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USA – 2Q22

Macroeconomic Outlook Report

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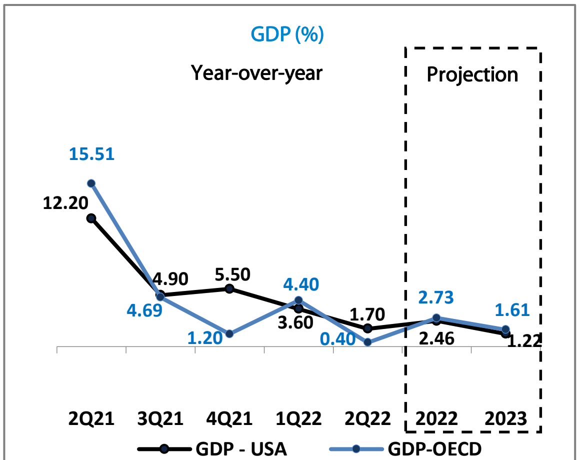
1. General Outlook

US Macroeconomic Overview

During the second quarter of 2022, inflationary pressures held back the recovery of the economy, although unemployment rate fell. The deceleration of the country's GDP during the second quarter was led by decreases in imports and government spending. Inflation registered new record highs and negatively affected the economic projections for the future. Concerning interest rates, the government continued with the increase that began in March.

United States Macroeconomic Overview

- In the second quarter of the year, the y/y GDP growth rate of the US stood at a 1.70% rate, following a deceleration of 1.90 p.p. with respect to 1Q22. However, when compared to the previous year quarter, growth decreased by 10.50 p.p.. The growth of the US economy was higher than that of the OECD, which decreased down to 0.40% in 2Q22.
- 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 2.20 p.p. relative to the previous quarter, down to a 2.50% rate.



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

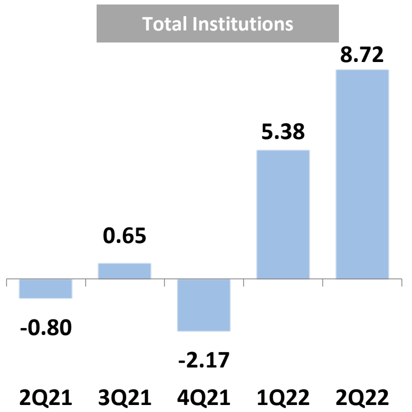
- According to the OECD, the pace of GDP growth is anticipated to weaken from its recent very high levels to 2.46% in 2022 and 1.22% in 2023. Supply disruptions may take some time to fully ease, especially given the impacts of the war in Ukraine and COVID-related lockdowns in China.
- During the second quarter of 2022, inflation increased by 0.21 p.p. compared to the previous quarter, recording an 8.36% rate. The Government down net purchases of securities and began reducing those securities holdings more rapidly than expected, and also initiated a swift increase in interest rates.
- Although employment rate decrease, with respect to the previous quarter, the unemployment rate decreased by 0.20 p.p., down to a 3.60% rate. It should be noted that thanks to the recovery experienced by the labour market during this quarter, unemployment is retrieving pre-pandemic levels.
- Dow Jones and S&P 500 Index closed the quarter with good results, even though both experienced decreases compared to 1Q22 results. Dow Jones decreased 1,997 points relative to the previous quarter to a quarterly average of 32,714 points. S&P decreased by 358 points respectively from the previous quarter to 4,106 points in 2Q22.
- 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 1.07$/€ in 2Q22.

Banking Sector

During the second 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 8.72%. The ratio of non-performing loans for all institutions declined with respect to the previous quarter, down to 0.75%. In addition, the y/y growth rate of deposits decelerated, down to a 4.44% rate. The efficiency ratio of the US financial system improved compared to 2Q21, down to 60.63%, 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 decreased by 4.18% in comparison to the previous quarter.

Banking Sector

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



Source: Federal Deposit Insurance Corporation.

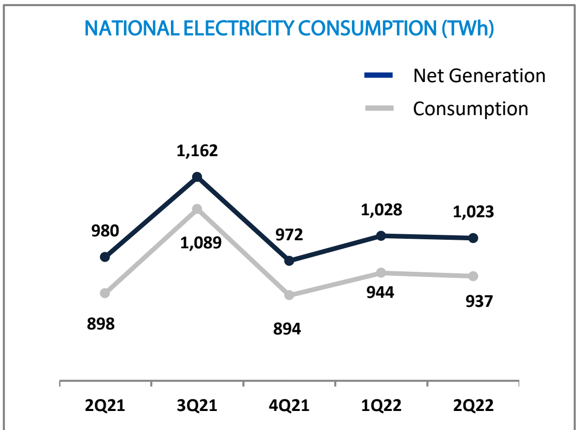
- The loans and leases y/y growth rate in the US financial system increased by 3.34 p.p. with respect to the previous quarter, up to a 8.72% rate.
- This performance was mainly driven by the acceleration in the y/y growth rate of loans and leases granted by Commercial Banks, which rose by 3.38 p.p., to a 9.07% rate. Moreover, the y/y growth rate of loans and leases of Saving Institutions also increased by 2.73 p.p., up to a 3.35% rate.
- By segment, real estate loans represented 55.28% of total loans, followed by commercial and industrial loans (25.00%) and consumer loans (16.72%).
- The ratio of non-performing loans (NPL) for all institutions stood at 0.75% after a 0.09 p.p. decline compared to the previous quarter.
- The NPL ratio of Commercial Banks decreased by 0.07 p.p. down to 0.71% compared to 1Q22, whereas that of Saving Institutions was reduced by 0.46 p.p., down to a 1.37% rate.
- By loan segment, the NPL ratio experienced a 0.16 p.p. decline for real estate loans down to 1.01%, while commercial & industrial loans decreased 0.04 p.p., down to 0.64%. The NPL ratio of consumer loans stood at 0.64% after a 0.02 pp. decline compared to the previous quarter.
- Regarding total deposits, their y/y growth rate decreased by 3.54 p.p. in the second quarter of the year relative to the previous one, down to a 4.44% rate. This reduction was motivated by the decrease in Commercial Banks deposits (3.67p.p.).
- During 2Q22, the efficiency ratio of the US financial system experienced a 0.33 p.p. decrease with respect to the same quarter of the previous year, down to a 60.63% ratio. This decrease was driven by the higher y/y growth rate of gross operating margin (7.75%) than that of operating expenses (7.17%).
- In turn, the number of institutions within the US financial system decreased by 4.18% in the second quarter of the year with respect to the previous one, resulting in 208 less institutions and a total of 4,771. In the second quarter of the year, the number of employees in the US financial system reached 2,100,326 people, recording a y/y growth rate of 2.02%.

