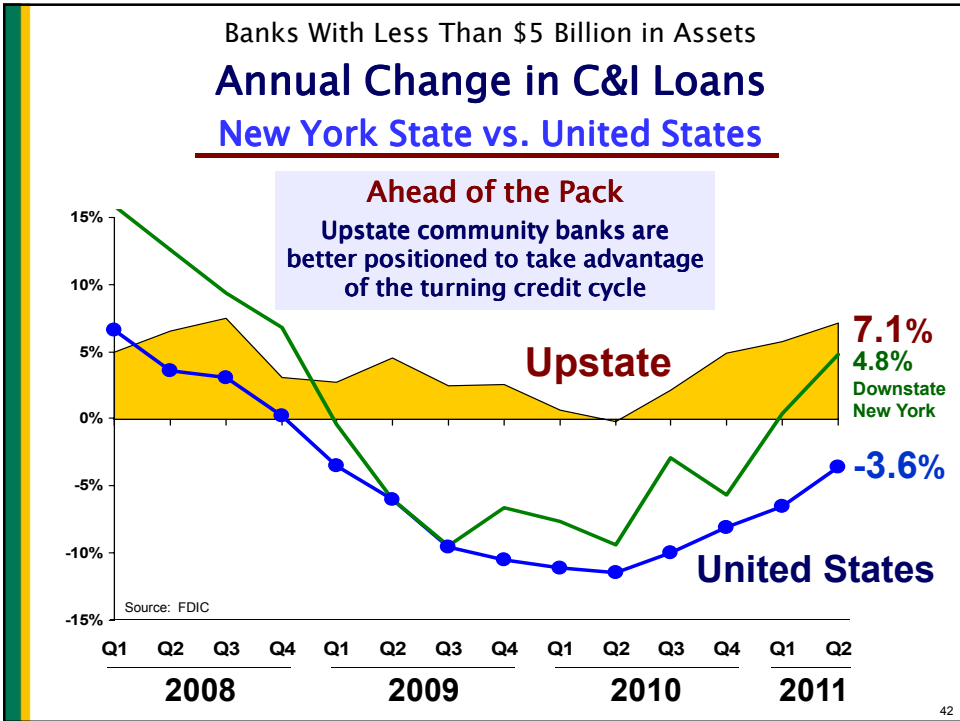
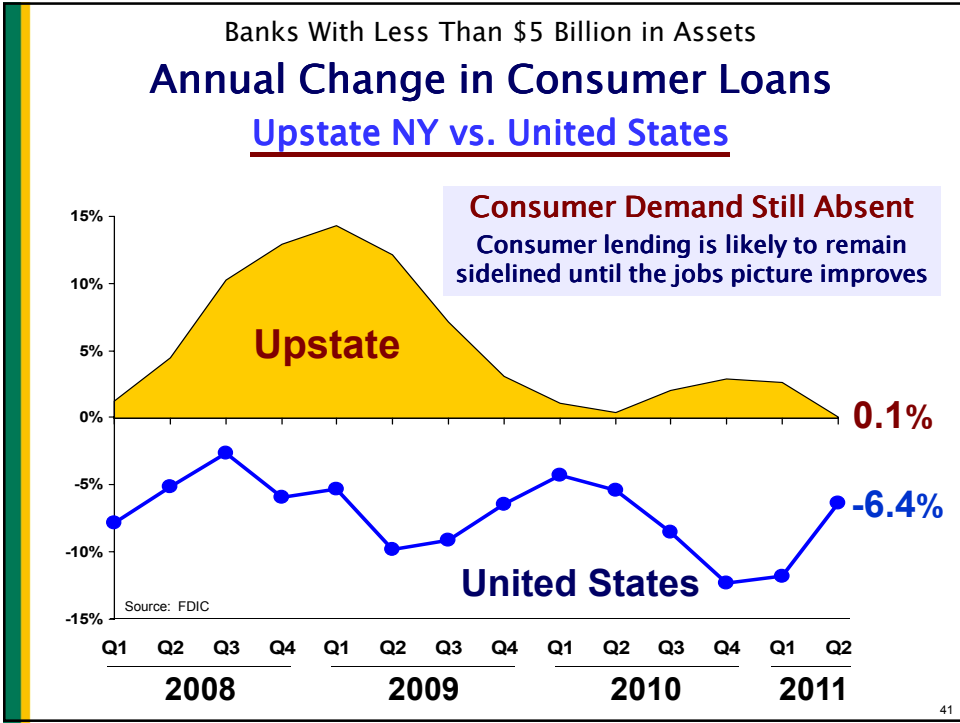
Opportunities / Challenges

How can NYS community banks navigate in the near-term?









Upstate NY Community Bank Deposits Per Branch Office



Community Bank Share of Upstate NY Branch Office Deposits

