CAPITAL MARKETS

INNOVATIVE SOLUTIONS PERSONALIZED SERVICE

International Economic Considerations

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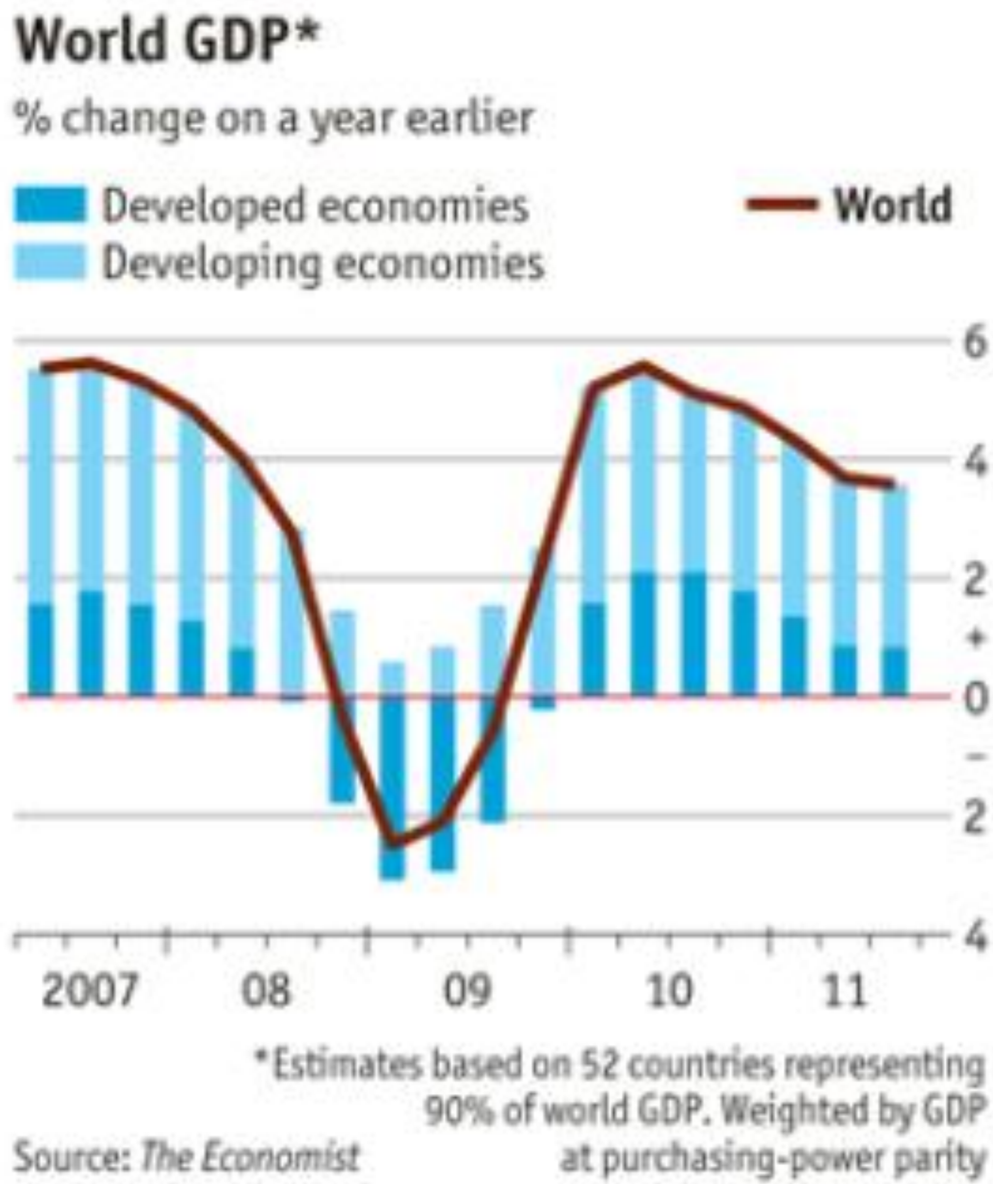
BANK OF THE WEST

Country	GDP $Million	Debt/GDP (%)	Date
World	$74,264,080	59.3	2010 est.
European Union	$15,170,419	80	2010
United States	$14,657,800	92.7	2010 est.
People's Republic of China	$10,085,708	17.5	2010 est.
Japan	$4,309,532	225.8	2010 est.
India	$4,060,392	55.9	2011 est.
Germany	$2,940,434	78.8	2010 est.
Russia	$2,222,957	9.5	2010 est.
United Kingdom	$2,172,768	76.5	2010 est.
Brazil	$2,172,058	60.8	2010 est.
France	$2,145,487	83.5	2010 est.
Italy	$1,773,547	118.1	2010 est.
Mexico	$1,567,470	41.5	2010 est.
South Korea	$1,459,246	23.7	2010 est.
Spain	$1,368,642	63.4	2010 est.
Canada	$1,330,272	34	2010
Indonesia	$1,029,884	26.7	2010
Turkey	$960,511	48.1	2010 est.

Fiscal Deficits (Surpluses) as % of GDP

	2005	2006	2007	2008	2009	2010	2011
Ireland	1.6	3	0.1	-7.3	-14.3	-11.7	-10.8
United Kingdom	-3.3	-2.7	-2.7	-4.9	-11.3	-11.5	-10.3
United States	-3.3	-2.2	-2.8	-6.5	-11	-10.7	-8.9
Japan	-6.7	-1.6	-2.4	-2.1	-7.2	-7.6	-8.3
Greece	-5.3	-3.8	-5.4	-7.7	-13.5	-8.1	-7.1
Spain	1	2	1.9	-4.1	-11.2	-9.4	-7
France	-3	-2.3	-2.7	-3.3	-7.6	-7.8	-6.9
Total OECD	-2.7	-1.2	-1.2	-3.3	-7.9	-7.8	-6.7
Euro area	-2.6	-1.4	-0.6	-2	-6.3	-6.6	-5.7
Portugal	-6.1	-3.9	-2.7	-2.9	-9.4	-7.4	-5.6
Netherlands	-0.3	0.5	0.2	0.7	-5.3	-6.4	-5.4
Italy	-4.4	-3.3	-1.5	-2.7	-5.2	-5.2	-5
Germany	-3.3	-1.6	0.2	0	-3.3	-5.4	-4.5
Australia	1.4	1.5	1.7	0.3	-3.9	-3.2	-2.4
Canada	1.5	1.6	1.6	0.1	-5.1	-3.4	-2.1
Switzerland	-0.7	0.8	1.6	2.5	0.7	-0.8	-0.5
Korea	3.4	3.9	4.7	3	0	1	0.8
Norway	15.1	18.5	17.7	19.1	9.7	9.7	10.9


World GDP*
% change on a year earlier
Developed economies
Developing economies
World
6
4
2
+
0
-
2
4
2007
08
09
10
11
*Estimates based on 52 countries representing 90% of world GDP. Weighted by GDP at purchasing-power parity
Source: The Economist

Gross Domestic Product

GDP = Personal consumption + Investments + (Exports – Imports) + Government spending

Source: Bloomberg

As of 3rd Quarter 2011

Gross domestic product	**13,337.80**	**100%**
Personal consumption expenditures	**9,446.50**	**71%**
Goods	3,341.70	25%
Durable goods	1,277.10	10%
Nondurable goods	2,073.20	16%
Services	6,109.80	46%
Gross private domestic investment	**1,774.60**	**13%**
Fixed investment	1,787.80	13%
Nonresidential	1,462.80	11%
Structures	331.6	2%
Equipment and software	1,144.30	9%
Residential	325.7	2%
Change in private inventories	-8.5	0%
Net exports of goods and services	-400.7	-3%
Exports	**1,783.60**	**13%**
Goods	1,258.30	9%
Services	525.9	4%
Imports	**2,184.30**	**16%**
Goods	1,826.60	14%
Services	359.7	3%
Government consumption expenditure	**2,507.60**	**19%**
Federal	1,063.20	8%
National defense	714.1	5%
Nondefense	349	3%
State and local	1,450.90	11%
Residual	-27.3	0%