Other Sectors: Energy

During the second quarter of 2022, net generation of electricity in the US stood at 1,023,238 GWh, whereas national consumption reached 936,886 GWh, remaining below production. Energy prices increased by 6.47 % when compared to the previous quarter, up to 12.24₵/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 second quarter of the year, net electricity consumption experienced an increase when compared to 2Q21, up to a total of 936,886 GWh. Moreover, net energy generation also increased, rising by 4.37%, up to 1,023,238 GWh.
- As far as energy prices in the US are concerned, they increased relative to the previous quarter by 6.47%, standing at 12.24₵/KWh.
- Oil consumption exceeded its production during this period. Furthermore, oil production experienced a y/y a rise of 3.63%, while consumption increased by 1.18% 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 1.18% and gas consumption increased by 6.25%, when compared to the same quarter of the previous year.



Source: EIA.

2. International overview
LatAm, OECD and China

The upward inflationary trend has determined the monetary policies of major global banks and the stagnation of economic growth during 2Q22.

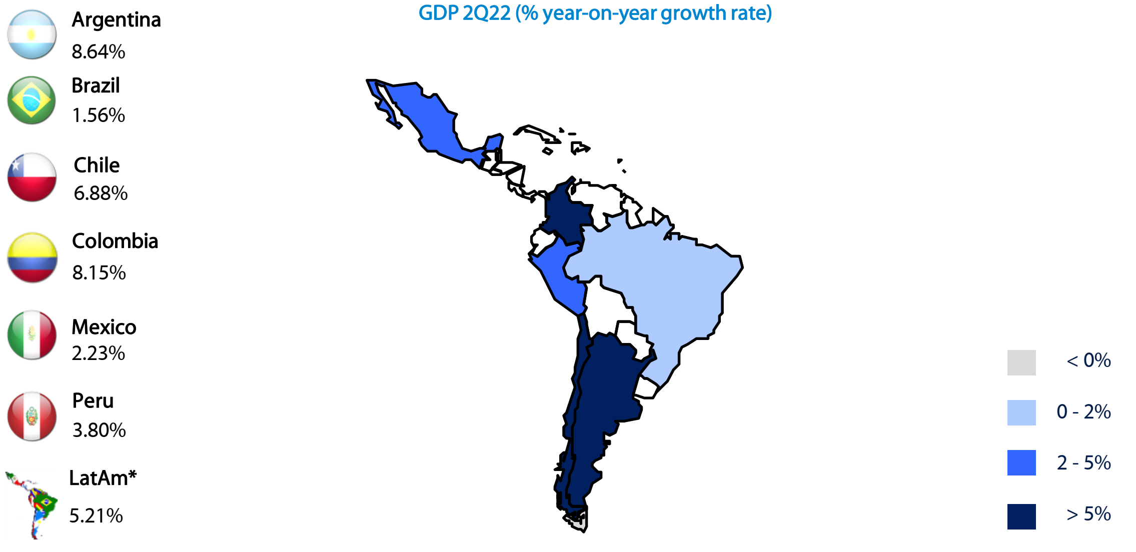
Macroeconomic outlook

- During the quarter, the global economic recovery continued after the most acute phase of the pandemic, albeit in a very uncertain environment. The main constraints on economic developments were the unfolding war in Ukraine, the slowdown in China and the intensification of inflationary pressures in the short term, which affected the conduct of monetary policies at the global level. All this dampened households' purchasing power and increased firms' production costs.
- In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has revised in October its forecast for the Latin American economy for 2022, raising the region's growth by 3.2% and cutting it to 1.4% for 2023. World trade dynamics are expected to be negatively affected by the war, which would lead to a decrease in Latin America's external demand. For its part, the European Commission has acknowledged a slower than expected economic recovery, affected by the outbreak of the war in Ukraine. Likewise, the Fed modified its previous projections for the US, predicting a lower GDP growth of 2.3% in 2022 and 1% in 2023.
- The labor market worsened from the first quarter but is expected to improve slightly later in the year.
- Foreign trade in the G20 countries continued to grow in monetary terms on the back of higher commodity prices and inflation. Exports of the group of the world's 20 largest economies increased by 2.1 % from the previous quarter, while imports rose by 2.6 %. Exports of the European Union as a whole rose by 2 %, Latin America by 2.8 % and North America by 1.5 % in the quarter.

