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USA – 1Q22

Macroeconomic Outlook Report

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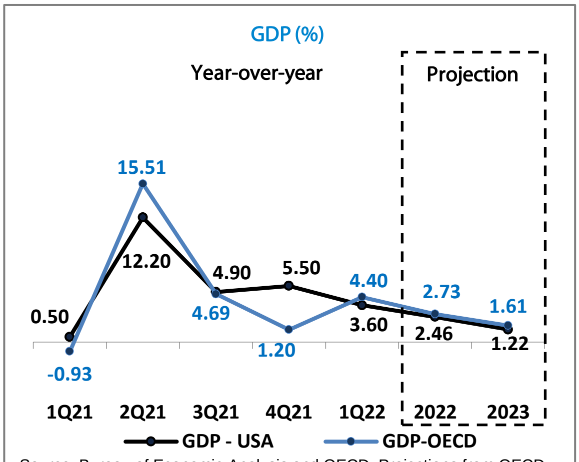
1. General Outlook

US Macroeconomic Overview

During the first quarter of 2022, the inflationary pressures held back the recovery. The deceleration of the country's GDP during the first quarter was led by decreases in exports and government spending. The unemployment rate continued to fall while employment increased. Inflation registered new record highs and negatively affected the economic projections for the future. Concerning interest rates, the government initiated an increase in March.

United States Macroeconomic Overview

- In the first quarter of the year, the y/y GDP growth rate of the US stood at a 3.60% rate, following a deceleration of 1.90 p.p. with respect to 4Q21. However, when compared to the previous year quarter, growth increased by 3.10 p.p.. The growth of the US economy was lower than that of the OECD, which reached 4.40% in 1Q22.
- On its June update, the OECD worsened its outlook for the US economy, predicting a 2.46% y/y GDP growth rate for 2022 and 1.22% growth for 2023.
- Economic developments were mainly marked by the contraction of public consumption. In this context, domestic demand decelerated by 1.50 p.p. relative to the previous quarter, down to a 4.70% rate.



Source: Bureau of Economic Analysis and OECD. Projections from OECD June.

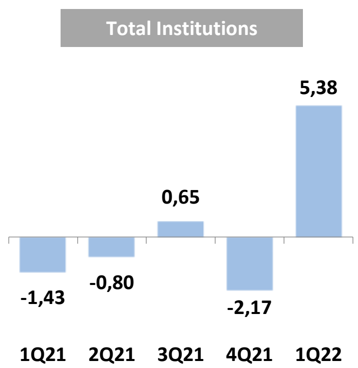
- According to the OECD, the pace of GDP growth is anticipated to weaken from its recent very high levels to 2.5% in 2022 and 1.2% in 2023. Supply disruptions may take some time to fully ease, especially given the impacts of the war in Ukraine and COVID-related lockdowns in China.
- During the first quarter of 2022, inflation increased by 1.71 p.p. compared to the previous quarter, recording an 8.15% rate. The wound down net purchases of securities and began reducing those securities holdings more rapidly than expected, and also initiated a swift increase in interest rates.
- With respect to the previous quarter, in 1Q22 the unemployment rate decreased by 0.40 p.p., down to a 3.80% rate. However, it should be noted that despite the recovery experienced by the labour market during this quarter, unemployment remains above pre-pandemic levels.
- Dow Jones and S&P 500 Index closed the quarters with good results, even though both experienced decreases. Dow Jones decreased 793 points relative to the previous quarter to a quarterly average of 34,711 points. S&P decreased by 3025 points respectively from the previous quarter to 4,464 points in 1Q22.
- As far as the exchange rate is concerned, the US Dollar appreciated against the Euro with respect to the previous quarter, with the quarterly average exchange rate standing at 1.12$/€ in 1Q22.

Banking Sector

During the first quarter of 2022, the US financial institutions registered an acceleration in the y/y growth rate of loans and leases in comparison to the previous quarter, up to a positive rate of 5.38%. The ratio of non-performing loans for all institutions declined with respect to the previous quarter, down to 0.84%. In addition, the y/y growth rate of deposits decelerated, reaching a 7.98% rate. The efficiency ratio of the US financial system worsened compared to 1Q21, up to 62.37%, driven by y/y increase in gross margin lower than the year-on-year growth in operating expenses. As for the number of institutions, it increased by 2.89% in comparison to the previous quarter.

Banking Sector

NET LOANS AND LEASES (% Year-over-Year)



Source: Federal Deposit Insurance Corporation.

- The loans and leases y/y growth rate in the US financial system increased by 7.55 p.p. with respect to the previous quarter, up to a 5.38% rate.
- This performance was mainly driven by the acceleration in the y/y growth rate of loans and leases granted by Commercial Banks, which rose by 1.55 p.p., to a 5.69% rate. However, the y/y growth rate of loans and leases of Saving Institutions decreased by 3.76 p.p., down to a 0.62% rate.
- By segment, real estate loans represented 55.46% of total loans, followed by commercial and industrial loans (24.94%) and consumer loans (19.60%).
- The ratio of non-performing loans (NPL) for all institutions stood at 0.84% after a 0.05 p.p. decline compared to the previous quarter.
- The NPL ratio of Commercial Banks decreased by 0.03 p.p. down to 0.78% compared to 4Q21, whereas that of Saving Institutions was reduced by 0.23 p.p., down to a 1.83% rate.
- By loan segment, the NPL ratio experienced a 0.12 p.p. decline for real estate loans down to 1.17%, while commercial & industrial loans remained the same at 0.68%. The NPL ratio of consumer loans increased by 0.02 p.p., recording a 0.66% ratio.
- Regarding total deposits, their y/y growth rate decreased by 2.56 p.p. in the first quarter of the year relative to the previous one, down to a 7.98% rate. This reduction was motivated by the decrease in Commercial Banks deposits (2.14 p.p.).
- During 1Q22, the efficiency ratio of the US financial system experienced a 1.90 p.p. increase with respect to the same quarter of the previous year, up to a 62.37% ratio. This increase was driven by the higher y/y growth rate of gross operating margin (3.96%) than that of operating expenses (7.23%).
- In turn, The number of institutions within the US financial system increased by 2.89% in the first quarter of the year with respect to the previous one, resulting in 140 more institutions and a total of 4,979. In the first quarter of the year, the number of employees in the US financial system reached 2,088,152 people, recording a y/y growth rate of 1.01%.

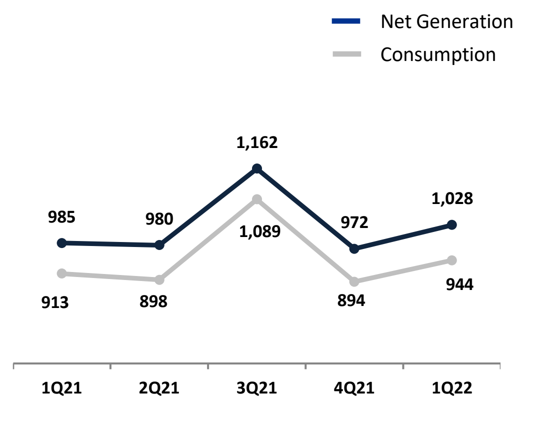
Other Sectors: Energy

During the first quarter of 2022, net generation of electricity in the US stood at 1,028,333 GWh, whereas national consumption reached 944,454 GWh, remaining below production. Energy prices increased by 5.47 % when compared to the previous quarter, up to 11.50₡/KWh. In addition, gas production continued to be above the volume of domestic consumption during this period, whereas domestic oil consumption exceeded production.

Energy Sector

- In the first quarter of the year, net electricity consumption experienced an increase when compared to 1Q21, up to a total of 944,454 GWh. Moreover, net energy generation also increased, rising by 4.36%, up to 1,028,333 GWh.
- As far as energy prices in the US are concerned, they increased relative to the previous quarter by 5.47%, standing at 11.50₡/KWh.
- Oil consumption exceeded its production during this period. Furthermore, oil production experienced a y/y a rise of 7.04%, while consumption increased by 9.61% with respect to the same quarter of the previous year.
- Gas production stood above the volume of domestic consumption. In addition, domestic gas production rose by 5.12% and gas consumption increased by 5.11%, when compared to the same quarter of the previous year.

NATIONAL ELECTRICITY CONSUMPTION (TWh)



Source: EIA.

2. International Overview

LatAm

During the first quarter of 2022, the economic recovery in all the countries analyzed registered a moderation compared to the previous quarter. This was explained by the outbreak of the war in Ukraine and the resulting increase in inflation and worsening bottlenecks. On the other hand, the mixed recovery in the labor market continued to consolidate, albeit at a slower pace than that of economic activity.

Macroeconomic Overview

- The recovery of economic activity in Latin America was dampened in the first quarter of the year. The outbreak of conflict in Ukraine has dampened global growth prospects for the coming quarters. The conflict itself and the response of the international community, with economic sanctions against Russia, have increased uncertainty, tightened financing conditions, aggravated bottlenecks and raised energy and food prices, which have also been affected in the second half of 2021 by geopolitical tensions. This has dampened households' purchasing power and increased firms' production costs. Colombia* recorded the highest year-on-year growth rate (8.15%) while Mexico registered the lowest rate at 2.23%.
- In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has revised downwards its forecast for the Latin American economy for 2022 to 1.80% growth in the region. Global trade dynamics are also expected to be negatively affected by the conflict, leading to a decline in Latin America's external demand. According to the IMF, global growth is expected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than in the last report. In its December update, the OECD placed its forecasts for Argentina and Colombia above the OECD average (2.70%) in 2022.
- Inflation has picked up markedly and across the board in the region. Although this pick-up appears to be predominantly transitory in nature, central banks in the region have embarked on a cycle of monetary policy tightening. Higher inflationary persistence is expected to restrict the room for maneuver of monetary policy. Argentina was once again the country with the highest inflation rate at 52.70% while Peru recorded the lowest price increase with 6.22% inflation in 1Q22.
- During the first quarter of 2022, the labor market continued to recover from the economic consequences of the pandemic, but the negative effects on the labor market are proving more persistent than on activity. Most countries recorded declines in their unemployment rate compared to 4Q21. Mexico ranked as the country with the lowest unemployment rate (3.52%) and Colombia with the highest rate (13.22%).

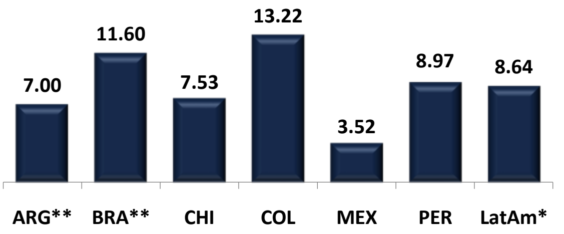
Financial Sector

- In response to rising inflation, the monetary policy of the region's central banks has become more restrictive and most of them have raised interest rates significantly, which in most cases have reached levels similar to those observed in 2017.
- The withdrawal of the fiscal impulse is projected to accelerate in 2022, in line with the evolution of macroeconomic conditions and higher financing costs. Public spending would contract, reinforcing the reduction observed in 2021, reducing the contribution of fiscal policy to economic growth.
- With regard to their ratings, all Latin American countries kept their ratings constant in the first quarter of the year, except Peru, which went from an S&P rating of BBB+ to BBB during this period. This rating considers that, while the country has good credit quality with adequate capacity to meet its financial obligations, this capacity could be affected by its exposure to adverse economic conditions.
- Finally, there was a notable slowdown in lending, partly linked to the general withdrawal of support programs, with only Colombia increasing its lending. As regards deposits, all countries recorded positive year-on-year growth during the period, with the exception of Peru. Most of them, except Chile and Colombia, decreased their rate compared to the previous quarter. Colombia presented the largest increase in its rate, after an acceleration of 1.54 p.p. compared to 4Q21.