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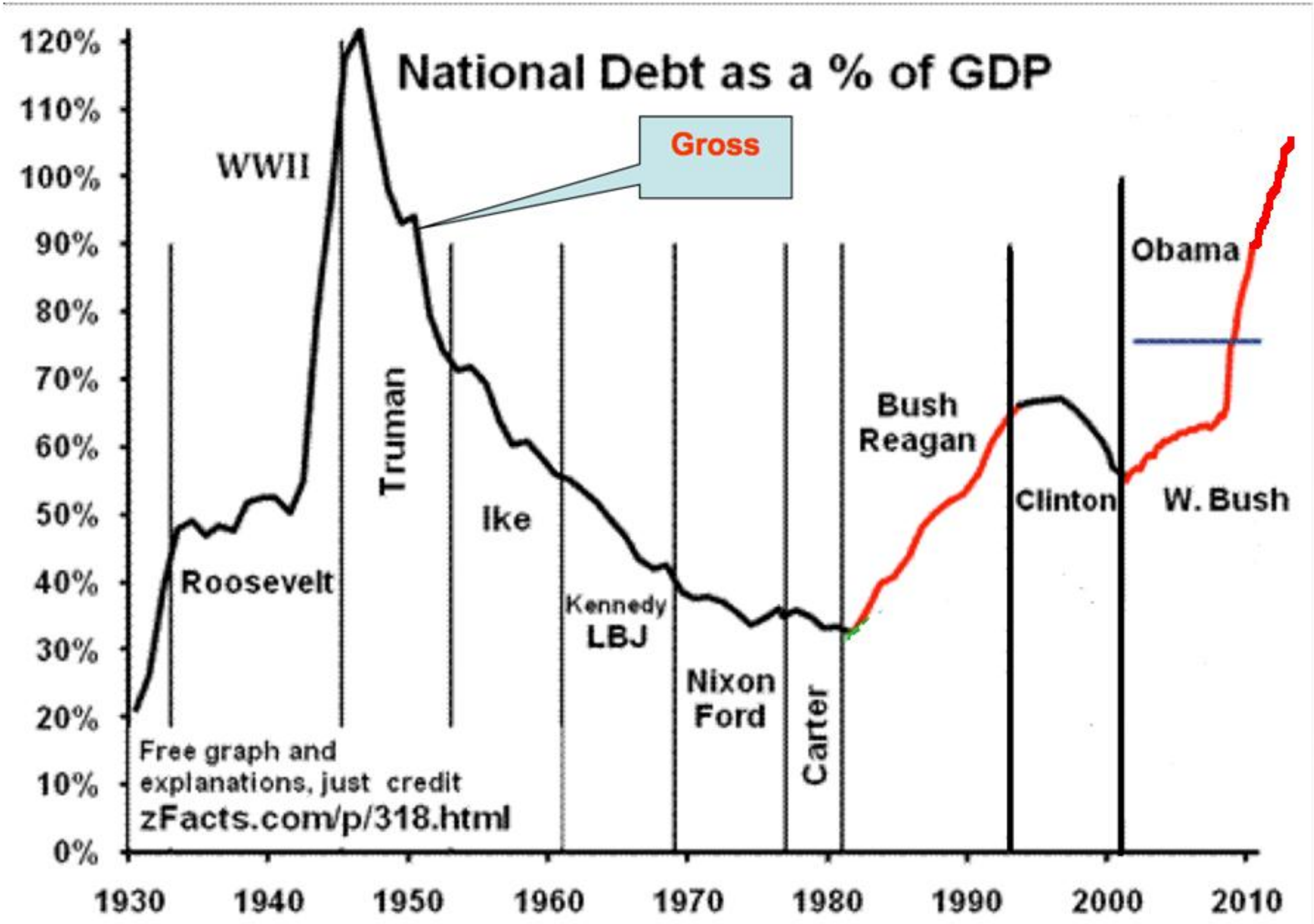