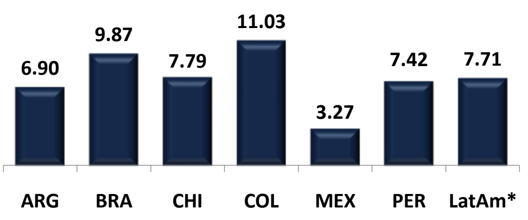
Financial sector

- In response to rising inflation, central banks' monetary policy became more restrictive and most central banks have raised interest rates significantly, reaching levels like those observed in 2017.
- On the fiscal side, public debt levels remained high in many countries. In a context of high demands for public spending, measures were required to strengthen fiscal sustainability and expand fiscal space by strengthening public revenues.

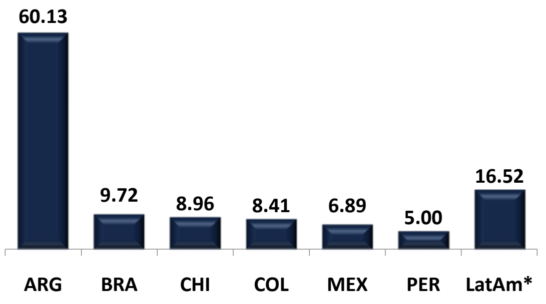
GDP 2Q22 (% year-on-year growth rate)



UNEMPLOYMENT RATE 2Q22 (%)



INFLATION RATE 2Q22 (%)

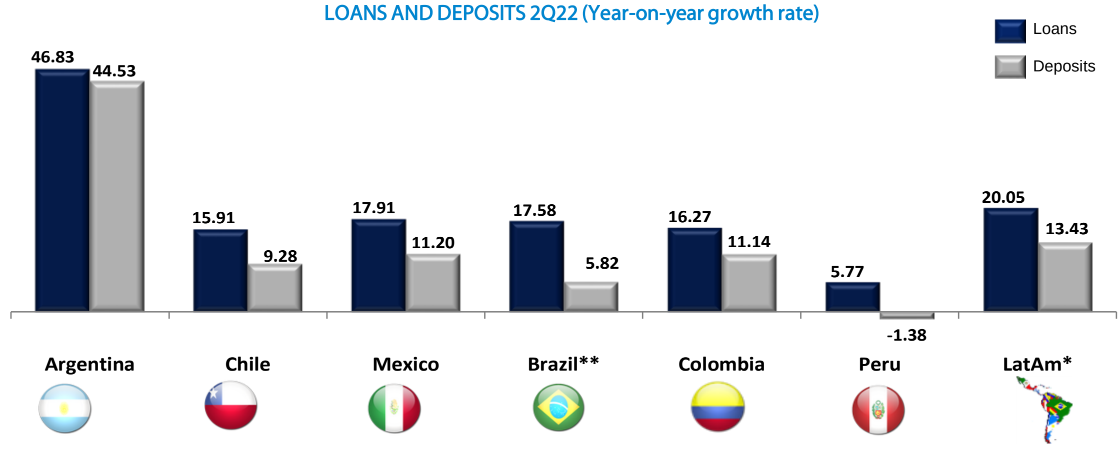


LONG TERM RATES 2Q22

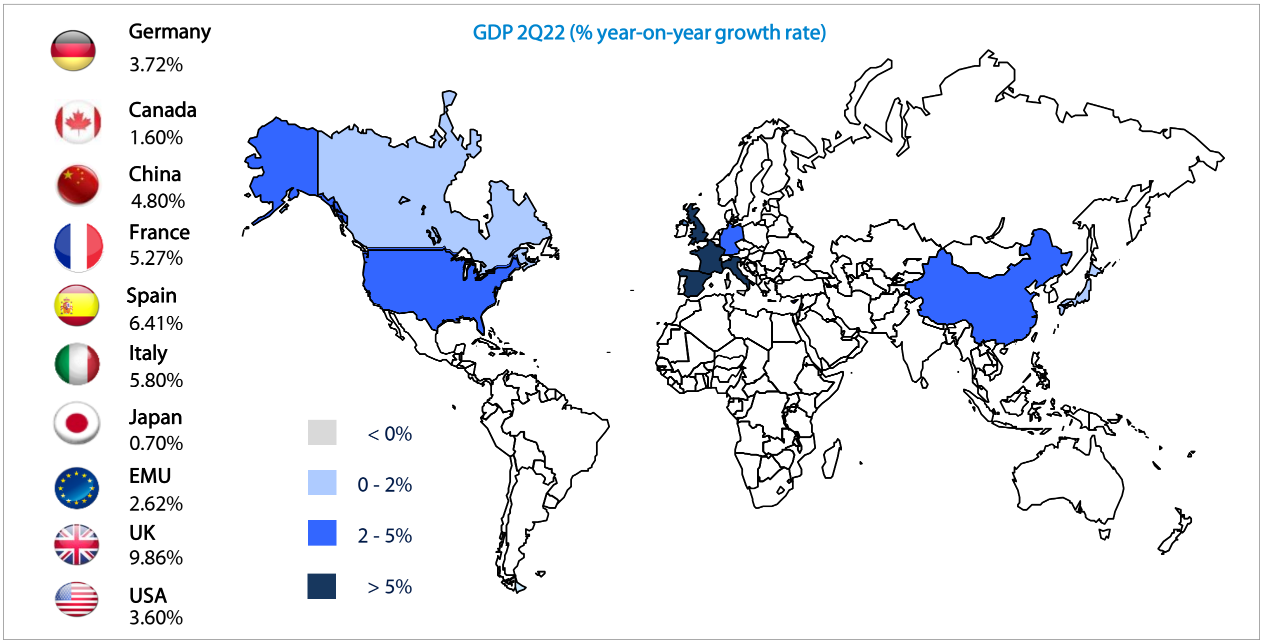
	MOODY'S		S&P		FITCH	
Argentina	Ca	–	CCC+	–	CCC	–
Brasil	Ba2	–	BB-	–	BB-	–
Chile	A1	–	A	–	A-	–
Colombia	Baa2	–	BB+	–	BB+	–
México	Baa1	–	BBB	–	BBB-	–
Perú	Baa1	–	BBB	▼	BBB	–

