The Economy, Banking, and why do we need so many of them anyway?

Steven Colwick, President – Fort Worth Market, Comerica Bank
Agenda

- The Economy and Policy today
- COVID and Policy’s impact on Banking
- Where do we go from here and how do we get there
The Leading Bank for Business

No other bank focuses more on business banking than Comerica Bank.

Comerica ranks first nationally among the top 25 U.S. financial holding companies, based on commercial and industrial loans outstanding as a percentage of assets.

Data provided by S&P Global Market Intelligence, December 31, 2020
A brief overview of where we are, how we got here, and where it is going
July GDP and Unemployment Rate Forecasts

Huge Gyrations in GDP and U. Rate

Sources: BEA, BLS, Comerica Bank
July 2021 Inflation Forecast

Source: BLS, Comerica Bank
July 2021 Interest Rate Forecast

Source: Federal Reserve, Comerica Bank

©2021, Comerica Bank. All rights reserved.
Policy and the Economy

- **Monetary Policy**
  - Managing the overall supply of money through interest rates

- **Fiscal Policy**
  - Fiscal stimulus
    - Rapid deployment of capital into the economy; stimulus, PPP
    - Slower deployment over a period of time: Infrastructure Bills, Social Program Bill (2-10 years)

- $1 Trillion Infrastructure Bill

- $3.5 Trillion Social Programs and Climate Bill

©2021, Comerica Bank. All rights reserved.
Policy and Impact

Percent of GDP

Federal Outlays, % GDP

Federal Revenue, % GDP

Federal Budget Deficit, % GDP

Total Outlays, 1962-2020 20.3%
biggest percent gain, interest
1.4% in 2021 to 8.6% in 2051

Total Revenue, 1962-2020 17.3%

Deficit, 1962-2020 3.0%

Key CBO Assumptions:
Spending, current law
Tax Rates, current law
GDP
Inflation
Interest Rates

Source: Congressional Budget Office, March 2021
The impact on Banking

- The pandemic combined with policy has had a major impact on banks
Impact on Banking

- Widening spread between deposits and loans
- Weak loan demand
- Extreme pressure on margins
Where is the loan demand?

**Buyout purchase price multiples**
Average EBITDA purchase price multiple for US LBO transactions

- **Other**
- **Equity/EBITDA**
- **Subordinated debt/EBITDA**
- **Senior Debt/EBITDA**

It’s getting crowded

- More dollars from more places are competing for the same assets.
Standing out from the crowd

- “Your service is a commodity until you have added value beyond the commodity that you are”
Standing out from the crowd

- A higher level of customer service and execution creates the perception that your service or product is higher quality...even when it may not be.
Standing out from the crowd in the service world

- Relationship first

- Bring real value to the relationship
  - Be genuine
  - Be uniquely valuable
  - Solve problems and offer solutions, not products
  - Create real value for your customer…refer something
  - Teamwork
  - Be relevant often
  - Be intentional
Conclusion

- Hang on, because we are all on this ride together
- Banks are in transition
- Be unique, be you, and be great!
Questions?

Thank You.