National Debt as a % of GDP
Gross
120%
110%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1930
1940
1950
1960
1970
1980
1990
2000
2010
WWII
Roosevelt
Truman
Ike
Kennedy
LBJ
Nixon
Ford
Carter
Bush
Reagan
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Obama
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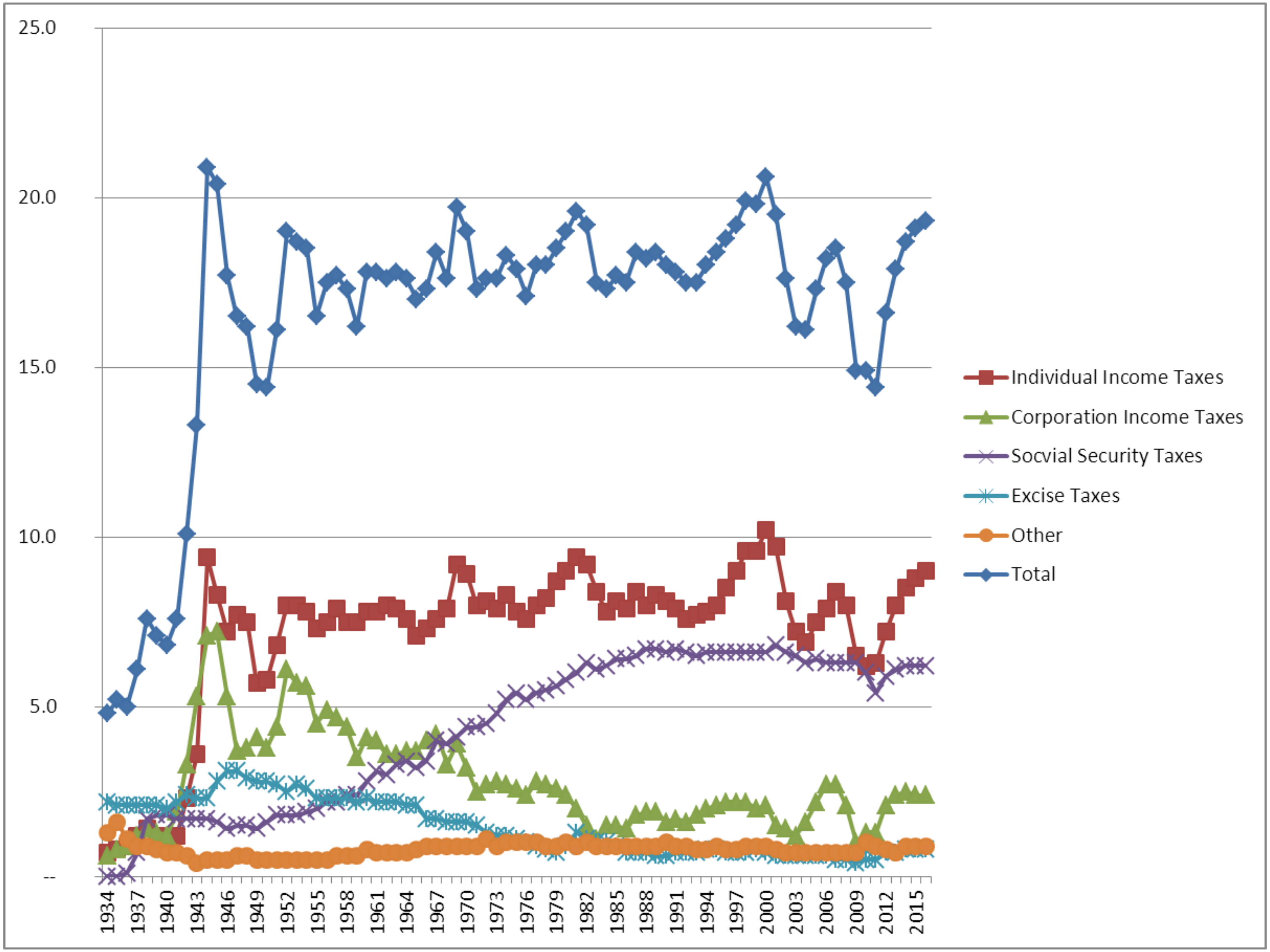
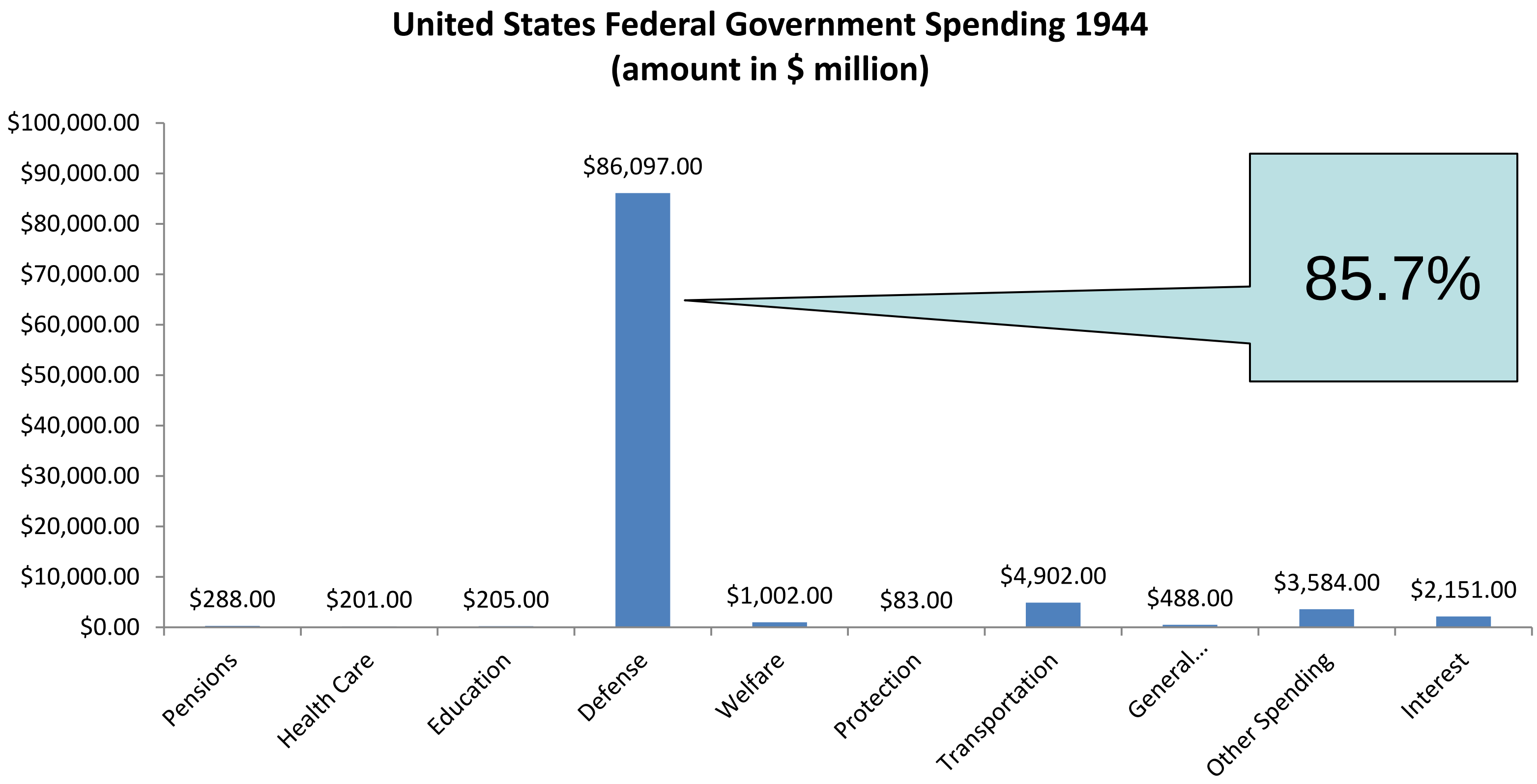
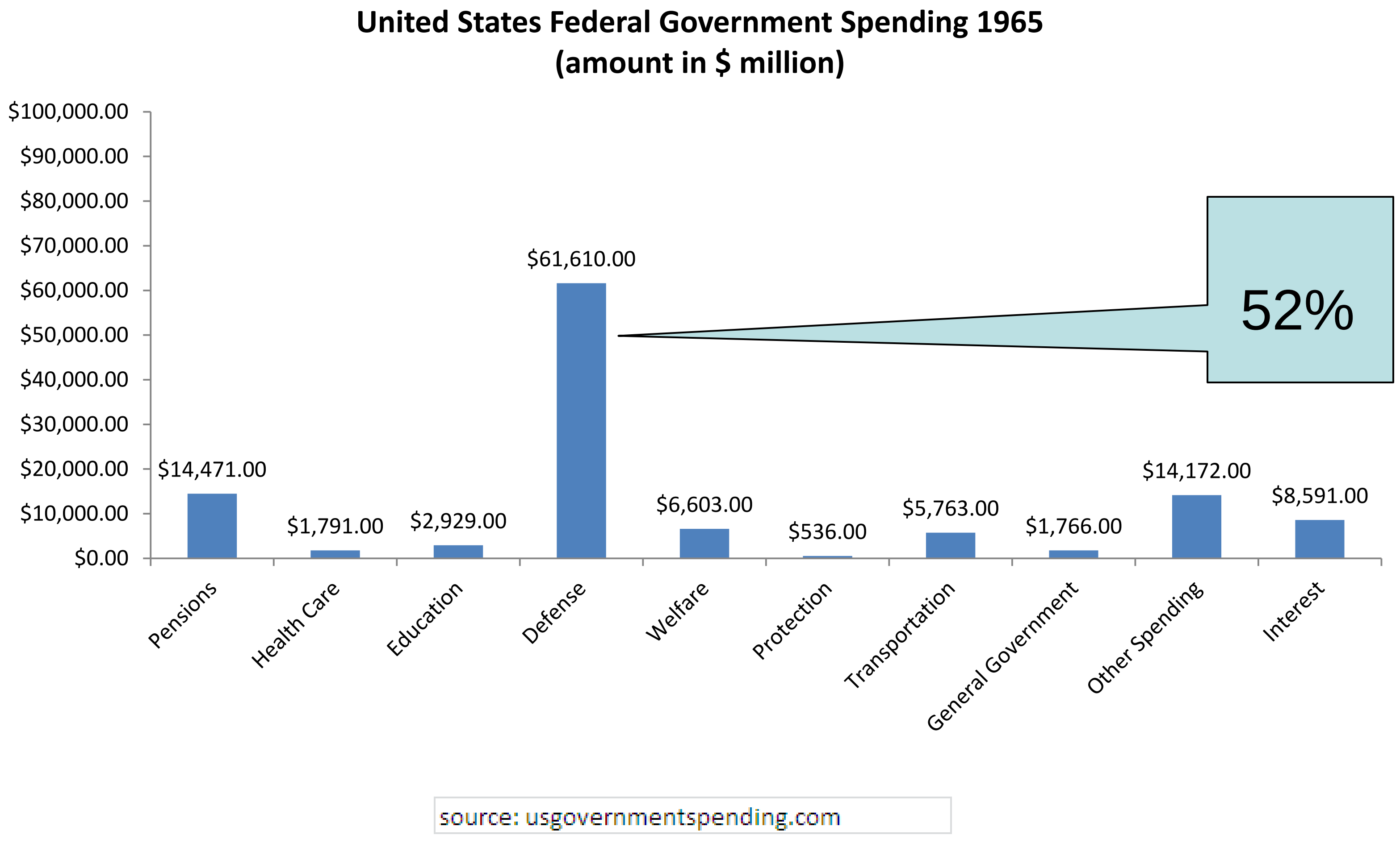
Taxes As % of GDP



Source: Office of Management and Budget, Historical Tables, Table 2.3; http://www.whitehouse.gov/omb/budget/Historicals/ (Last accessed, March 25, 2011).