▲ Increase since 1Q22
– Constant since 1Q22
▼ Decrease since 1Q22

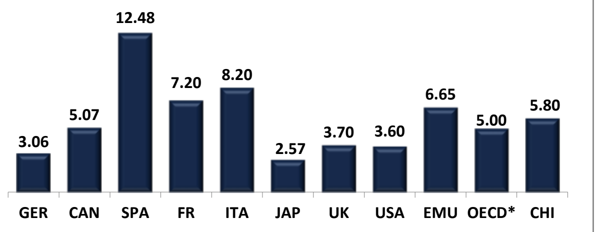
LOANS AND DEPOSITS 2Q22 (Year-on-year growth rate)



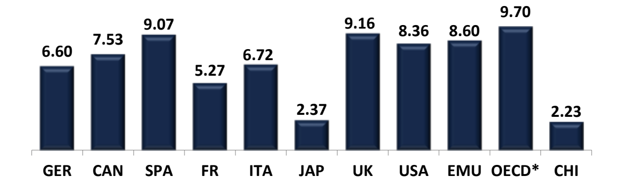
*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.
**Most updated figures available at the date of the release correspond to 2Q22, except for Brazil's deposits (1Q22)



UNEMPLOYMENT RATE 2Q22 (%)



INFLATION RATE 2Q22 (%)

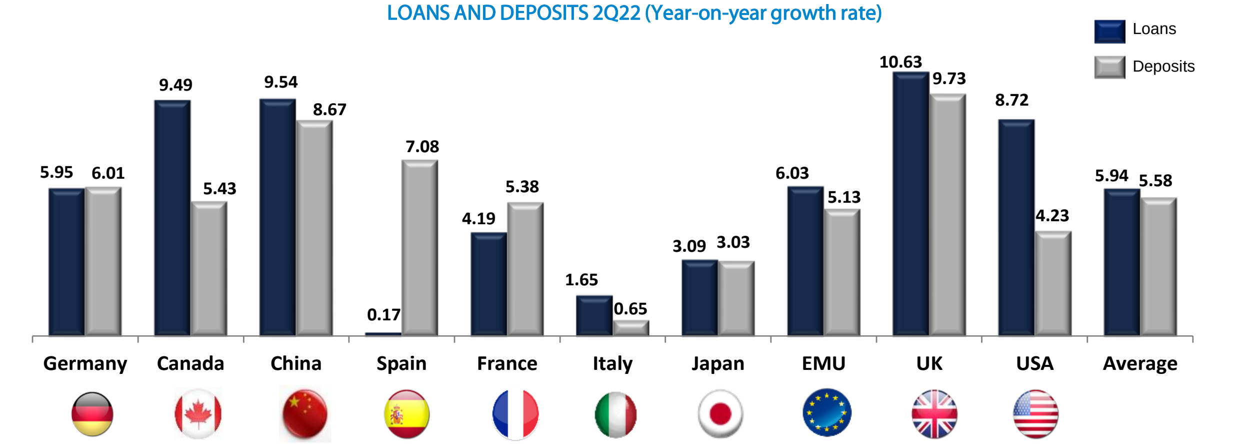


LONG TERM RATES 2Q22

	MOODY'S		S&P		Fitch	
Alemania	Aaa	–	AAA	–	AAA	–
Canadá	Aaa	–	AAA	–	AA+	–
China	A1	–	A+	–	A+	–
España	Baa1	–	A	▲	A-	–
Francia	Aa2	–	AA	–	AA	–
Italia	Baa3	–	BBB	–	BBB	–
Japón	A1	–	A+	–	A	–
Reino Unido	Aa3	–	AA	–	AA-	–
EEUU	Aaa	–	AA+	–	AAA	–

▲ Increase since 2Q22
– Constant since 2Q22
▼ Decrease since 2Q22

LOANS AND DEPOSITS 2Q22 (Year-on-year growth rate)



*Datos agregados de la OCDE, actualizados a fecha de publicación correspondientes a 2T22

3. US Macroeconomic Overview

During 2Q22, the increase in inflation negatively impacted the country's economic activity and projections. Although overall economic activity edged down in the second quarter, exports increased, and public consumption remained constant. The labor market in the United States during 2Q22 continued to its gradual recovery, thanks to a decrease in unemployment rate.