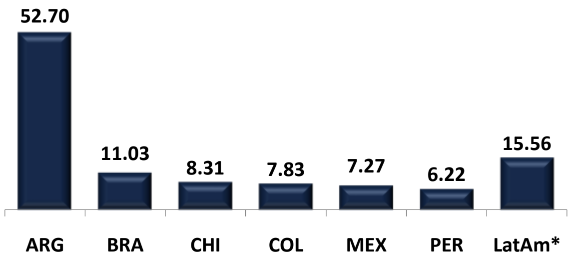
*Colombia recorded the highest growth rate in the absence of updated data from Argentina and Brazil.

GDP 1Q22 (% year-on-year growth rate)

UNEMPLOYMENT RATE 1Q22 (%)



INFLATION RATE 1Q22 (%)

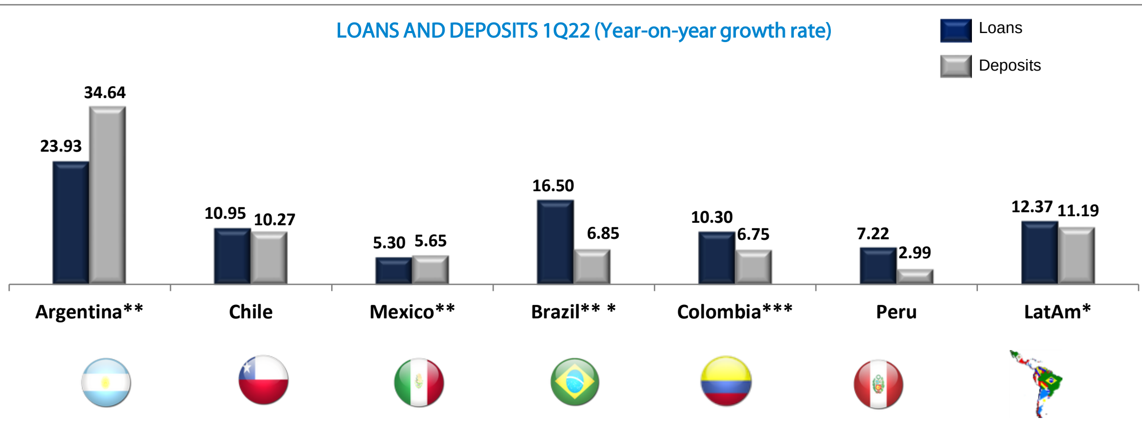


LONG TERM RATES 1Q22

	MOODY'S		S&P		FITCH	
Argentina	Ca	–	CCC+	–	CCC	–
Brazil	Ba2	–	BB-	–	BB-	–
Chile	A1	–	A	–	A-	–
Colombia	Baa2	–	BB+	–	BB+	–
Mexico	Baa1	–	BBB	–	BBB-	–
Peru	Baa1	–	BBB	▼	BBB	–

▲ Increase since 4Q21
– Constant since 4Q21
▼ Decrease since 4Q21

LOANS AND DEPOSITS 1Q22 (Year-on-year growth rate)



*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.
**Most updated figures available at the date of the release correspond to 1Q22, except for Argentina, Mexico and Brazil's deposits (4Q21)
*** Data corresponding to Colombia and Brazil's loans are the average of January and February 2022.

2. International Overview

OECD & China

In the first quarter of 2022, the recovery in economic activity in OECD countries decelerated. This was explained by rising inflationary pressures as a result of higher energy prices. However, exports from most G20 and OECD countries increased. Labour markets generally contracted.

Macroeconomic Overview

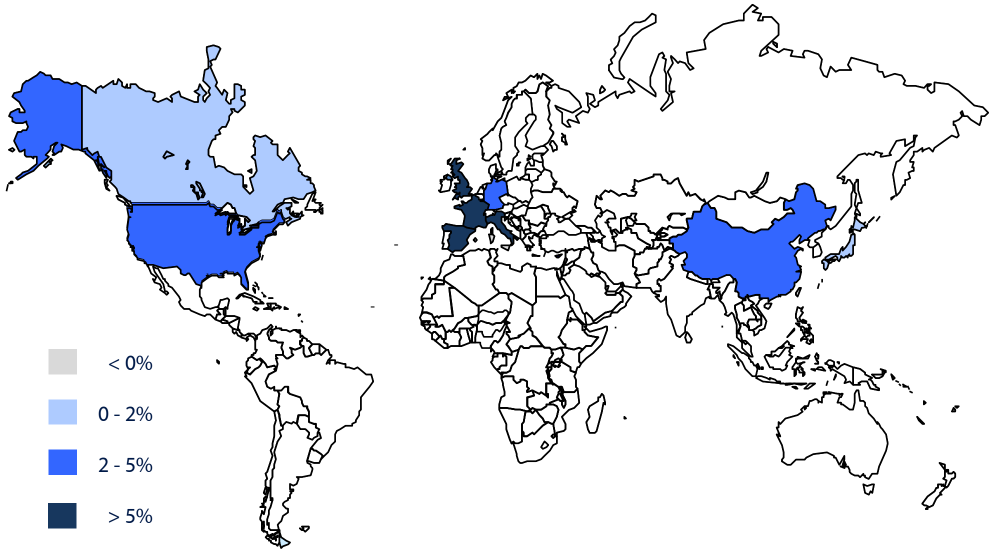
- In the first quarter of 2022, the Eurozone continued to recover with a year-on-year GDP growth rate (2.62%), decelerating from the previous quarter. Consequently, the OECD in its June forecast expects year-on-year GDP growth for 2022 and 2023 to be 2.60% and 1.60%, respectively, down slightly, however, from its December forecast. The European Commission acknowledges a slower than expected economic recovery, affected by the outbreak of the war in Ukraine. The labor market worsened compared to the last quarter, but is expected to improve slightly later on. However, the Commission warns about inflation and its higher persistence over the time horizon, thus slowing the pace of recovery in the short term. Among the countries analyzed in the region, the UK, Spain and Italy recorded the highest year-on-year GDP growth rates (9.86%, 6.41% and 5.80%, respectively).
- The United States continued the recovery of its economic activity in this period with another positive year-on-year GDP growth rate of 3.60%, decelerating from 4Q21. The Fed modified its previous projections, predicting a smaller 2.8% increase in GDP in 2022, followed by a 2.2% increase in 2023, and a 2% increase in 2024. Meanwhile, the UK recorded higher GDP growth during this period compared to the previous quarter, with a rate of 9.86%. The conflict in Ukraine and rising inflation have led to a significant deterioration in the UK's growth outlook. These events have greatly exacerbated the combination of adverse supply shocks that the UK continues to face.
- China recorded a lower GDP growth rate during the first quarter compared to 4Q21, with a rate of 4.80%. Despite the challenges posed by the new outbreaks of COVID-19 and geopolitical uncertainties, the Chinese economy continues to recover. Similarly, Japan recorded in 1Q22 a slight acceleration in the GDP rate compared to 4Q21, rising from 0.69 p.p. to 0.70%. In 2022, the OECD estimates Chinese and Japanese GDP growth of 4.40% and 1.70% respectively.
- Foreign trade in the G20 countries continued to grow between January and March in monetary terms due to higher commodity prices and inflation, exacerbated by the conflict in Ukraine and covid restrictions in China and East Asia. The OECD said in a statement on Tuesday that exports from the group of the world's 20 largest economies rose by 3.6 % between January and March from the previous quarter, while exports grew by 5.8 %. In the first three months of this year, exports from the European Union as a whole rose by 3 %. Within the G20 countries as a whole, exports increased by 20.2 % in Brazil and 11.5 % in Argentina. On the other hand, exports from the United Kingdom fell by 1.6% and from Germany by 0.1%.
- In 1Q22 inflation rose in all the economies analyzed with respect to 1Q21, with the most pronounced increases in the United States and Spain. For its part, the EMU registered an acceleration of 5.71 p.p. compared to 1Q21. China registered the smallest increase compared to 1Q21, with inflation of 1.10%. Inflation grew at a frenetic pace due to the energy component. On the other hand, all economies contracted their labor markets, except Spain and China, which recorded slight increases.

Financial Sector

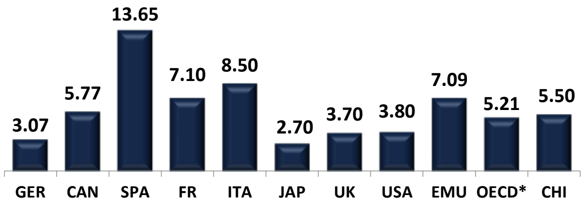
- Spain upgraded its S&P rating, raising its grade from A- to A.
- Regarding the monetary policies of the different countries, the Fed raised interest rates by 25 basis points to curb inflation during the first quarter of 2022 while the ECB has decided to end net asset purchases under its asset purchase program (APP) as of 1 July 2022.
- During the period, year-on-year growth in lending slowed down in all countries except Germany, Canada and the UK compared to 1Q21, Japan being the country with the highest rate of decline (-4.75%). Deposit growth declined for all countries compared to 1Q21, except for the UK. The US recorded the second largest year-on-year rate of decline (-9.01%) after Japan (-9.24%).