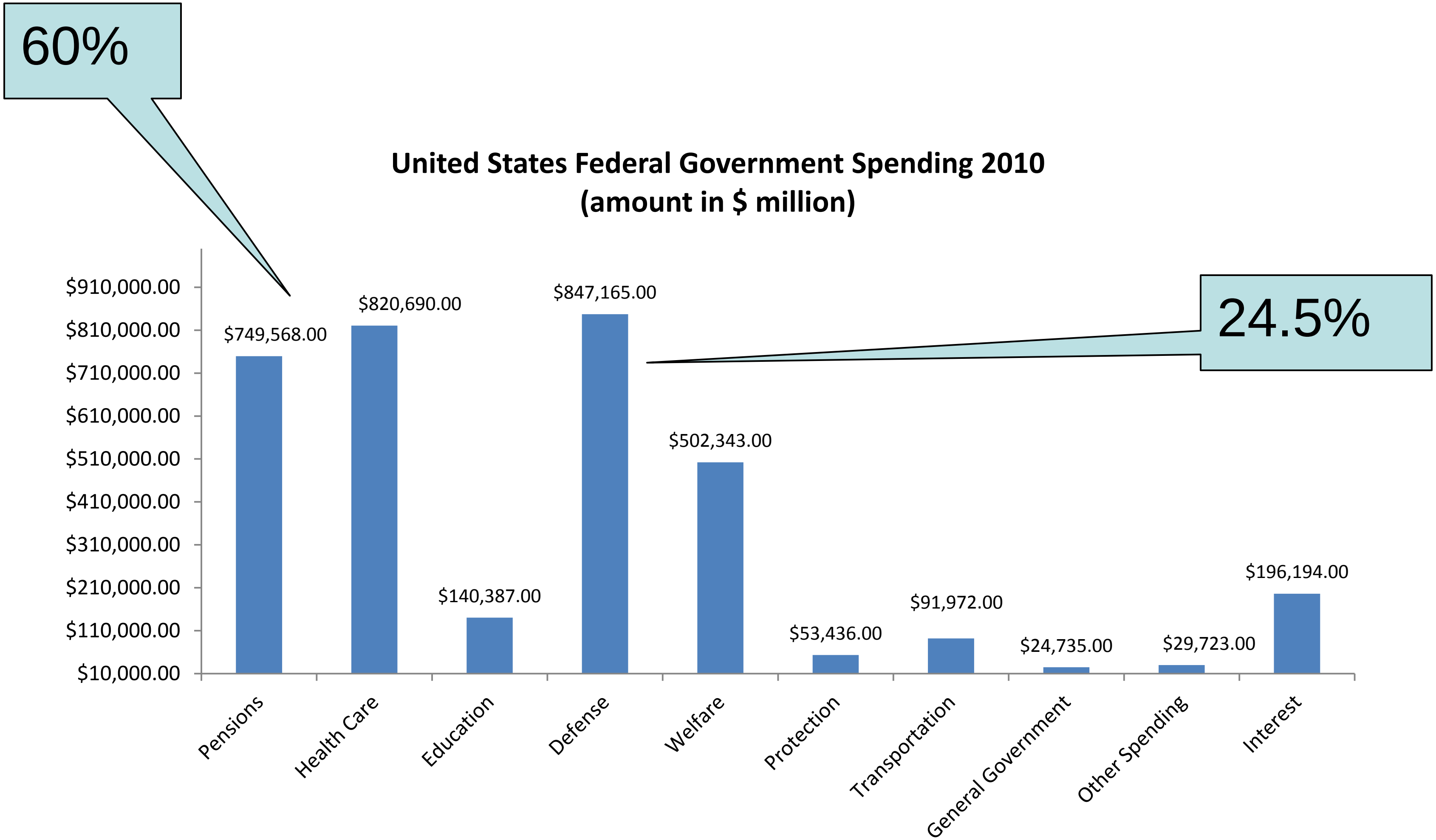


source: usgovernmentspending.com



United States Federal Government Spending 1965
(amount in $ million)
$100,000.00
$90,000.00
$80,000.00
$70,000.00
$60,000.00
$50,000.00
$40,000.00
$30,000.00
$20,000.00
$10,000.00
$0.00
$14,471.00
$1,791.00
$2,929.00
$61,610.00
$6,603.00
$536.00
$5,763.00
$1,766.00
$14,172.00
$8,591.00
52%
Pensions
Health Care
Education
Defense
Welfare
Protection
Transportation
General Government
Other Spending
Interest
source: usgovernmentspending.com

Transitioning to a Welfare State



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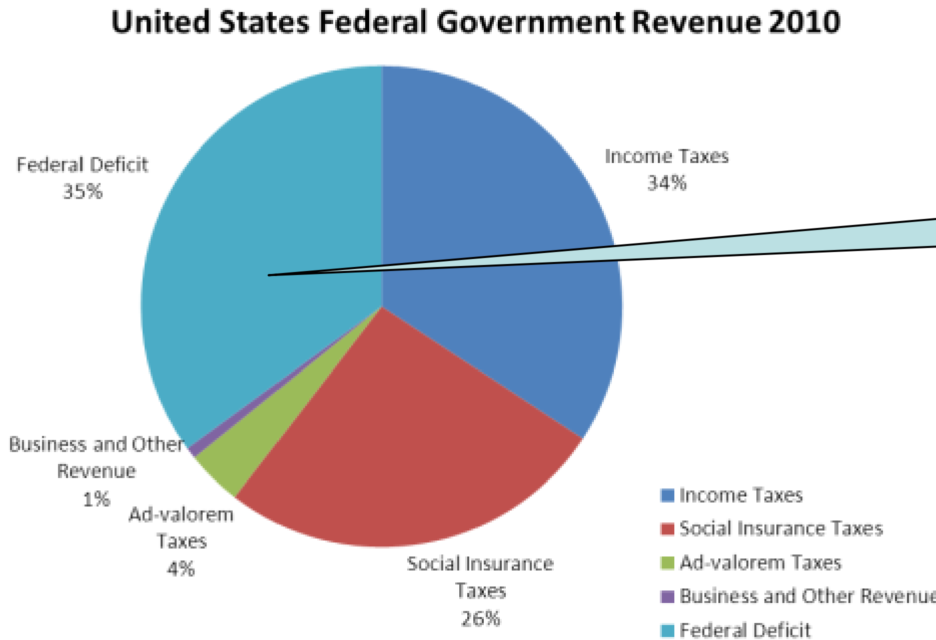
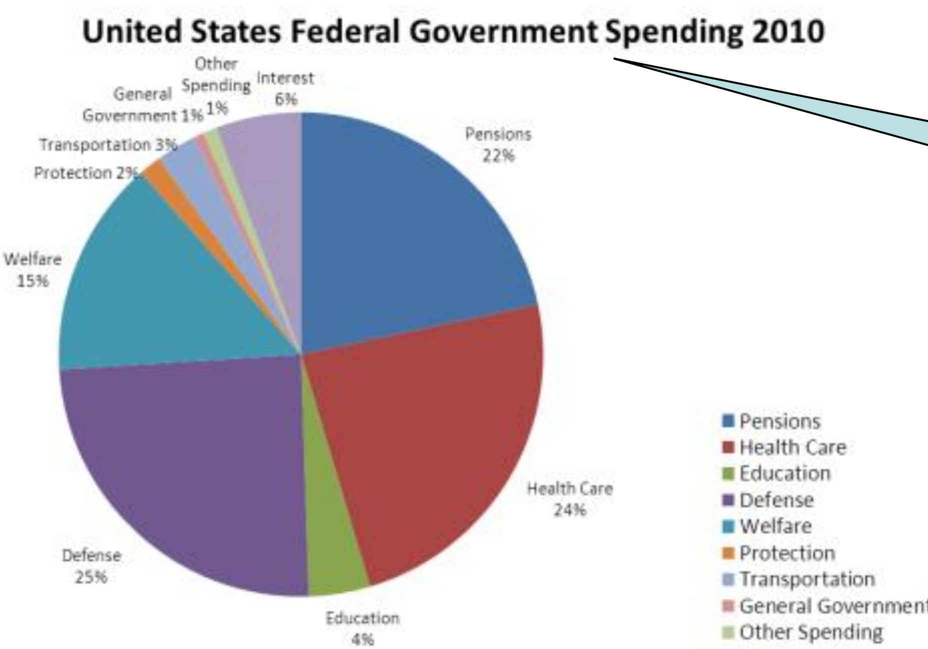