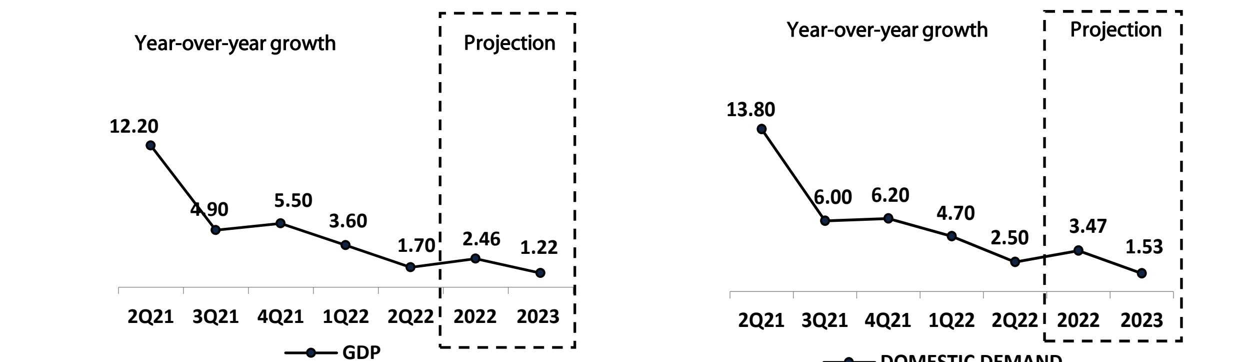
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	2Q21	3Q21	4Q21	1Q22	2Q22	2022	2023
GDP	**12.20**	**4.90**	**5.50**	**3.60**	**1.70**	**2.46**	**1.22**
DOMESTIC DEMAND	13.80	6.00	6.20	4.70	2.50	**3.47**	**1.53**
HOUSEHOLD CONSUMPTION	16.20	7.10	6.90	4.70	1.90	**3.10**	**1.14**
PUBLIC CONSUMPTION	-0.10	0.60	0.00	-1.60	-1.60	**-0.09**	**1.85**
GROSS FIXED CAPITAL FORMATION	20.80	7.10	9.60	11.60	8.80	**2.76**	**2.63**
EXTERNAL DEMAND							
EXPORTS	18.60	4.90	4.90	4.40	6.70	**3.58**	**3.91**
IMPORTS	30.60	12.60	9.60	12.00	10.80	**9.58**	**3.24**
INFLATION							
CPI*	**5.04**	**5.43**	**6.44**	**8.15**	**8.36**	**7.00**	**3.50**
LABOUR MARKET							
UNEMPLOYMENT RATE	**5.90**	**5.10**	**4.20**	**3.80**	**3.60**	**3.61**	**3.79**
EMPLOYMENT	**10.10**	**4.84**	**3.60**	**4.88**	**4.45**	**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 second quarter of 2022, United States' GDP interannual growth stood at 1.70%, decreasing by 1.90 p.p. compared to the previous quarter. The deceleration in the second quarter was led by decreases in private inventory investment, residential fixed investment, federal, state and local government spending. However, exports level increased compared to 1Q22. The OECD growth forecast envisions a 2.46% rate in 2022 and a 1.22% rate in 2023.
- According to the Fed, inflation spiked during the second 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 second 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.

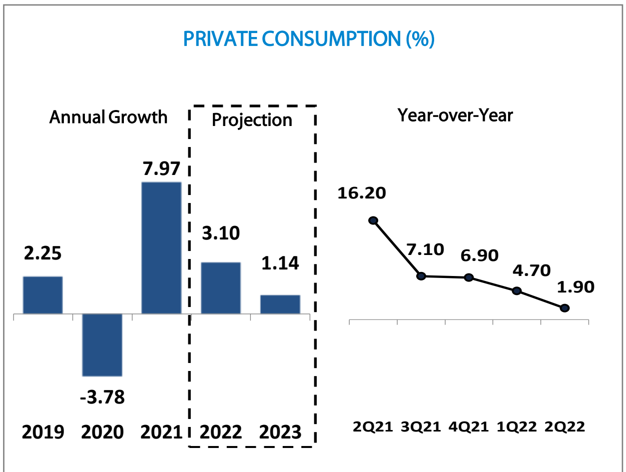
GDP and domestic demand interannual growth (%)



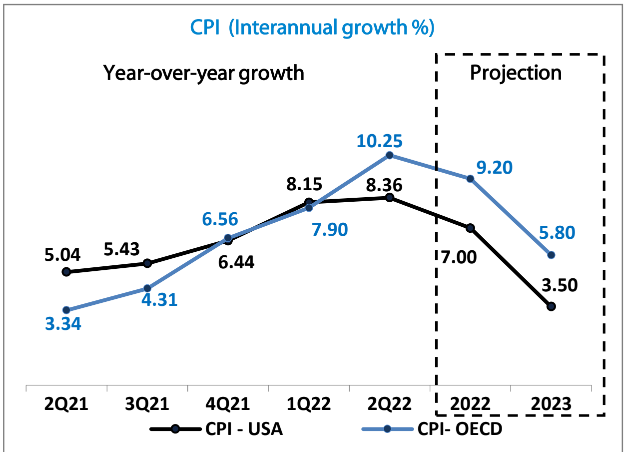
Source: Bureau of Economic Analysis Projections from the OECD June 2022.

In the second 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 8.36% 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.