GDP 1Q22 (% year-on-year growth rate)

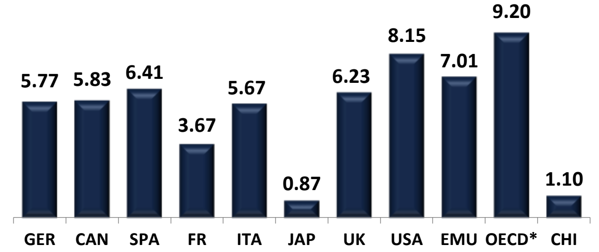
Germany 3.72%
Canada** 1.60%
China 4.80%
France 5.27%
Spain 6.41%
Italy 5.80%
Japan 0.70%
EMU 2.62%
UK 9.86%
USA 3.60%



UNEMPLOYMENT RATE 1Q22 (%)



INFLATION RATE 1Q22 (%)

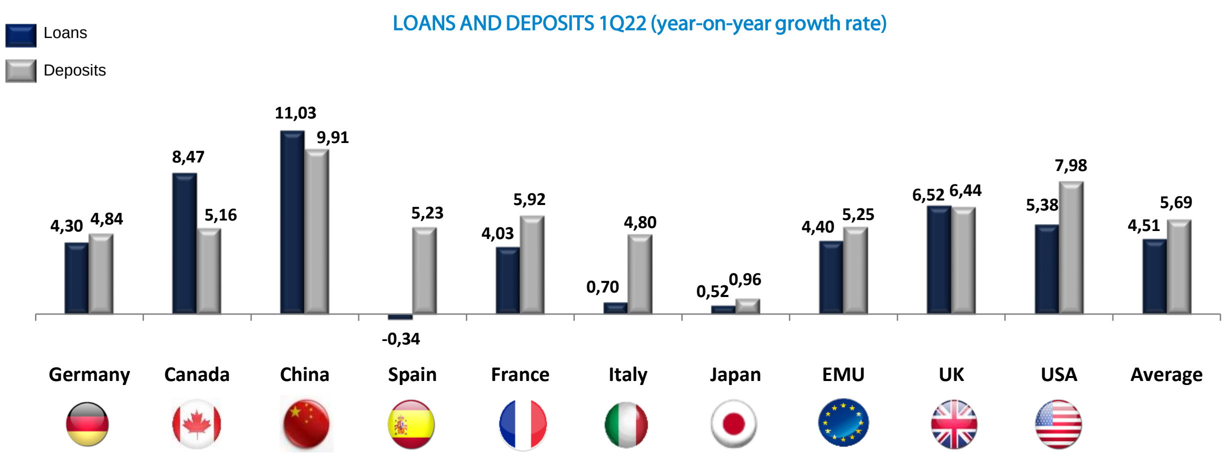


LONG TERM RATINGS 1Q22

	MOODY'S		S&P		Fitch	
Germany	Aaa	–	AAA	–	AAA	–
Canada	Aaa	–	AAA	–	AA+	–
China	A1	–	A+	–	A+	–
Spain	Baa1	–	A	▲	A-	–
France	Aa2	–	AA	–	AA	–
Italy	Baa3	–	BBB	–	BBB	–
Japan	A1	–	A+	–	A	–
UK	Aa3	–	AA	–	AA-	–
USA	Aaa	–	AA+	–	AAA	–

▲ Increase since 4Q21
– Constant since 4Q21
▼ Decrease since 4Q21

LOANS AND DEPOSITS 1Q22 (year-on-year growth rate)



*OECD aggregate data, latest available data at publication date corresponds to 4Q21
**Data corresponds to 4Q21

3. US Macroeconomic Overview

During 1Q22, the increase in inflation has negatively impacted the country's economic activity and projections. Although overall economic activity edged down in the first quarter, household spending and business fixed investment remained strong. The labor market in the United States during 1Q22 has continued to its gradual but sustained recovery.

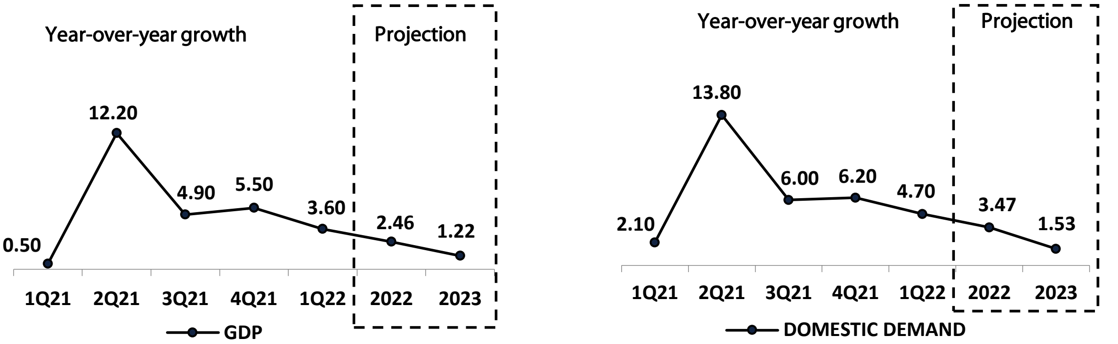
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	1Q21	2Q21	3Q21	4Q21	1Q22	2022	2023
GDP	**0.50**	**12.20**	**4.90**	**5.50**	**3.60**	**2.46**	**1.22**
DOMESTIC DEMAND	2.10	13.80	6.00	6.20	4.70	**3.47**	**1.53**
HOUSEHOLD CONSUMPTION	2.10	16.20	7.10	6.90	4.70	**3.10**	**1.14**
PUBLIC CONSUMPTION	1.30	-0.10	0.60	0.00	-1.60	**-0.09**	**1.85**
GROSS FIXED CAPITAL FORMATION	3.20	20.80	7.10	9.60	10.80	**2.76**	**2.63**
EXTERNAL DEMAND							
EXPORTS	-7.40	18.60	4.90	4.90	4.10	**3.58**	**3.91**
IMPORTS	6.20	30.60	12.60	9.60	11.70	**9.58**	**3.24**
INFLATION							
CPI*	**1.81**	**5.04**	**5.43**	**6.44**	**8.15**	**7.04**	**3.47**
LABOUR MARKET							
UNEMPLOYMENT RATE	**6.20**	**5.90**	**5.10**	**4.20**	**3.80**	**3.61**	**3.79**
EMPLOYMENT	**-4.61**	**10.10**	**4.84**	**3.60**	**4.88**	**4.03**	**0.99**

Source: : Bureau of Economic Analysis, Bureau of labor Statistics, OECD June 2022 forecast.
* The Fed establishes a long run objective for inflation that averages 2% over time.

- During the first quarter of 2022, United States' GDP interannual growth stood at 3.60%, decreasing by 1.90 p.p. compared to the previous quarter. The deceleration in the first quarter was led by decreases in private inventory investment, exports, federal, state and local government spending. However, imports, personal consumption expenditures, nonresidential fixed investment, and residential fixed investment increased. The OECD growth forecast envisions a 2.46% rate in 2022 and a 1.22% rate in 2023.
- In the first quarter, an increase in COVID-19 cases related to the Omicron variant resulted in continued restrictions and disruptions in the operations of establishments in some parts of the country. Government assistance payments decreased as provisions of several federal programs expired or tapered off.
- According to the Fed, inflation has spiked during the first quarter, this increase was driven by an acceleration of retail food and energy prices, reflecting further increases in commodity prices due to the conflict in Ukraine. Both total and core inflation increased, and indicators of longer-run inflation expectations will remain above the Fed's 2% target. Demand for labor continued to outstrip available supply across many parts of the economy, and nominal wages continued to increase at a robust pace. As a result, the unemployment rate fell noticeably below the median of FOMC participants' estimates of its longer-run normal level, and nominal wages continued to rise rapidly.
- During the first quarter, U.S. imports continued to grow at a rapid pace. Real exports and imports of services remain subdued, reflecting a slow recovery of international travel. Given the recent strength of imports relative to the milder recovery in exports, the nominal trade deficit widened further as a share of GDP.

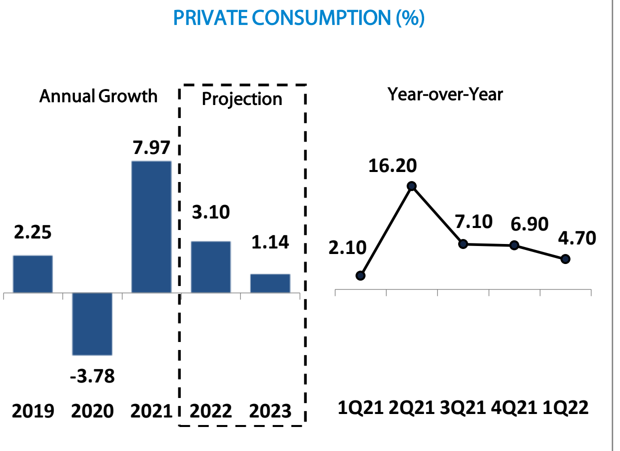
GDP and domestic demand interannual growth (%)



Source: Bureau of Economic Analysis Projections from the OECD June 2022.

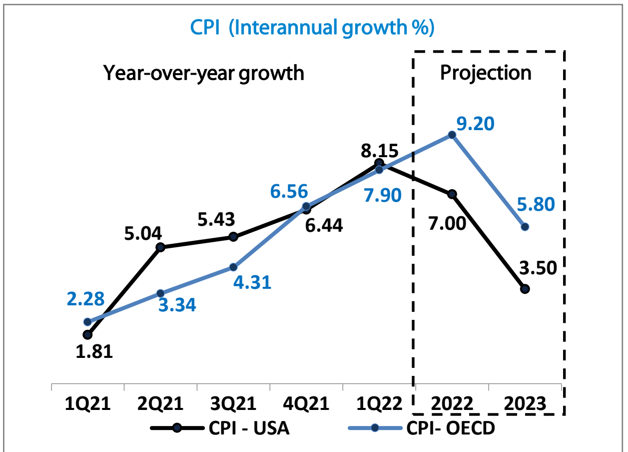
In the first quarter of 2022, private consumption decreased its y/y growth rate compared to the previous quarter. In turn, inflation rate continued its raising trend, reaching an 8.15% rate. Regarding bond yields, long term yields stood higher than in 2020. As a result of this behaviour, the expected path of the federal funds rate over the next few years shifted up substantially.

- During the first quarter of the year, private consumption decreased when compared to the previous quarter, down to a 4.70% y/y growth rate.
- The OECD forecast for private consumption predicts a lower increase on the year-over-year growth rate of 3.10% for 2022. In addition, it expects private consumption to reduce in 2023, down to a 1.14% rate. This forecast was undercut with the one released in June 2022 as the ongoing withdrawal of fiscal support is dampening economic growth.



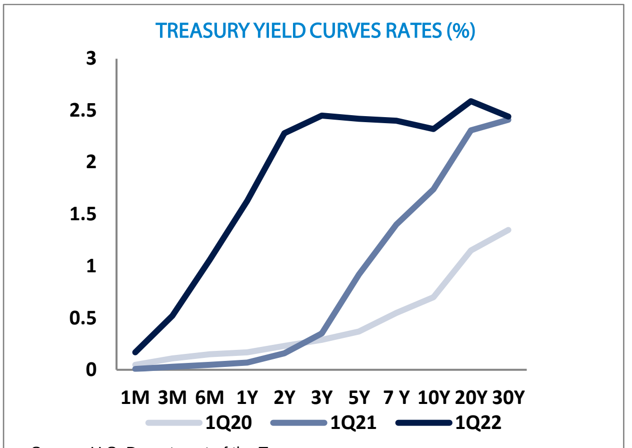
Source: : Bureau of Economic Analysis. Projections: OECD June 2022.

- In 1Q22, the year-on-year growth rate of the US Consumer Price Index rose by 1.71 p.p., increasing for the fourth consecutive quarter, up to an 8.15%. The US CPI was above the OECD average inflation rate in the first quarter of 2022 (7.90%).
- The FED maintains that to avoid sustained periods of unusually low or high inflation, a fundamental aspect of its monetary policy framework is for longer-term inflation expectations to be well anchored at the 2% longer-run inflation objective.
- According to the OECD, the inflation rate will remain above the Federal Reserve's 2% target at the end of 2023. In 2022 the inflation rate will decrease to a 4.78%, and in 2023 to 2.54%.
- In its March meeting, the FOMC raised the target range for the federal funds rate off the effective lower bound to ¼ to ½ percent.