Deficit is 10.7% of GDP

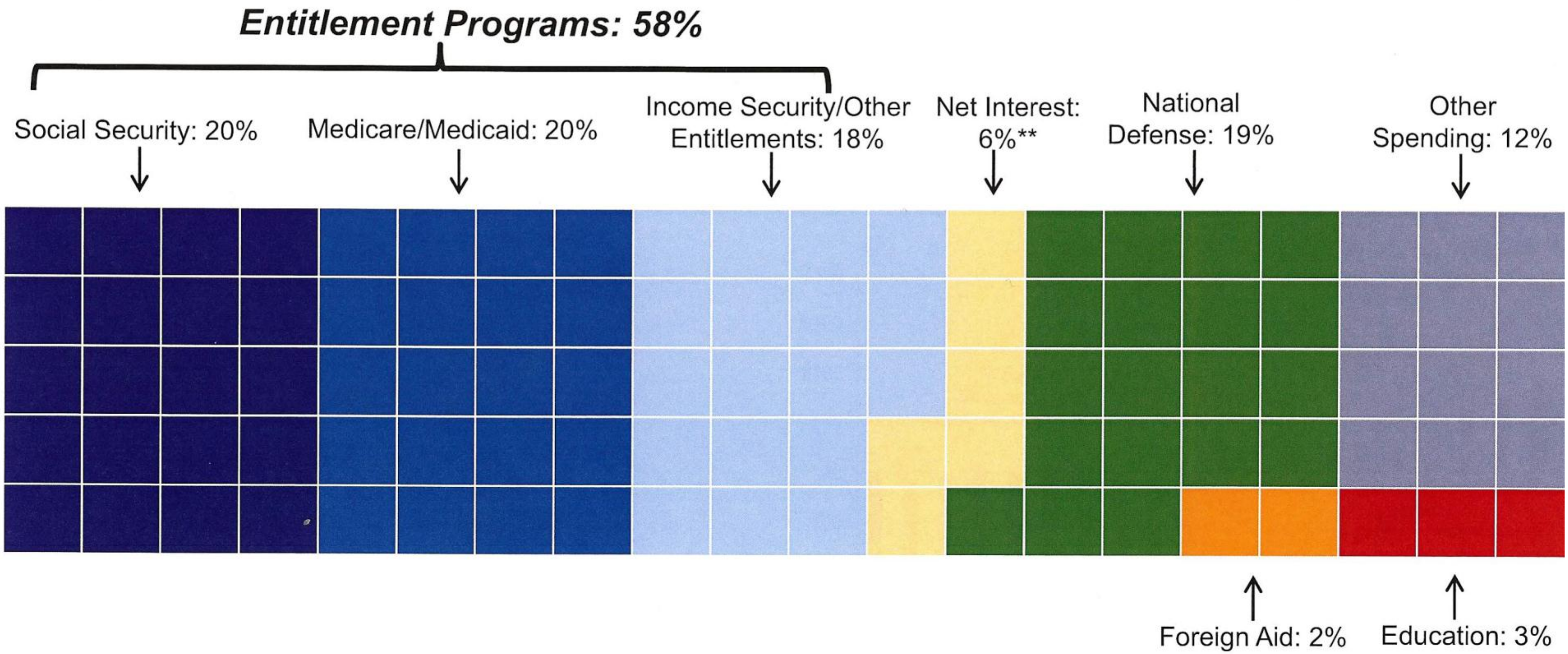
source: www.usgovernmentrevenue.com



24% of GDP

source: www.usgovernmentspending.com

The President's Fiscal Year 2012 Budget: Percentage Breakdown*



- Of President Obama's fiscal year 2012 budget, 58% of spending is expected to go towards various entitlement programs.

Data Source: Heritage Foundation, Tax Foundation and Internal Revenue Service.
Footnote: *Each box represents 1% of the President's Fiscal Year 2012 Budget. **Net of interest received by on-budget trust funds and other investment income.

We Need Spending Stimulus, but…

"If we spend one trillion dollars on a stimulus and just get better highways and bridges — and not a new Google, Apple, Intel or Microsoft — your kids will thank you for making it so much easier for them to commute to the unemployment office. . . . " *—Thomas L. Friedman, Author, "The World Is Flat "*

Supercommittee admits failure

Automatic cuts of $1.2 trillion starting in 2013

$600 billion from Defense
$600 billion from education, housing and environmental protection.

The Democrats refused to consider structural reforms to the big entitlement programs (Medicare, Medicaid and Social Security).

The Republicans refused to raise tax rates.