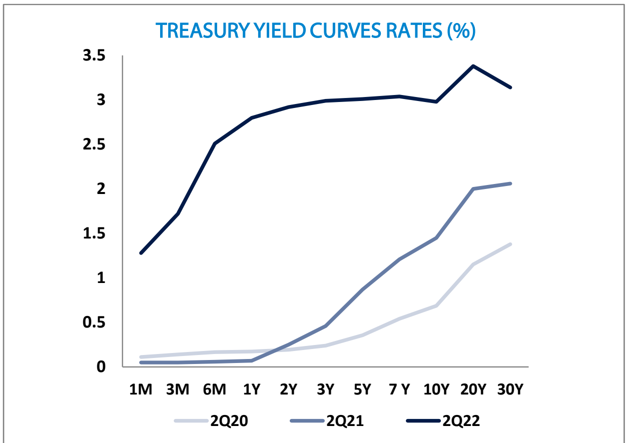
- During the second quarter of the year, private consumption decreased when compared to the previous quarter, down to a 1.90% y/y growth rate.
- The OECD forecast for private consumption predicts a lower increase on the year-over-year growth rate of 3.10% for 2022. In addition, it expects private consumption 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.
- In 2Q22, the year-on-year growth rate of the US Consumer Price Index rose by 0.21 p.p., increasing for the fifth consecutive quarter, up to an 8.36%. The OECD average was above the USA CPI inflation rate in the second quarter of 2022 (10.25%).
- 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 7.00%, and in 2023 to 3.50%.
- In its October meeting, the FOMC raised the target range for the federal funds rate now stands at 3 to 3- ¼ %.
- All bond yields of US Treasury bonds presented interest rates in 2Q22 higher than 1%.
- When compared to 2Q20, bond yields increased for all maturities, with the largest variation corresponding to 1Y, 2Y, 3Y and 5Y maturities.
- In comparison with the same quarter of 2021, bond yields increased for all maturities, with the largest variation corresponding to 6M, 1Y, 2Y and 3Y maturities.
- According to the Fed, yields on nominal Treasury securities rose considerably since late February amid sustained inflationary pressures and associated expectations for further monetary policy tightening.



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

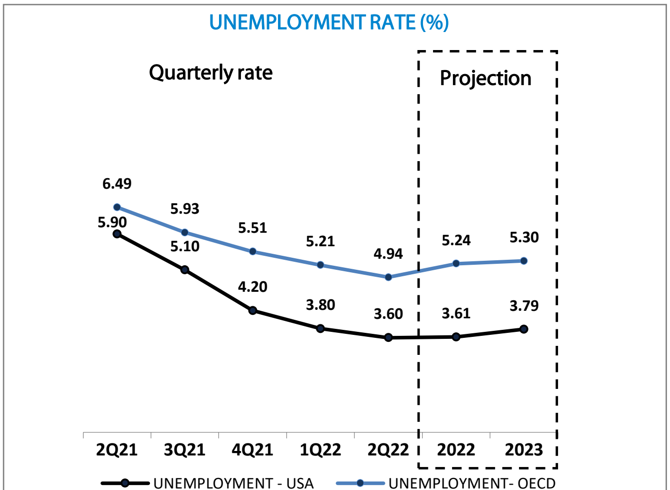


Source: Bureau of labor Statistics and OECD. Projections: OECD June 2022.

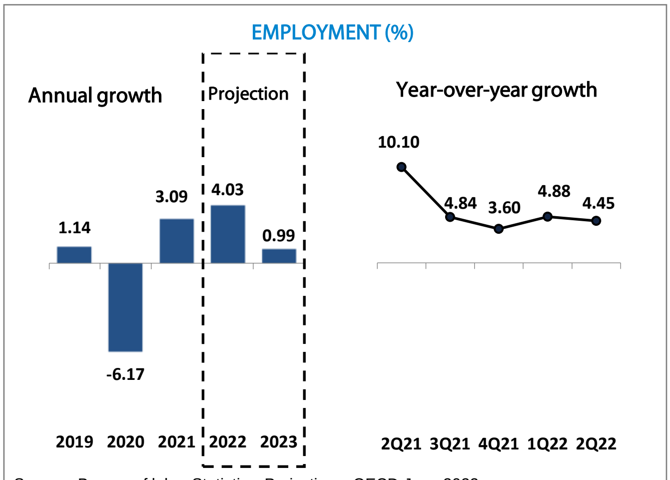


Source: U.S. Department of the Treasury.

Regarding the labour market, during the second quarter of 2022, the unemployment rate decreased compared to the previous quarter, standing at a 3.60% rate. Yet, in year-over-year terms, unemployment decreased strongly by 2.30 p.p. Likewise, when it comes employment, the y/y growth rate decreased by 5.65 p.p. down to 4.45% rate in the second quarter of 2022.



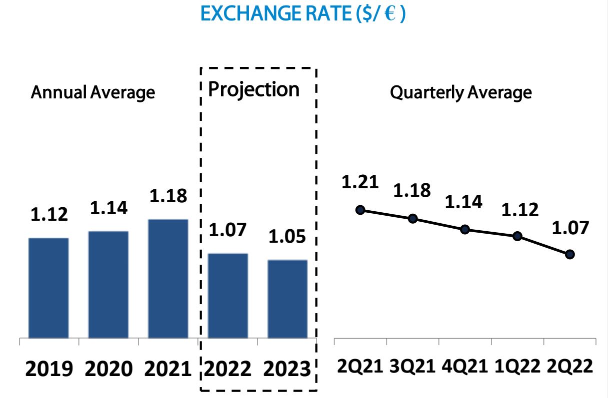
Source: Bureau of labor Statistics and OECD. Projections: OECD June 2022.
Note: Annual rates refer to the annual average of the quarterly rate.