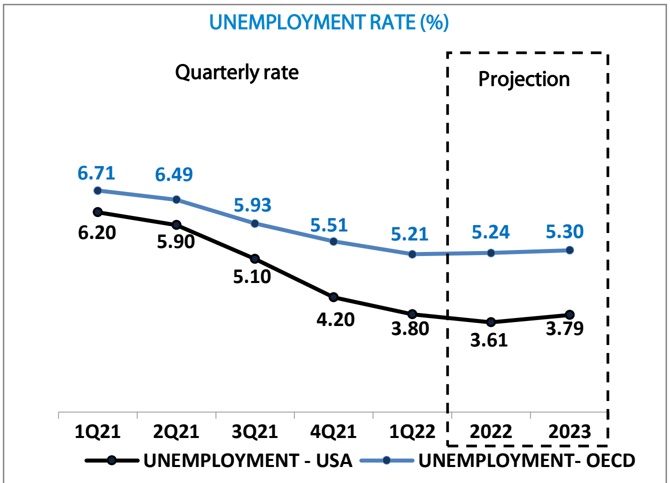
Source: Bureau of labor Statistics and OECD. Projections: OECD June 2022.

- All bond yields of US Treasury bonds with maturities lower than 5 years presented interest rates in 4Q21 lower than 1%.
- When compared to 1Q20, bond yields increased for all maturities, with the largest variation corresponding to 2Y, 3Y and 5Y maturities.
- In comparison with the same quarter of 2021, bond yields increased for all maturities, with also the largest variation corresponding to 2Y, 3Y and 5Y maturities.
- According to the Fed, yields on nominal Treasury securities have risen considerably since late February amid sustained inflationary pressures and associated expectations for further monetary policy tightening.

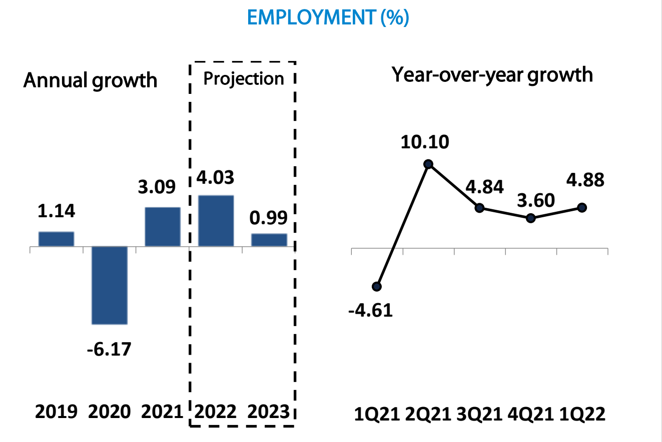


Source: U.S. Department of the Treasury.

Regarding the labour market, during the first quarter of 2022, the unemployment rate decreased compared to the previous quarter, standing at a 3.80% rate. Yet, in year-over-year terms, unemployment decreased strongly by 2.40 p.p. Likewise, when it comes employment, the y/y growth rate increased alongside economic activity as it reached a 4.88% rate in the first quarter of 2022.



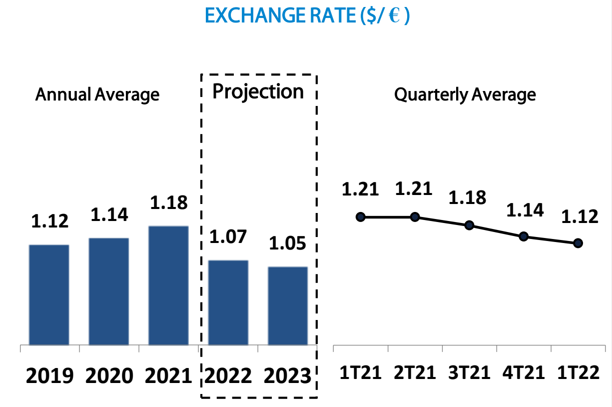
Source: Bureau of labor Statistics and OECD. Projections: OECD June 2022.
Note: Annual rates refer to the annual average of the quarterly rate.



Source:. Bureau of labor Statistics. Projections: OECD June 2022.

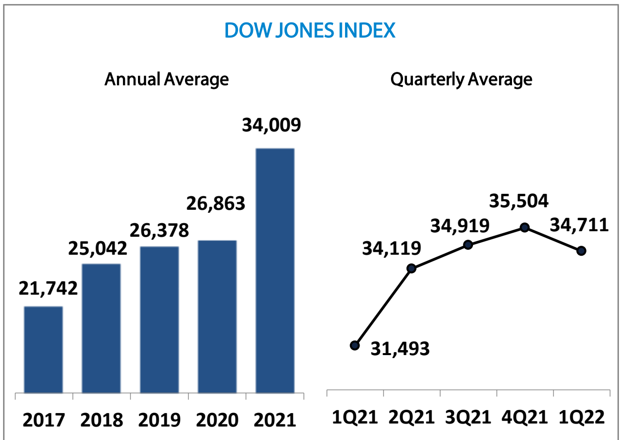
- In the first quarter of the year, the unemployment rate pursued its downward trend, standing at a 3.80% rate. Furthermore, it fell by 2.40 p.p. relative to the same quarter of the previous year. The unemployment rate was lower than that of the OECD (5.21%) in 1Q22, following the trend of the last five quarters.
- The gradual easing of measures against pandemic alongside supplementary supportive fiscal policies will give oxygen to the labour market during 2022. Accordingly, the OECD projects an unemployment rate of 5.24% in 2022 and 5.30% in 2023.
- According to the OECD, wage growth will stay strong, as the labor market is expected to remain tight, despite an increase in labor force participation as receding health risks and higher wages prompt workers to return to the labor force.
- The labor market is expected to remain tight despite an increase in participation as receding health risks and higher wages prompt workers to return to the labor force.
- On the other hand, the employment growth rate increased compared to the previous quarter to 4.88% year-on-year.
- Likewise, during the first quarter of the year, the employment y/y growth rate pursued positive levels for the fourth time of the year, following a positive recovery.
- On its June forecast, the OECD has worsened its projections for the United States employment growth rate in 2023. For 2023, they expect the y/y employment growth rate to stand at 0.99%.

- During the first quarter of 2022, the euro depreciated against the US dollar when compared to the previous quarter. Therefore, the average quarterly exchange rate stood at 1.12 $/€.
- The OECD expects the annual average dollar/euro exchange rate to stand at 1.07 $/€ for 2022 and at 1.05 $/€ for 2023, with the US dollar depreciating against the euro with respect to 2021.

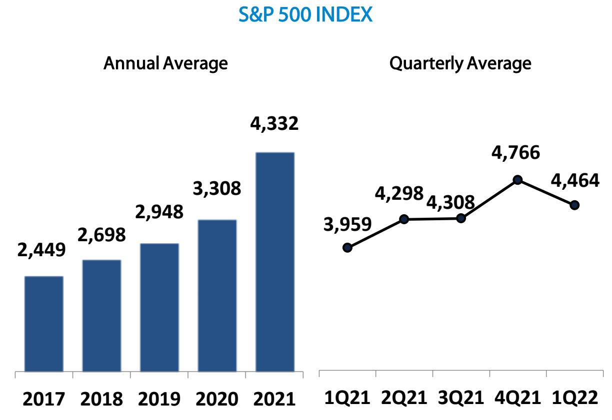


Source: European Central Bank

- In the first quarter of 2022, the Dow Jones Index recorded a quarterly average of 34,711 points. Therefore, the Index decreased 793 points relative to the previous quarter.
- Furthermore, the S&P 500 Index stood at a quarterly average of 4,464 points in 1Q22, decreasing by 302 points with respect to the fourth quarter of 2021.



Source: Federal Reserve.



Source: Federal Reserve.

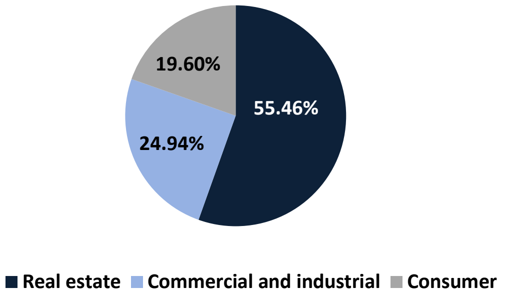
4. Banking Sector: General Overview

Loans and Leases

During the first quarter of 2022, the y/y growth rate of loans and leases of financial institutions increased when compared to the previous quarter, up to a rate of 5.38%. The distribution of total loans by segment remained similar to the fourth quarter of 2021, with real estate loans representing 55.46% of total loans.

- During the first quarter of 2022, the loans and leases growth rate of the US financial system increased by 7.55 p.p. with respect to the previous quarter, up to a 5.38% rate, recording positive levels for the first time in three quarters.
- This performance was mainly driven by the acceleration in the y/y growth rate of loans and leases granted by Commercial Banks, which rose by 1.55 p.p., to a 5.69% rate.
- However, the y/y growth rate of loans and leases of Saving Institutions decreased by 3.76 p.p., down to a 0.62% rate, maintaining positive figures for the fifth consecutive year.
- As far as the distribution of total loans by segment is concerned, it remained quite close to the previous quarter.

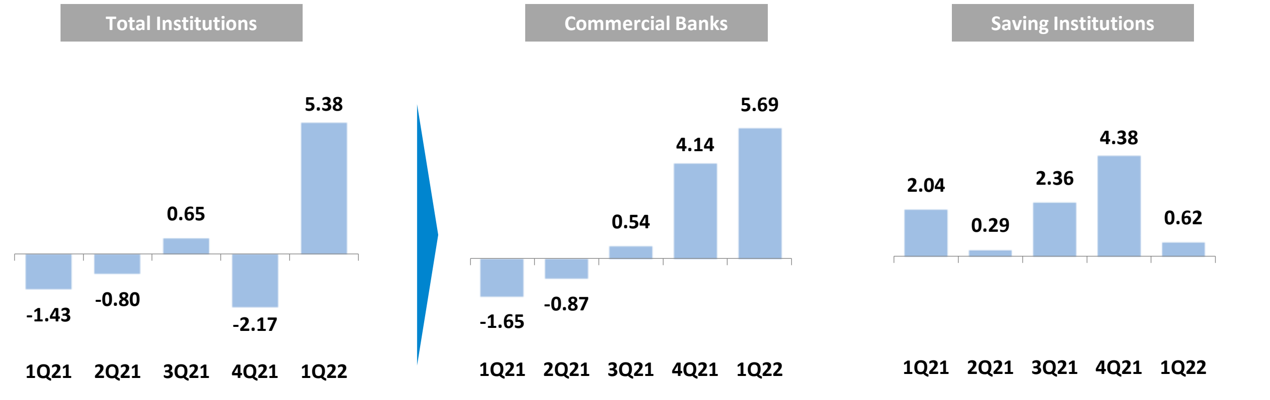
LOANS DISTRIBUTION BY SECTOR (%)



Source: Federal Deposit Insurance Corporation.