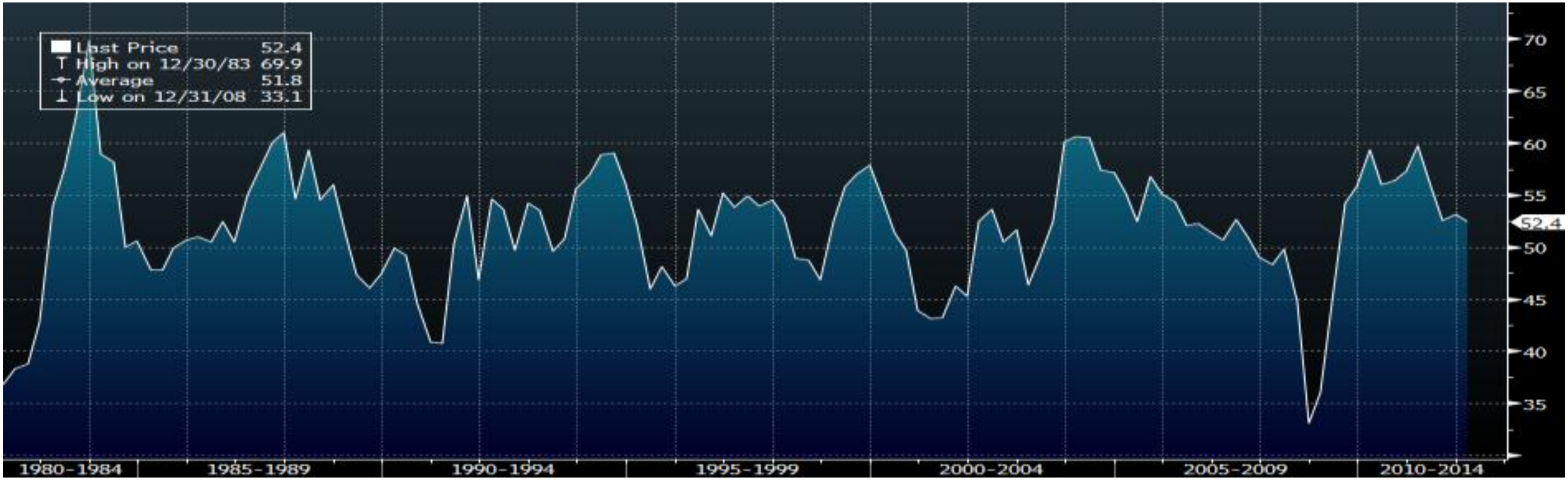
In the pipeline

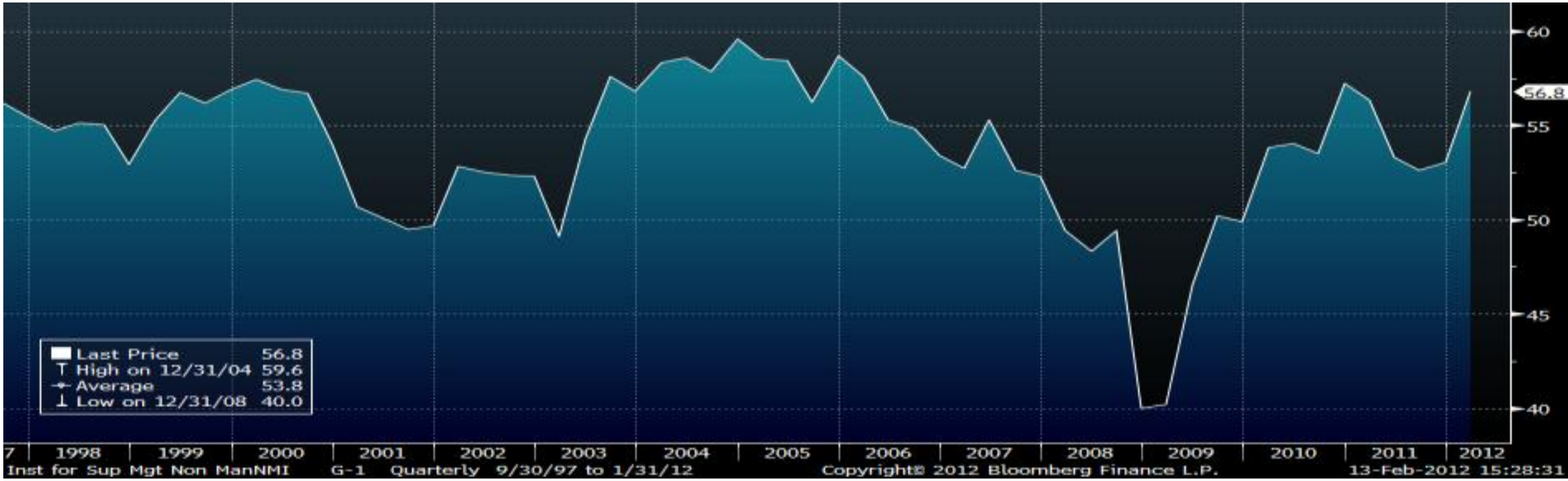
Contractionary fiscal measures:

	Annual value, $bn
Expiring or taking effect in December 2011 and January 2012	
99-week unemployment insurance benefit	50
2% employee payroll tax cut	110
Alternative minimum tax and other tax provisions	24
Override of Medicare fee cut	12
Discretionary spending cuts from August debt deal	40
Other expiring Recovery Act stimulus	125
Subtotal	*361*
% of GDP	*2.4*
Expiring or taking effect in December 2012 and January 2013	
Bush tax cuts for high earners	50
All other Bush tax cuts	205
3.8% Medicare tax on investment income	21
$1.2 trillion ten-year sequester	109
Subtotal	*385*
% of GDP	*2.6*
Total	**746**