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

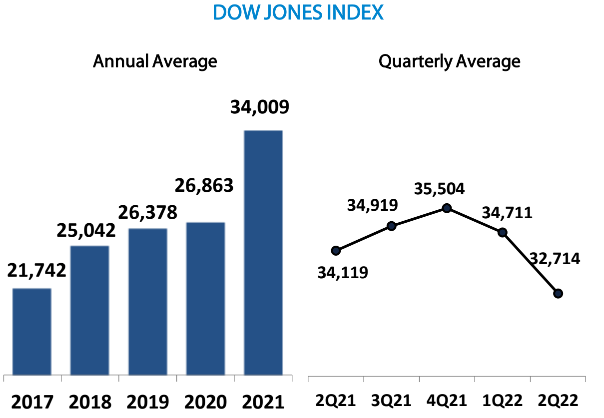
- In the second quarter of the year, the unemployment rate pursued its downward trend, standing at a 3.60% rate. Furthermore, it fell by 2.30 p.p. relative to the same quarter of the previous year. The unemployment rate was lower than that of the OECD (4.94%) in 2Q22, following the trend of the last 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 OECD September economic outlook, labour market conditions are tight almost everywhere. In many OECD economies, unemployment rates are at their lowest levels of the past 20 years, while the ratio of jobseekers to vacancies remains historically low.
- Nonetheless, the pace of job growth in North America and Europe slowed, vacancies began to decline in some countries, and the reduction in the unemployment rate appears to have bottomed out or even reversed in some countries.
- On the other hand, the employment growth rate decreased compared to the previous quarter to 4.45% year-on-year.
- Likewise, during the second quarter of the year, the employment y/y growth rate still pursued positive levels for the fifth consecutive time, following a positive recovery, although it decreased compared to 1Q22
- On its June forecast, the OECD 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 second quarter of 2022, the euro depreciated against the US dollar when compared to the previous quarter. Therefore, the average quarterly exchange rate stood at 1.07 $/€.
- 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 appreciating against the euro with respect to 2021.

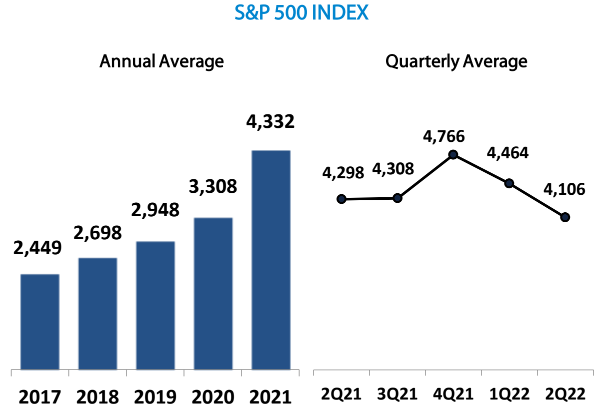


Source: European Central Bank

- In the second quarter of 2022, the Dow Jones Index recorded a quarterly average of 32,714 points. Therefore, the Index decreased 1,997 points relative to the previous quarter.
- Furthermore, the S&P 500 Index stood at a quarterly average of 4,106 points in 2Q22, decreasing by 358 points with respect to the first quarter of 2022.



Source: Federal Reserve.



Source: Federal Reserve.

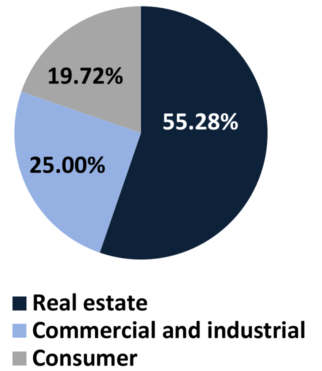
4. Banking Sector: General Overview

Loans and Leases

During the second 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 8.72%. The distribution of total loans by segment remained similar to the first quarter of 2022, with real estate loans representing 55.28% of total loans.

- During the first quarter of 2022, the loans and leases growth rate of the US financial system increased by 3.34 p.p. with respect to the previous quarter, up to a 8.72% rate, recording positive levels for the second consecutive time.
- 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 3.38 p.p., to a 9.07% rate.
- However, the y/y growth rate of loans and leases of Saving Institutions increased by 2.73 p.p., up to a 3.35% 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.

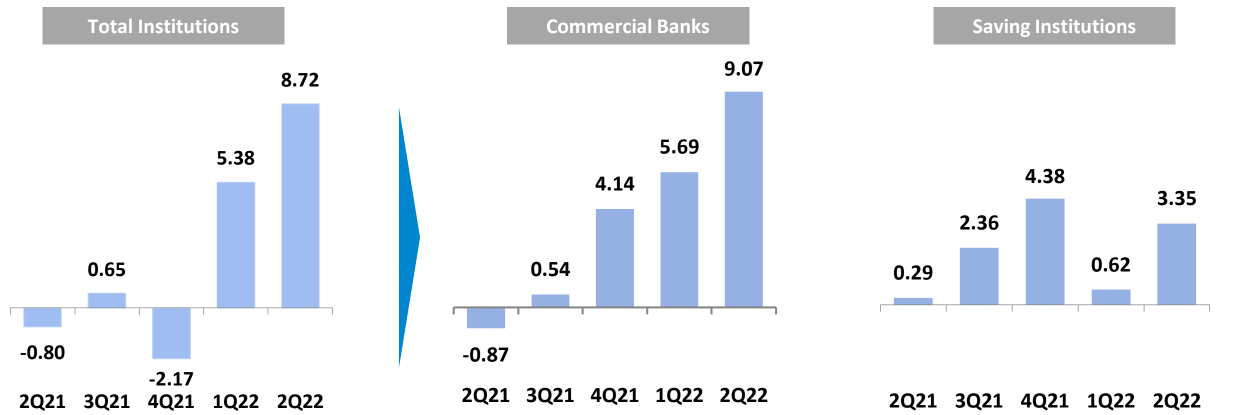
LOANS DISTRIBUTION BY SECTOR (%)



Source: Federal Deposit Insurance Corporation.