- Real estate loans represented the largest share over total loans, accounting for 55.46% of them, followed by commercial and industrial loans, with a 24.94% share. The remaining 19.60% of loans corresponded to consumer loans.
- When compared to the fourth quarter of 2021, the y/y growth rate of real estate loans increased by 2.12 p.p., registering a 4.86% rate. Moreover, the y/y growth rate of commercial and industrial loans increased, rising by 2.66 p.p., up to -2.53%. Consumer loans experienced also an increase in their y/y growth rate of 3.50 p.p., up to a 11.40% rate.

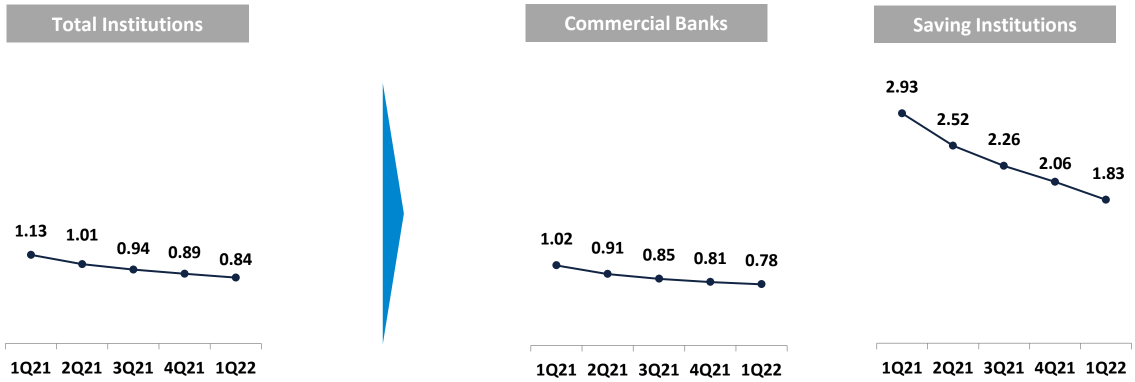
NET LOANS AND LEASES (% year-over-year)



Source: Federal Deposit Insurance Corporation.

- In the first quarter of 2022, the ratio of non-performing loans over total loans (NPL ratio) for all institutions stood at 0.84%, following a decrease of 0.05 p.p. when compared to the previous quarter.
- Regarding the NPL ratio of Commercial Banks, it decreased by 0.03 p.p. with respect to 4Q21, reaching a 0.78% ratio.
- The NPL ratio of Saving Institutions decreased by 0.23 p.p., down to a 1.83% rate, continuing with the previous quarter trend.
- By loan segment, the NPL ratio experienced a 0.12 p.p. decline for real estate loans down to 1.17%, while commercial & industrial loans remained the same at 0.68%. The NPL ratio of consumer loans increased by 0.02 p.p., recording a 0.66% ratio.

NON-PERFORMING LOANS RATIO - TOTAL LOANS (%)

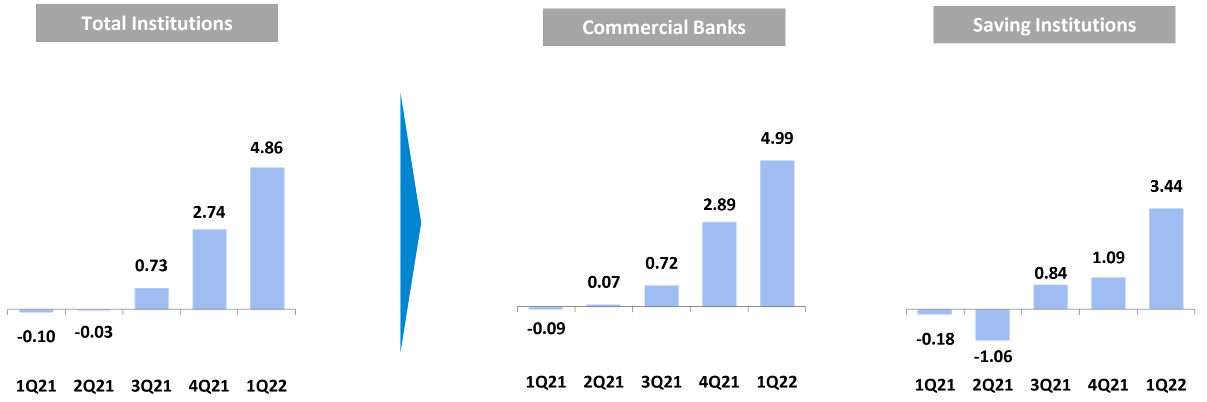


Source: Federal Deposit Insurance Corporation.

Real Estate Loans

During the first quarter of the year, the y/y growth rate of real estate loans accelerated by 2.12 p.p., up to a 4.86% rate. This increase was the result of the rise experienced by the y/y growth rate of real estate loans granted by Saving Institutions as well as for Commercial Banks.

REAL ESTATE LOANS (% year-over-year)

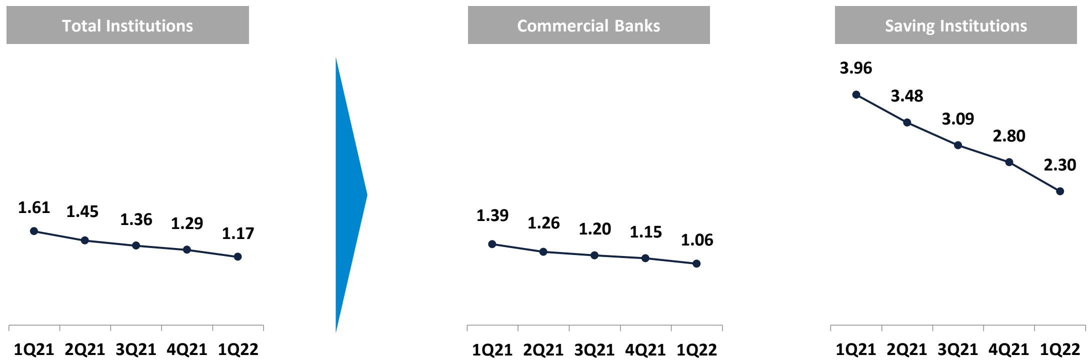


Source: Federal Deposit Insurance Corporation.

- The y/y growth rate of real estate loans of all institutions experienced a 2.12 p.p. increase when compared to the previous quarter, reaching positive values and recording a y/y growth rate of 4.86%.
- This behavior was driven by the increase in the y/y growth rate of real estate loans of Saving Institutions, which recorded a 2.35 p.p. rise, continuing with a positive trend from the past quarter and standing at a 3.44% rate.
- Moreover, the y/y growth rate of real estate loans granted by Commercial Banks rose by 2.10 p.p. with respect to 4Q21, recording a 4.99% rate, standing at positive figures.

- During the first quarter of 2022, the NPL ratio of real estate loans of all institutions fell by 0.12 p.p. down to a 1.17% ratio, pursuing its downward trend.
- By type of entity, the NPL ratio of Commercial Banks declined by 0.09 p.p., registering a 1.06% ratio. The NPL ratio of Saving Institutions decreased by 0.50 p.p. down to a 2.30% ratio, still significantly higher than that of Commercial Banks.

NON-PERFORMING LOANS RATIO OF REAL ESTATE LOANS (%)

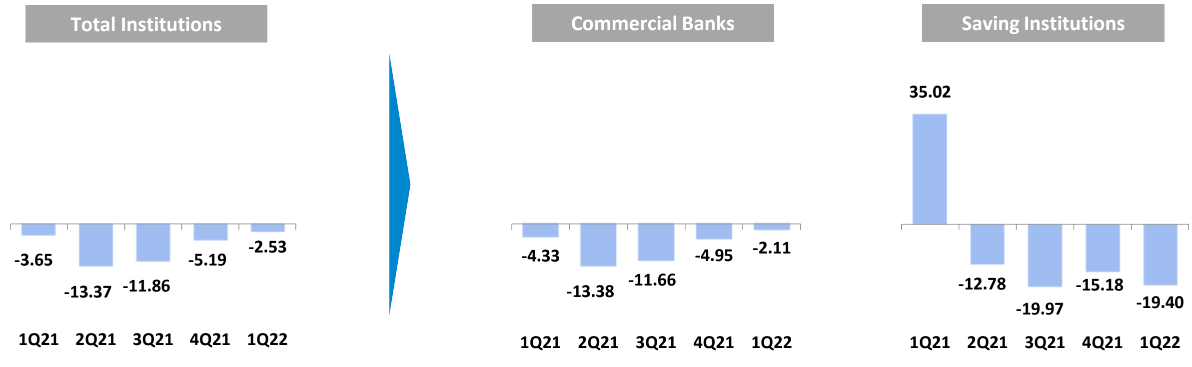


Source: Federal Deposit Insurance Corporation.

Commercial & Industrial Loans

The commercial and industrial loans y/y growth rate accelerated during the first quarter of 2022 relative to the previous quarter, up to a rate of -2.53%. This result was mainly driven by the increase in the y/y growth rate of commercial and industrial loans granted by Commercial Banks.

COMMERCIAL AND INDUSTRIAL LOANS (% year-over-year)

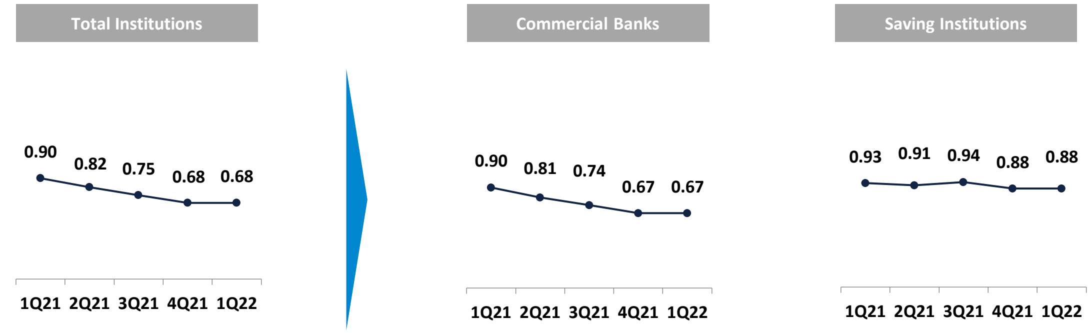


Source: Federal Deposit Insurance Corporation.

- During the first quarter of 2022, the y/y growth rate of commercial and industrial loans increased by 2.66 p.p. relative to the previous quarter, up to -2.53%, although recording the fifth negative rate registered in a row.
- This behavior was a consequence of the acceleration experienced by the y/y growth rate of commercial and industrial loans granted by Commercial Banks, which rose by 2.84 p.p., registering a -2.11% rate and those granted by Saving Institutions, which decreased by 4.22 p.p., down to a -19.40% y/y growth rate.

- In the first quarter of 2022, the NPL ratio for commercial and industrial loans of all institutions remained constant when compared to the previous quarter, in a 0.68% ratio.
- This performance was driven by the steadiness recorded in the NPL ratio of loans granted by Commercial Banks, which stood at 0.67%, and by Saving institutions, which stood at 0.88% ratio.