Sources: Congressional Budget Office; ISI Group; JPMorgan

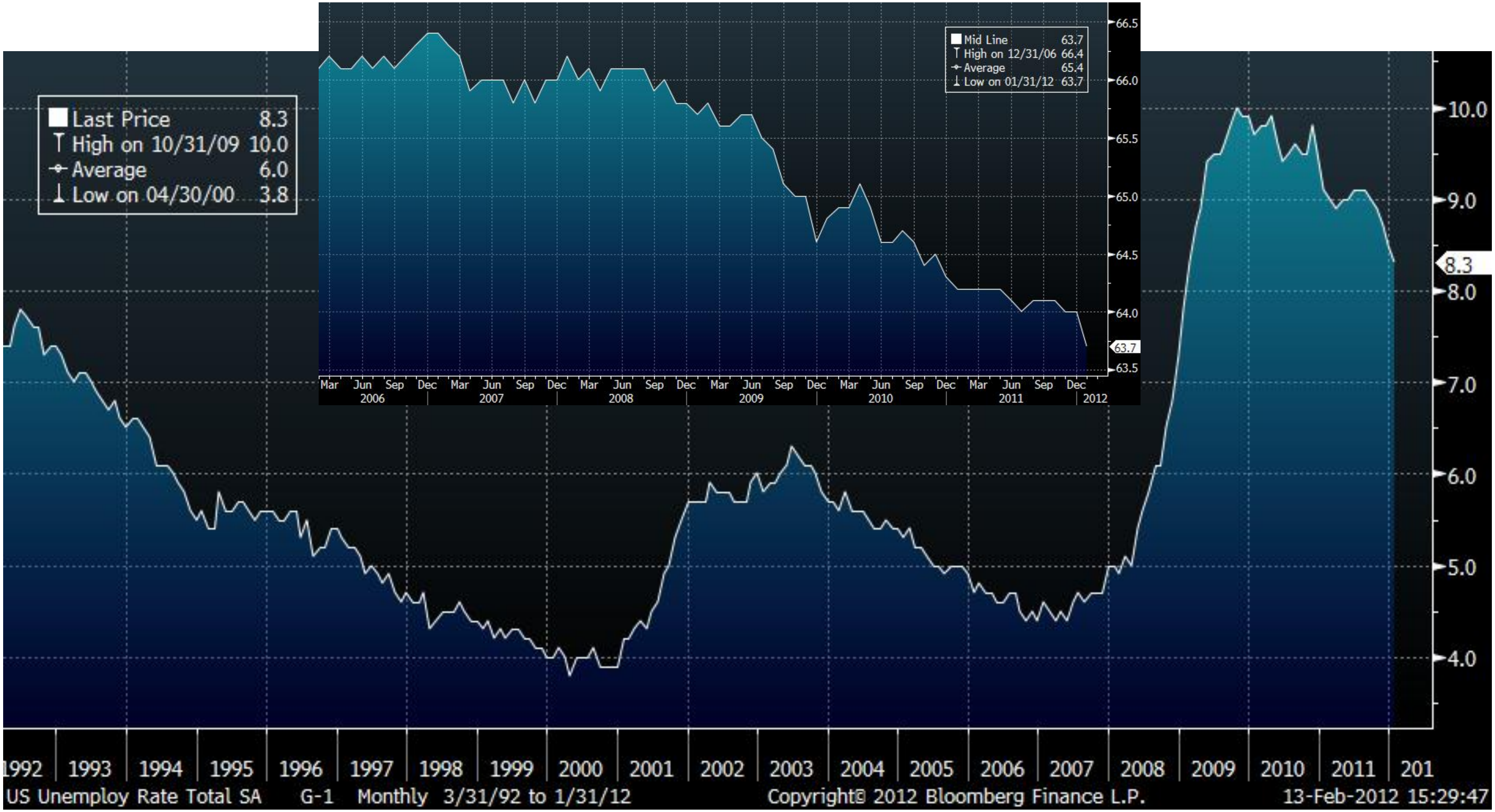
ISM Indices





Source: Bloomberg

Unemployment



Source: Bloomberg

Home Prices & Consumer Debt

Source: Bloomberg

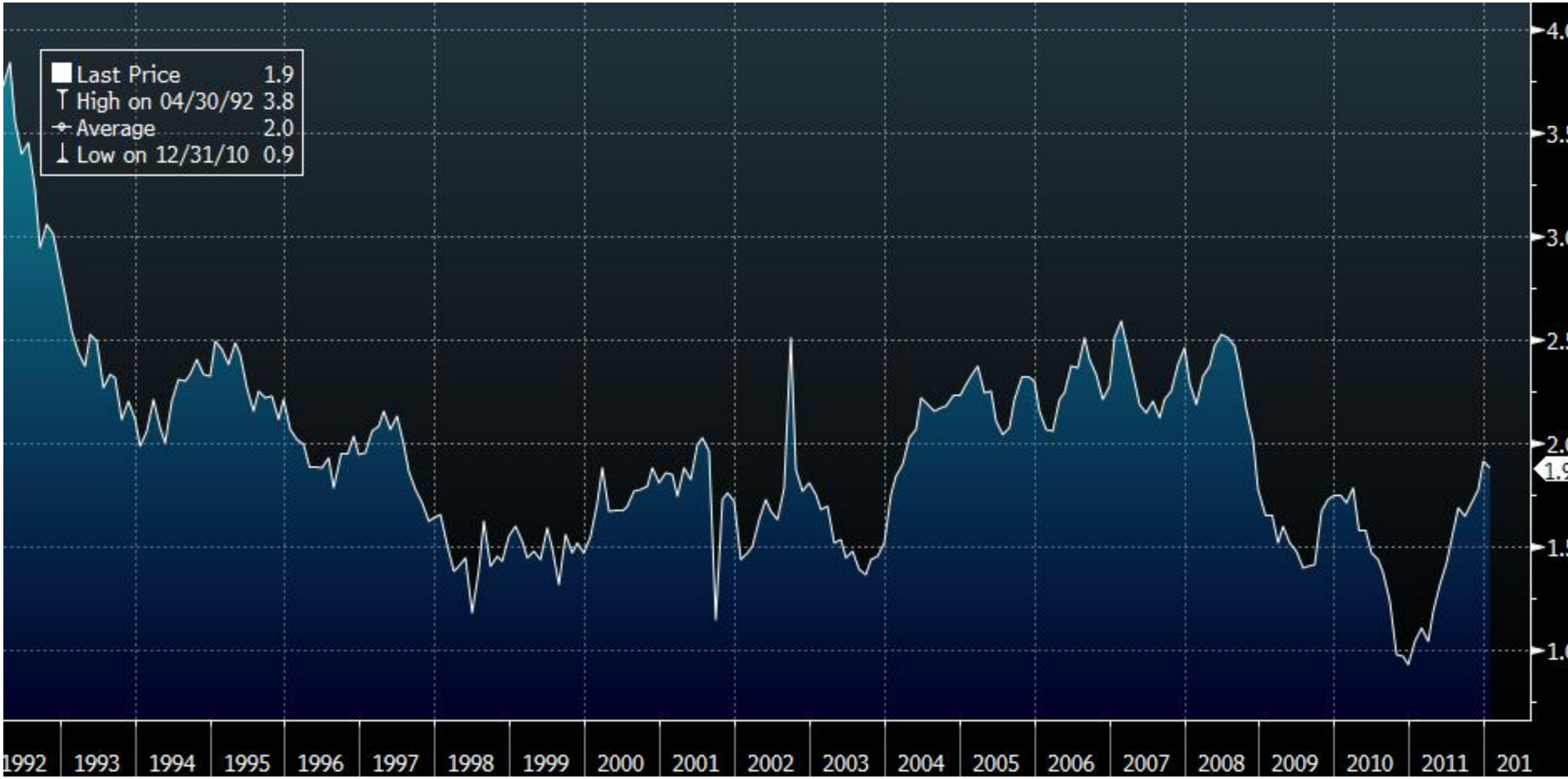
Consumer Confidence

Source: Bloomberg

Retail Sales - Monthly Year over Year Same Stores

Source: Bloomberg

Inflation – Starting to Move Higher, But Manageable

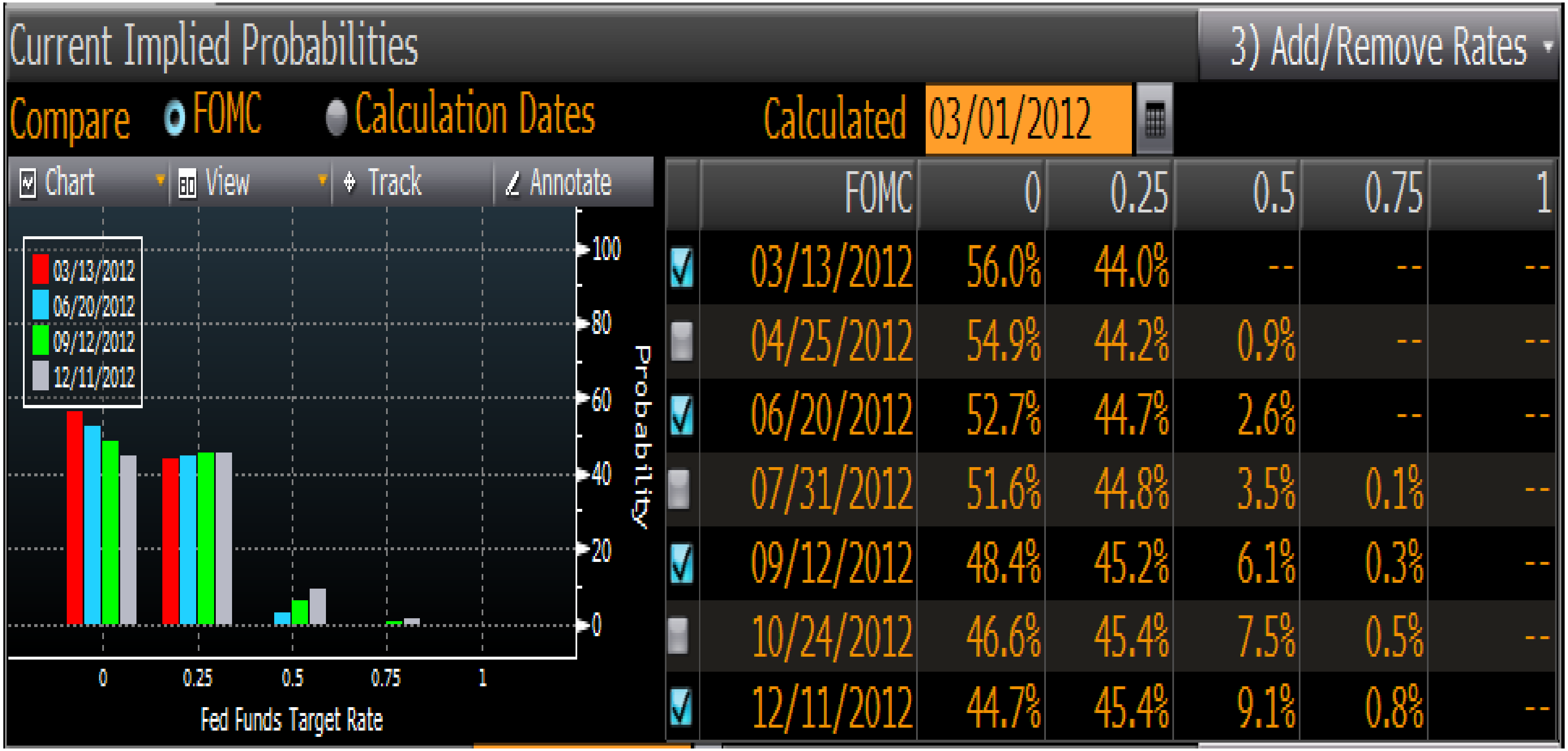


Source: Bloomberg

Persistent Current Account Deficit

The *current account* is the sum of the balance of trade (exports minus imports of goods and services), net factor income (such as interest and dividends) and net transfer payments (such as foreign aid).