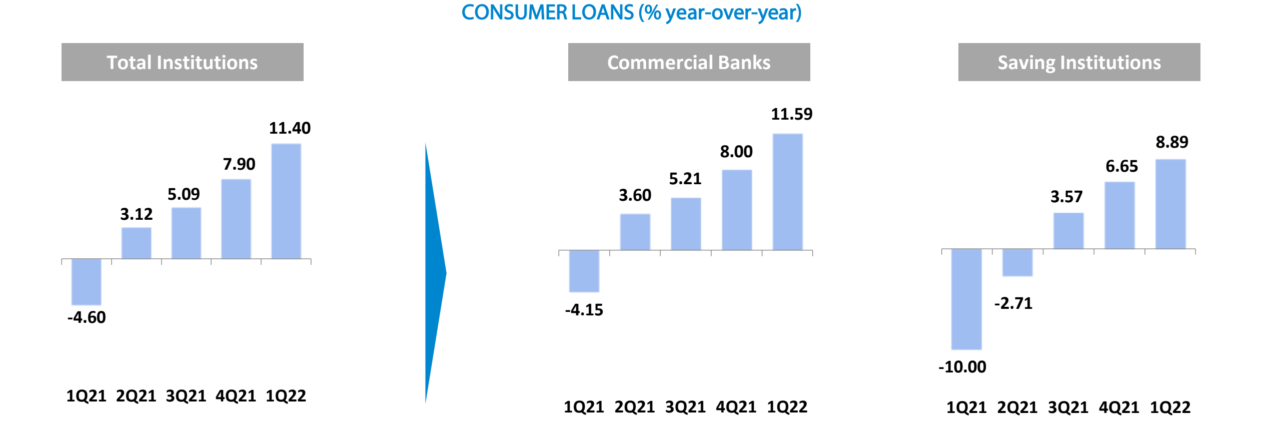
NON-PERFORMING LOANS RATIO OF COMMERCIAL AND INDUSTRIAL LOANS (%)



Source: Federal Deposit Insurance Corporation.

Consumer Loans

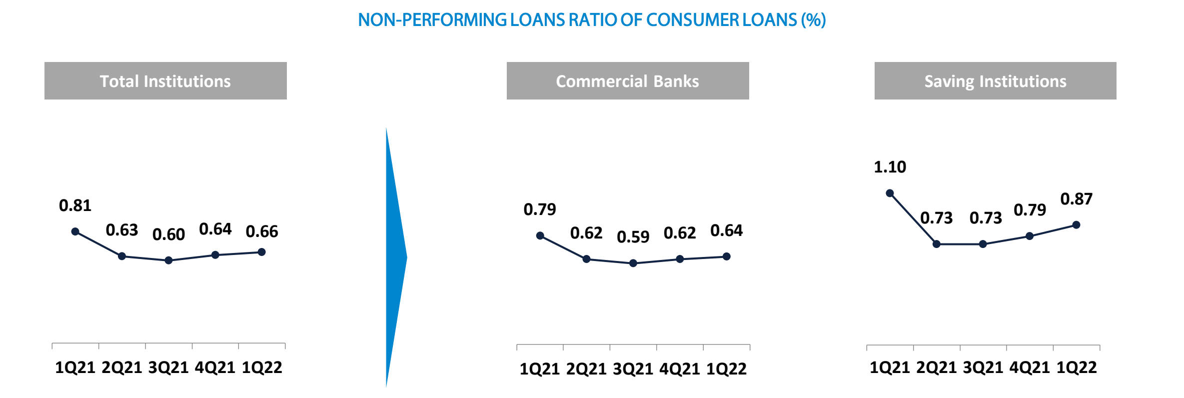
The consumer loans y/y growth rate increased during 1Q22 with respect to the previous quarter, up to a rate of 11.40%. This behavior was the result of the increase in the y/y growth rate of consumer loans of Commercial Banks and Saving Institutions.



Source: Federal Deposit Insurance Corporation.

- In the first quarter of the year, the y/y growth rate of consumer loans of all institutions rose by 3.50 p.p., up to a 11.40% ratio, maintaining positive figures for the fourth time in a year.
- This behavior was the result of the increase experienced by consumer loans of Commercial Banks with respect to the previous quarter, which increased by 3.59 p.p., recording an 11.59% rate.
- In the same line, the y/y growth rate of consumer loans of Saving Institutions rose by 2.24 p.p. when compared to 4Q21, up to an 8.89% rate.

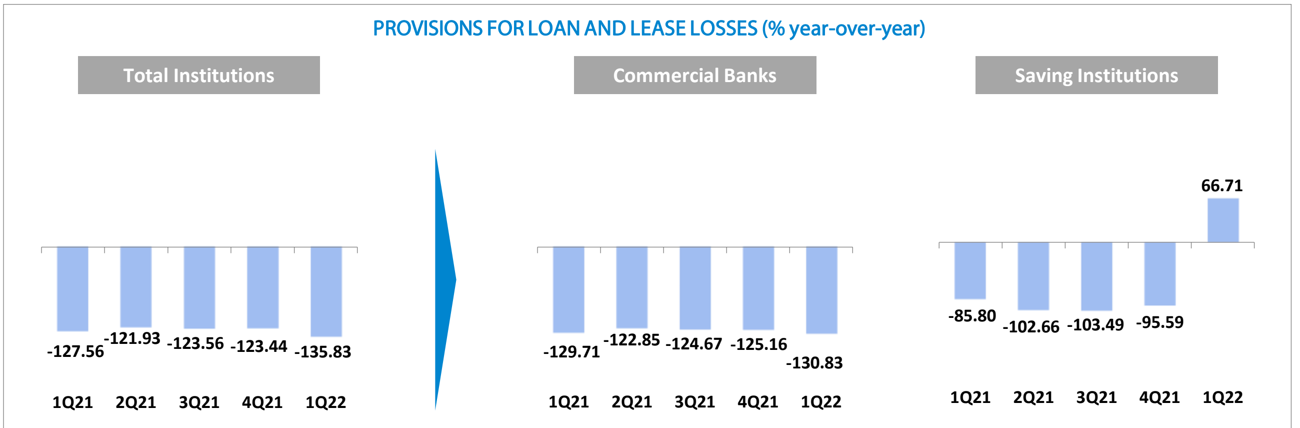
- During the first quarter of 2022, the NPL ratio of consumer loans rose by 0.02 p.p. relative to 4Q21, up to a 0.66% ratio.
- This performance was driven by the increase recorded by the NPL ratio of consumer loans granted by Commercial Banks (0.02 p.p.), which registered a 0.64% ratio.
- Regarding the NPL ratio of consumer loans granted by Saving Institutions, it also increased from the previous quarter (0.08 p.p.) at 0.87%.



Source: Federal Deposit Insurance Corporation.

Provisions for Loan and Lease Losses

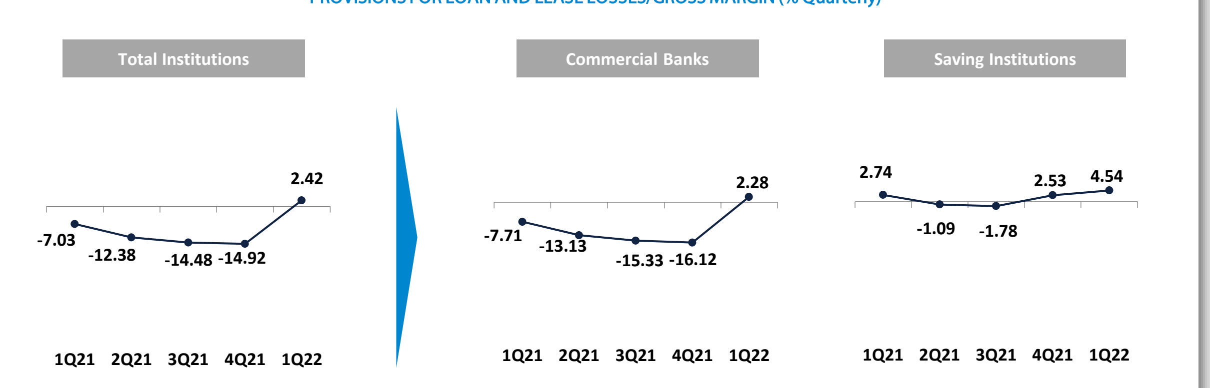
In the first quarter of 2022, provisions for loan and lease losses recorded a slight y/y growth rate decrease of 12.39 p.p. to reach -135.83%, after decelerating compared to the previous quarter. Commercial Banks recorded declines in the y/y growth rates of their provisions for loan and lease losses, while Saving Institutions recorded increases.



Source: Federal Deposit Insurance Corporation.

- During 1Q22, the volume of provisions for loan and lease losses slightly decreased with respect to the previous quarter, recording a y/y growth rate of -135.83%, which was 12.39 p.p. below the one recorded during 4Q21.
- According to Standard and Poor's, the negative levels of provisions registered in 1Q22 could lead to the unwinding of the accumulated provision buffer for non-impaired loans in the second half of 2022.
- Commercial Banks experienced a slight decrease in the y/y growth rate of their provisions for loan and lease losses, falling by 5.67 p.p., down to -130.83%, while Saving Institutions increased their provisions by 162.30 p.p. up to a 66.71%.

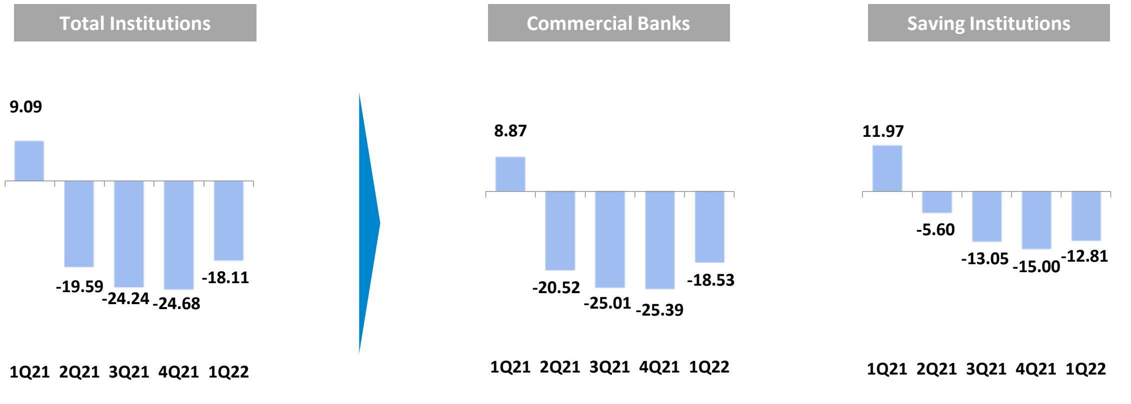
- As far as the provisions for loan and lease losses over gross margin ratio is concerned, it increased by 0.44 p.p. during the fourth quarter of the year, recording a -14.92% ratio.
- In the case of provisions for loan and lease losses over gross margin in Commercial Banks, this ratio increased by 18.40 p.p. compared to the previous quarter, up to a 2.28%. Furthermore, the ratio for Saving Institutions increased by 2.01 p.p., up to a 4.54% ratio.



Source: Federal Deposit Insurance Corporation.

- In the first quarter of 2022, the y/y growth rate of loan loss allowances of all institutions increased by 6.57 p.p. when compared to the previous quarter, up to -18.11% rate. This behavior was driven by the decrease in the y/y growth rate of loan loss allowances of both Commercial Banks and Saving Institutions.
- On one hand, the y/y growth rate of loan loss allowances of Commercial Banks increased by 6.86 p.p. and recorded a -18.53% rate.
- On the other hand, Saving Institutions registered also an increase of 2.19 p.p. in their y/y growth rate, reaching a -12.81% rate.

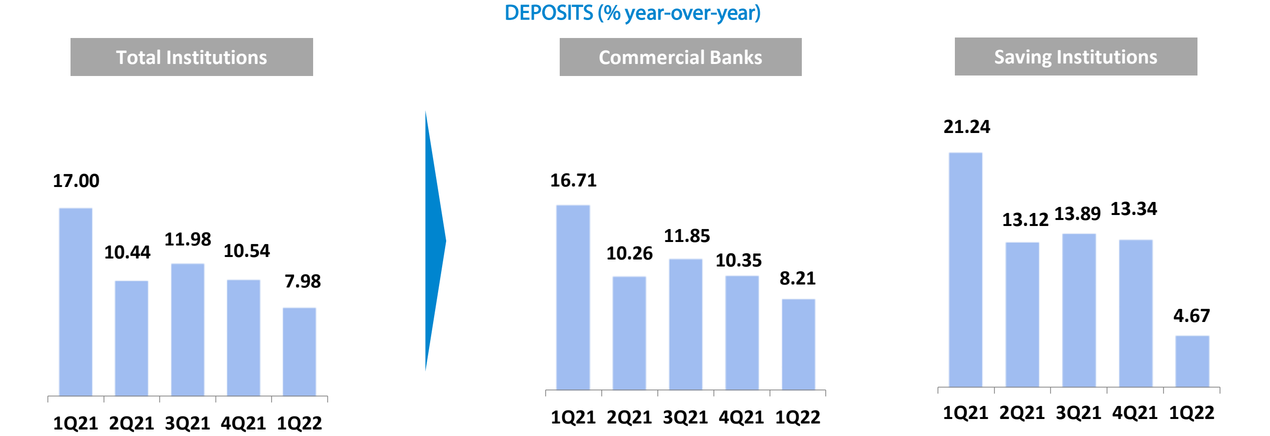
LOAN LOSS ALLOWANCES (% year-over-year)



Source: Federal Deposit Insurance Corporation.

Deposits

During the first quarter of the year, the y/y growth rate of deposits decelerated compared to the previous quarter, down to a 7.98% rate. This performance was driven by the decrease in the y/y growth rate of both Commercial Banks and Saving Institutions deposits.

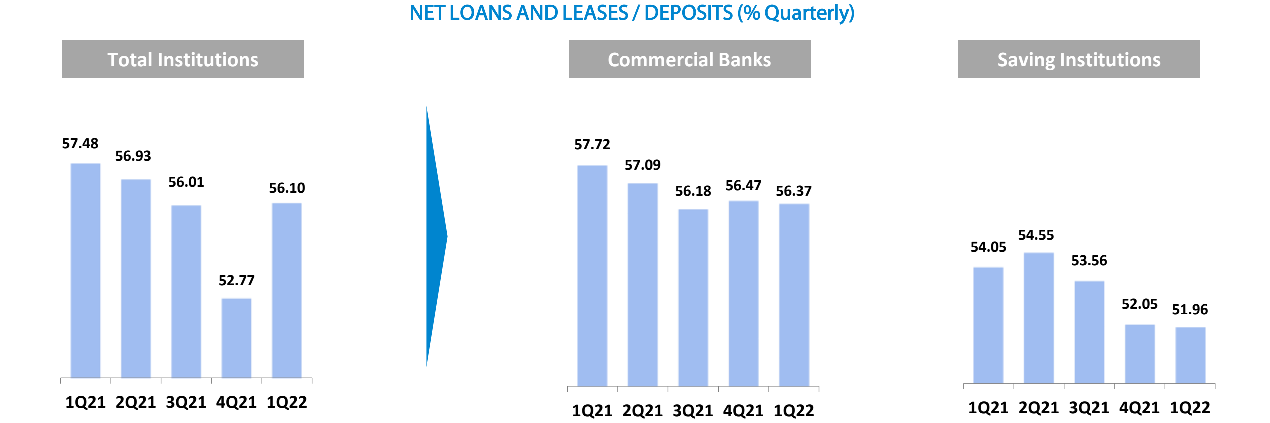


Source: Federal Deposit Insurance Corporation.

- In the first quarter of the year, the total deposits y/y growth rate decreased by 2.56 p.p. with respect to the previous quarter, down to a 7.98% rate.
- One of the reasons of this deceleration lies in the reduction in the y/y growth rate of Commercial Bank deposits, which decreased by 2.14 p.p., down to an 8.21% rate.
- Moreover, Saving Institutions registered a decrease of 8.67 p.p. in their deposit y/y growth rate when compared to 4Q21, reaching a 4.67% rate.
- In addition, the y/y growth rate of deposits decreased for both institutions relative to the same quarter of the previous year, falling by 8.50 p.p. for Commercial Banks and 16.57 p.p. in the case of Saving Institutions.

LTD Ratio

In the first quarter of the year, the LTD ratio registered a decrease relative to the same quarter of the previous year and reached a 56.10% ratio. This outcome was the result of the higher increase experienced by deposits than the one recorded by loans compared to the first quarter of 2021.

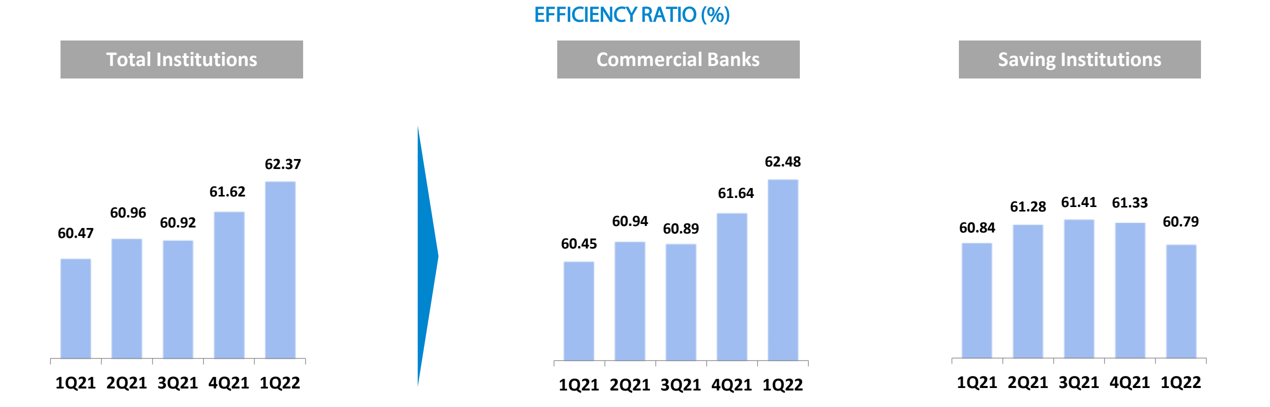


Source: Federal Deposit Insurance Corporation. Own calculations.

- During the first quarter of the year, the loans to deposits (LTD) ratio of American institutions decreased by 1.38 p.p. when compared to the same quarter of the previous year, down to a 56.10% ratio.
- This outcome was the result of the bigger increase experienced by deposits (7.98%) than the rise experienced by loans (5.38%) compared to 1Q21.
- In the case of Commercial Banks, the LTD ratio registered a decline of 1.35 p.p. relative to 1Q20, reaching a 56.37% ratio. As well as the overall performance of LTD, this ratio was the result of the smoother acceleration recorded by loans and leases (5.69%) than the increase recorded in the y/y growth rate of deposits (8.21%).
- Moreover, Saving Institutions experienced a decrease in their LTD ratio of 2.09 p.p., down to a ratio of 51.96%, following an acceleration in their loans (0.62%) that was lower than that of deposits (4.67%).

Efficiency

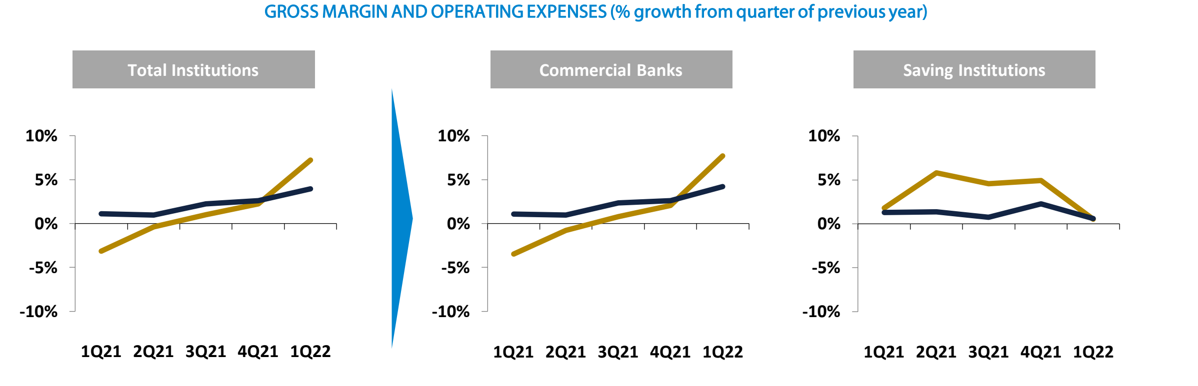
In the first quarter of the year, the efficiency ratio of US financial institutions worsened with respect to the same quarter of the previous year, increasing up to a 62.37% ratio. This performance was the result of the increase in the efficiency ratio of Commercial Banks, while the efficiency ratio of Saving Institutions declined.



Source: Federal Deposit Insurance Corporation. Own calculations.

- During 1Q22, the efficiency ratio of the US financial system experienced a 1.90 p.p. increase with respect to the same quarter of the previous year, up to a 62.37% ratio. This increase was driven by the higher y/y growth rate of gross operating margin (3.96%) than that of operating expenses (7.23%).
- Likewise, when compared to the previous quarter, the efficiency ratio increased by 0.75 p.p..
- In the case of Commercial Banks, the efficiency ratio also increased by 2.03 p.p. relative to the same quarter of the previous year, while that of Saving Institutions improved, decreasing by 0.05 p.p.. Thus, Commercial Banks recorded a 62.48% ratio, whereas Saving Institutions registered at 60.79%.

- In the first quarter of the year, the gross margin of all institutions recorded a y/y growth rate of 3.96%, registering a lower rate than operating expenses, which stood at a 7.23% rate.
- This result was driven by the increase in the y/y growth rate of the gross margin of Commercial Banks (+3.10 p.p.) while Saving Institutions decreased (-0.70 p.p.) when compared to the same quarter of the previous year. These growth rates moved up to 4.19% and down to 0.60% rate, respectively.
- Moreover, Commercial Banks increases in their operating expenses y/y growth rates with respect to 1Q21, increasing by 11.18 p.p., up to a 7.70% rate, while the rate of Saving Institutions decreased by 1.26 p.p. and stood at 0.53%.