Interest Rates - Short

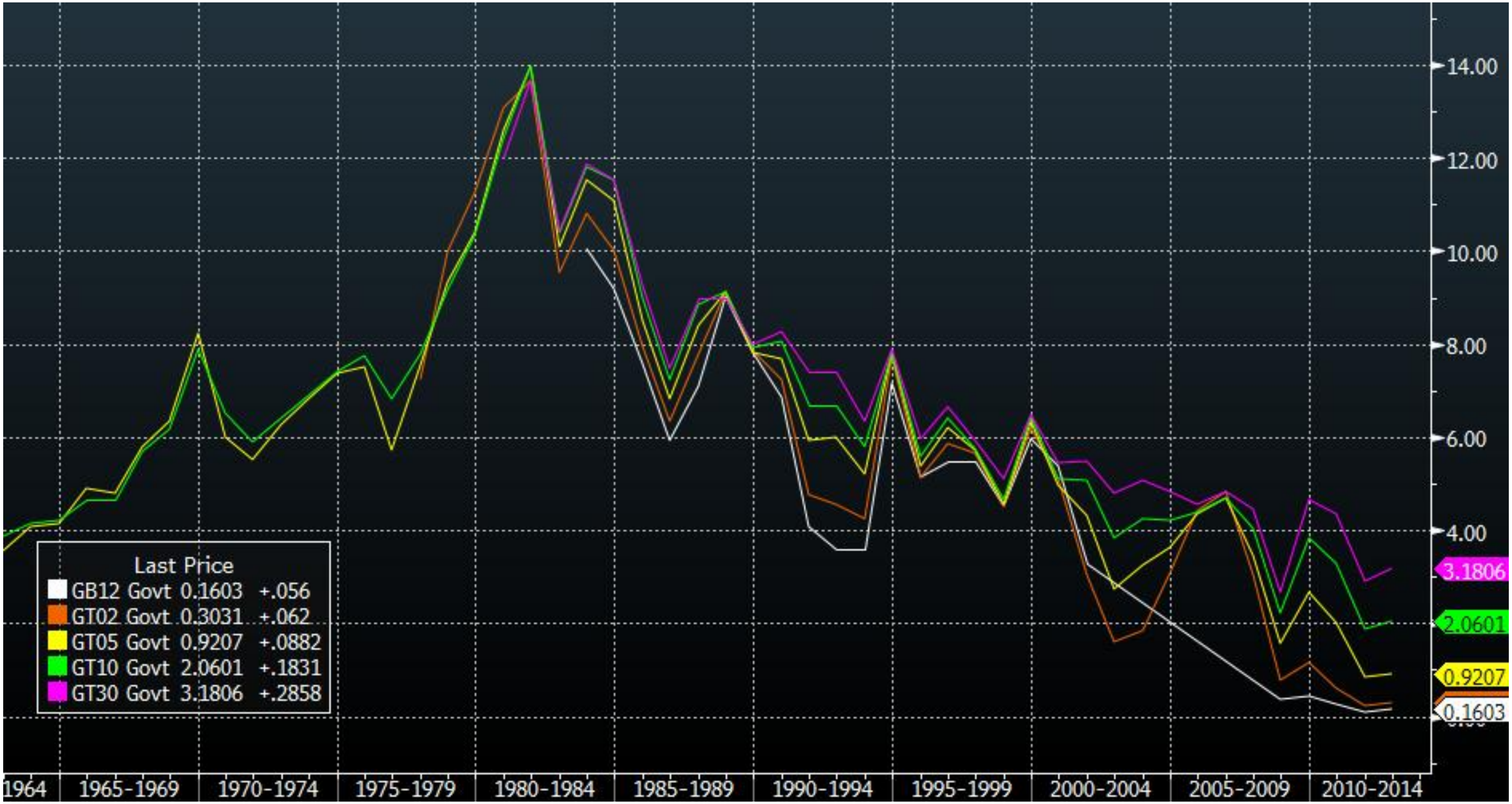


FOMC	0	0.25	0.5	0.75	1
03/13/2012	56.0%	44.0%	--	--	--
04/25/2012	54.9%	44.2%	0.9%	--	--
06/20/2012	52.7%	44.7%	2.6%	--	--
07/31/2012	51.6%	44.8%	3.5%	0.1%	--
09/12/2012	48.4%	45.2%	6.1%	0.3%	--
10/24/2012	46.6%	45.4%	7.5%	0.5%	--
12/11/2012	44.7%	45.4%	9.1%	0.8%	--

Futures indicate no increase in short-term rates

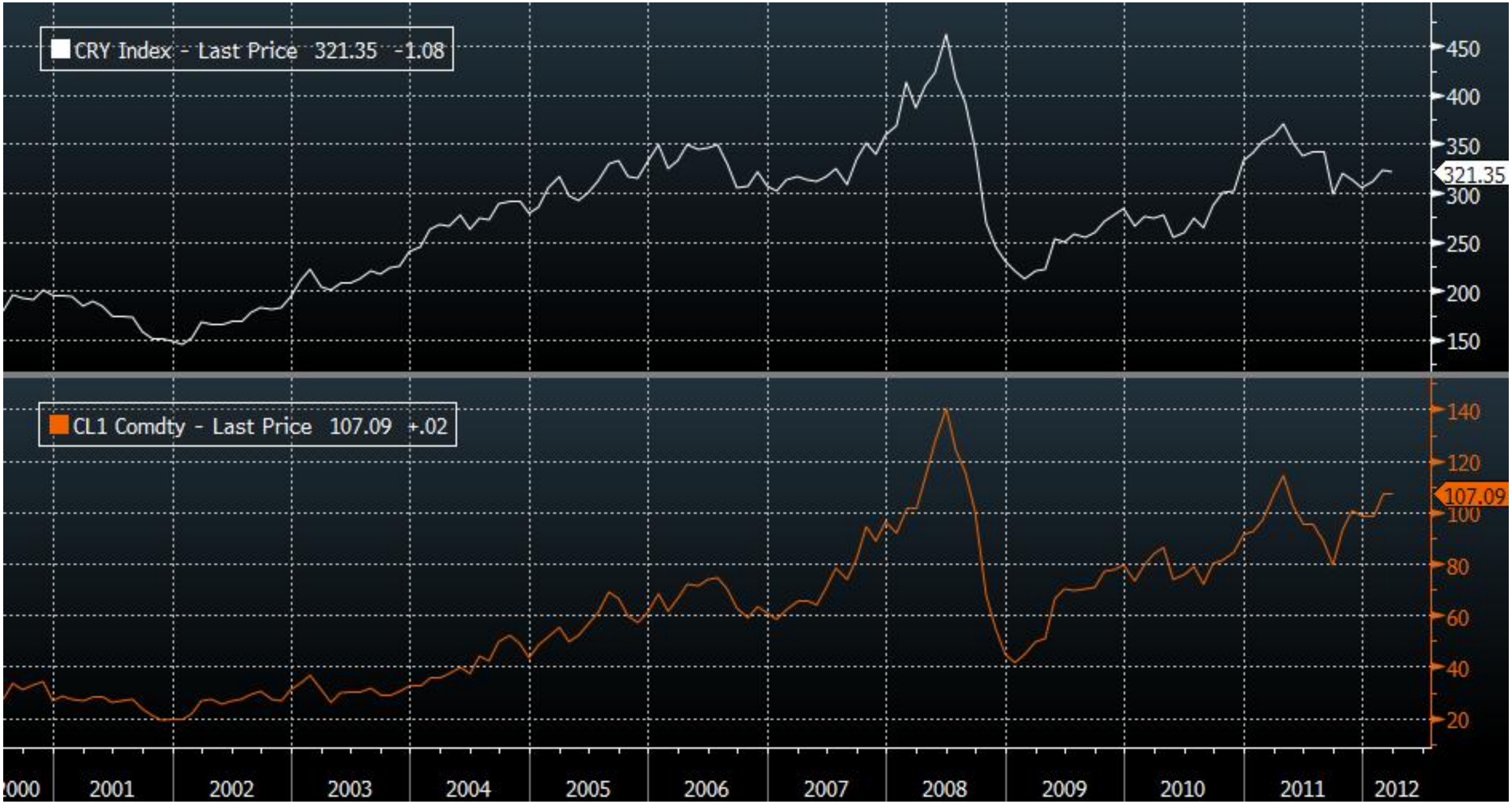
Source: Bloomberg

Interest Rates - Long



Source: Bloomberg

Commodities



Source: Bloomberg

A Note on Energy Imports – The Long View

- US$ 400 - 500 billion worth of energy products are imported annually, 25% of our imports, and 3.8% of GDP
- Shale oil and gas will start replacing these imports, giving us a boost to GDP through an improving trade balance as imports are reduced.
- Improving trade balance will result in strengthening US dollar

Summary

The economy continues its upward momentum with revised GDP numbers coming in at a 3% growth rate due to improvements in investments, personal consumption and reduction in imports.

ISM manufacturing slipped a little, but remains in economic growth mode (above 50 reading) and consumer confidence soared, along with retail sales. So far, the expected decline in European economic activity has not upset our steady progress. However, increasing oil and gasoline prices may restrain growth acceleration.

Home prices are still weak and, with some exceptions in neighborhoods with low inventory, continue to weaken; I believe we still suffer from over supply and continued high unemployment will restrain household growth and home price recovery.

Longer term yields are ticking up, although not dramatically so, yet combined with energy price driven accelerating inflation, are indicators that hedging against rising interest rates is probably prudent. In fact I highly recommend it. In spite of the expectation for low interest rates as evidenced by the futures market, a growing economy, deep oceans of central bank liquidity and escalating gasoline prices tip the probability scales towards increased risk for higher medium and long term interest rates.