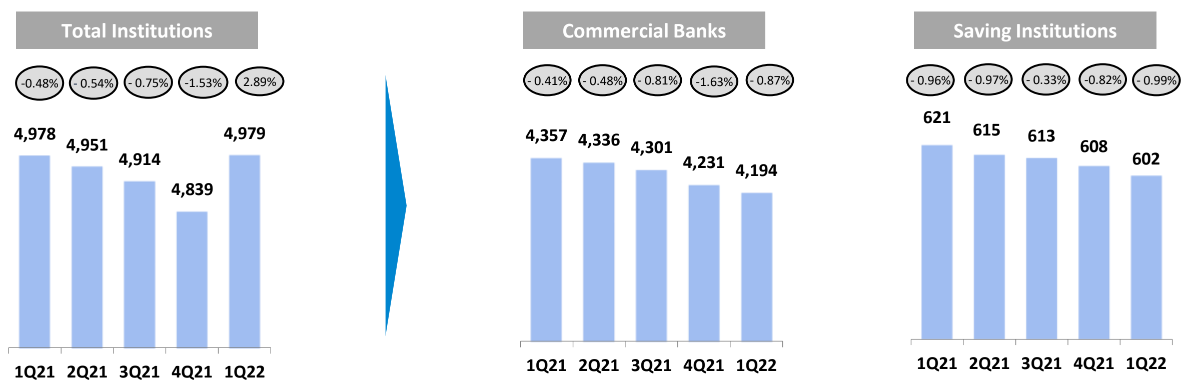


Source: Federal Deposit Insurance Corporation.

Institutions and Employees

During the first quarter of the year, the number of institutions in the US financial system increased, breaking with the downward trend of the previous quarters. When compared to 4Q21, the number of financial institutions increased to 4,979 (2.89%). Moreover, the y/y growth rate of the number of employees accelerated with respect to the previous quarter.

NUMBER OF INSTITUTIONS

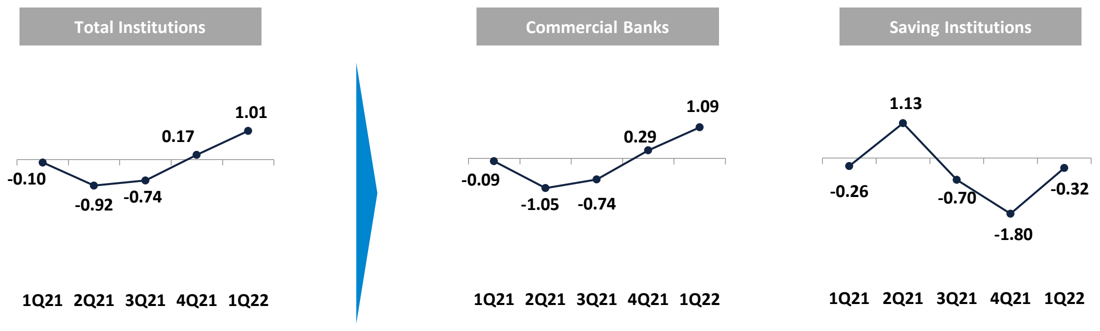


Source: Federal Deposit Insurance Corporation. Quarterly % changes above the chart.

- The number of institutions within the US financial system increased by 2.89% in the first quarter of the year with respect to the previous one, resulting in 140 more institutions and a total of 4,979.
- In turn, the number of Commercial Bank financial institutions decreased by 0.87%, with a total of 4,194 institutions in the first quarter of the year, 37 less than in the previous quarter. Therefore, the downward trend which started in 2009 continued.
- The number of Saving Institutions fell by 6 institutions, suffering a 0.99% reduction relative to the previous quarter, down to 602.

- In the first quarter of the year, the number of employees in the US financial system reached 2,088,152 people, recording a y/y growth rate of 1.01%. Furthermore, when compared to the previous quarter, the number of employees increased by 19,103 people.
- This increase was driven by the positive y/y growth rates of the number of employees recorded by Commercial Banks (1.09%), which had a total of 1,968,565 employees.
- Relative to the previous quarter, the number of employees increased in absolute terms for Commercial Banks (19,576 employees), while it also increased for Saving Institutions (473 employees).

NUMBER OF EMPLOYEES (% year-over-year)

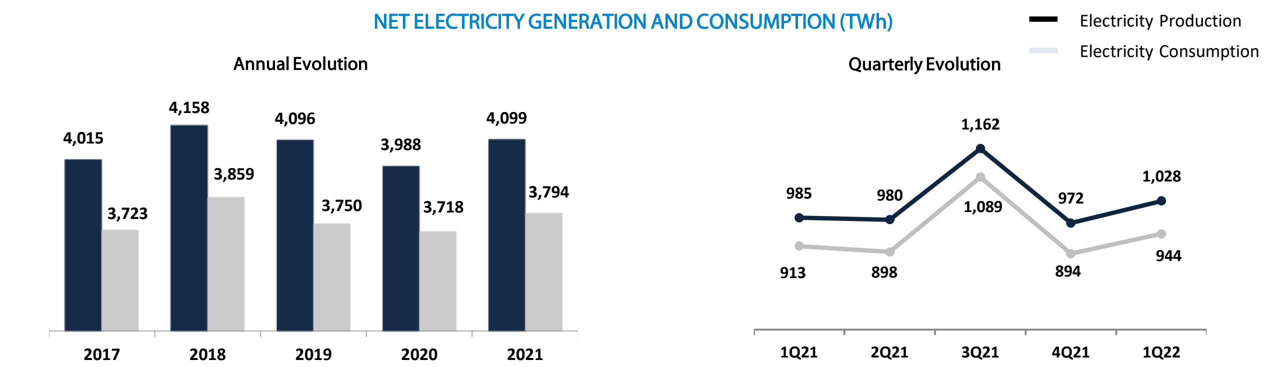


Source: Federal Deposit Insurance Corporation.

5. Energy Sector

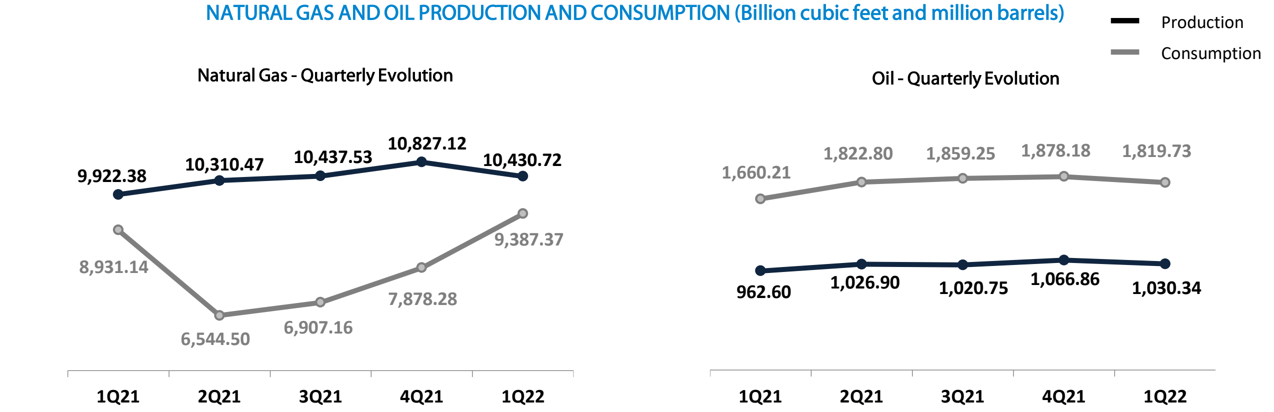
In the first quarter of 2022, net electricity generation in the US reached 1,028,333 GWh, standing above national electricity consumption, which increased compared to 1Q21 up to 944,454 GWh. Energy prices increased by 5.47% relative to 4Q21, up to 11.50₵/KWh. Moreover, gas production continued to be above the volume of domestic consumption during this period, whereas domestic oil consumption exceeded production.

- During the first quarter of the year, net national electricity consumption saw an increase when compared to the same quarter of the previous year, registering a total amount of 944,454 GWh. In addition, the net energy generation also increased, rising by 4.36%, up to 1,028,333 GWh. Regarding energy prices in the US in 1Q22, they increased relative to the previous quarter (2.56%) and grew considerably with respect to the same period of the previous year (5.47%), up to 11.50₵/KWh.
- With respect to the different sources of energy generation, coal registered the highest decline in production relative to 1Q21 (-5.32%). In turn, other energy generation rose significantly by 18.88%. Fuel and gas were once again the main sources of energy generation, representing 35.39% of the total energy produced during this period.



Source: EIA. Consumption data corresponds to retail sales to ultimate customers of electricity.

- Gas production levels continued to be above the volume of domestic consumption. Domestic gas production in the US had a y/y increase of 5.12%, however, consumption also increased by 5.11% when compared to the same quarter of the previous year.
- Regarding the gas consumption mix, all the different consumptions increased except for vehicle consumption when compared with 1Q21.
- As far as oil is concerned, domestic consumption exceeded its production during this period. Moreover, oil production in the US experienced a y/y growth of 7.04%, whereas consumption increased by 9.61% relative to 1Q21.



Source: EIA


38.2%: 119.29
116.71
51.25%: 108.98
61.6 %: 99.19
104.19
86.72
72.48

6. Appendix

SOURCES

MACROECONOMIC OVERVIEW

- Bureau of Labor Statistics:
  http://www.bls.gov
- Bureau of Economic Analysis:
  http://www.bea.gov
- Federal Reserve USA:
  http://www.federalreserve.gov/
- International Monetary Fund (IMF):
  http://www.imf.org
- World Bank (WB):
  www.worldbank.org
- Organisation for Economic Co-operation and Development, OECD:
  http://www.oecd.org/home/
- European Central Bank:
  http://www.ecb.int/ecb/html/index.es.html
- Central Bank of the Republic of Argentina:
  www.bcra.gov.ar
- Central Bank of Chile:
  www.bcentral.cl
- Central Bank of Brasil:
  www.bcb.gov.br
- National Administrative Department of Statistics of Colombia (DANE):
  http://www.dane.gov.co/
- Bank of the Republic of Colombia:
  http://www.banrep.gov.co/
- Central Bank of Venezuela:
  www.bcv.org.ve
- Central Reserve Bank of Peru:
  www.bcrp.gob.pe
- BBVA Research:
  http://www.bbvaresearch.com/KETD/ketd/esp/index.jsp

Appendix

GLOSSARY

- **Efficiency Ratio:** Non-interest expense - amortization of intangible assets / (net interest income + non-interest income).
- **Operating Expense**: Total non-interest expense.
- **Gross Margin**: Net interest income + non-interest income.
- **Non-Performing Loans Ratio**: Non-performing loans / net loans and assets.
- **Non-Performing Loans Coverage Ratio**: Loan loss allowance / non-performing loans.
- **Tier 1 Common Ratio**: (Tier 1 capital - qualifying subordinate debt and redeemable preferred stock - qualifying non-controlling interests in consolidated subsidiaries) / Total risk-weighted assets.
- **Return On Equity (ROE)**: Net Income / equity.
- **Return On Assets (ROA)**: Net income / average total assets.

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