- Real estate loans represented the largest share over total loans, accounting for 55.28% of them, followed by commercial and industrial loans, with a 25.00% share. The remaining 19.72% of loans corresponded to consumer loans.
- When compared to the first quarter of 2022, the y/y growth rate of real estate loans increased by 2.78 p.p., registering a 7.64% rate. Moreover, the y/y growth rate of commercial and industrial loans increased, rising by 9.02 p.p., up to 6.49%. Consumer loans experienced also an increase in their y/y growth rate of 0.23 p.p., up to a 11.63% rate.

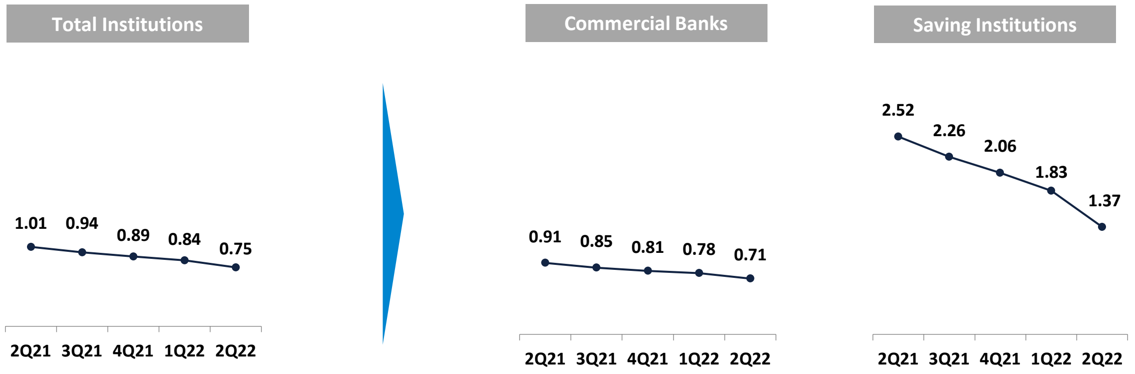
NET LOANS AND LEASES (% year-over-year)



Source: Federal Deposit Insurance Corporation.

- In the second quarter of 2022, the ratio of non-performing loans over total loans (NPL ratio) for all institutions stood at 0.75%, following a decrease of 0.09 p.p. when compared to the previous quarter.
- Regarding the NPL ratio of Commercial Banks, it decreased by 0.07 p.p. with respect to 2Q22, reaching a 0.71% ratio.
- The NPL ratio of Saving Institutions decreased by 0.46 p.p., down to a 1.37% rate, continuing with the previous quarter trend.
- By loan segment, the NPL ratio experienced a 0.16 p.p. decline for real estate loans down to 1.01%, while commercial & industrial loans decreased 0.04 p.p. down to 0.64%. The NPL ratio of consumer loans decreased by 0.02 p.p., recording a 0.64% ratio as the fourth quarter of 2021.

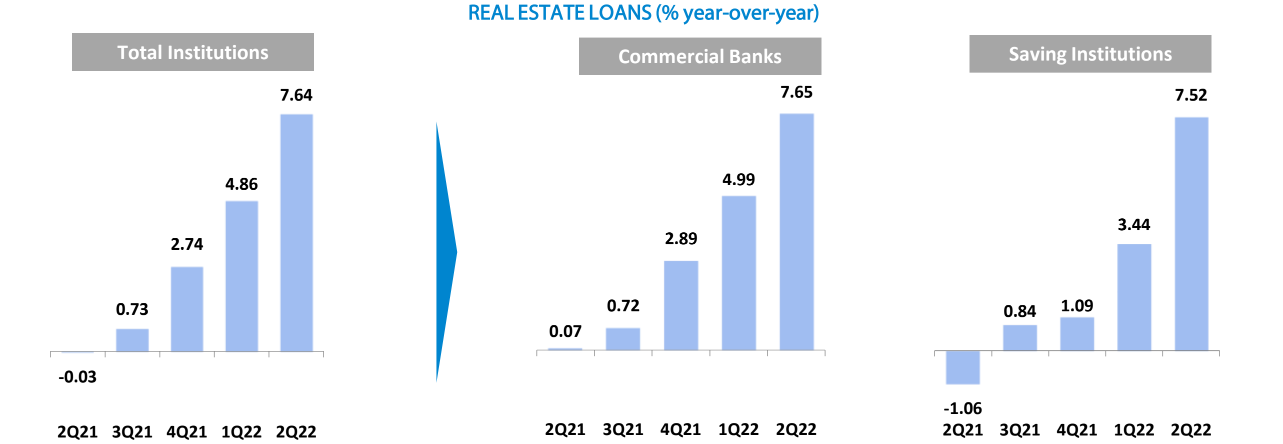
NON-PERFORMING LOANS RATIO - TOTAL LOANS (%)



Source: Federal Deposit Insurance Corporation.

Real Estate Loans

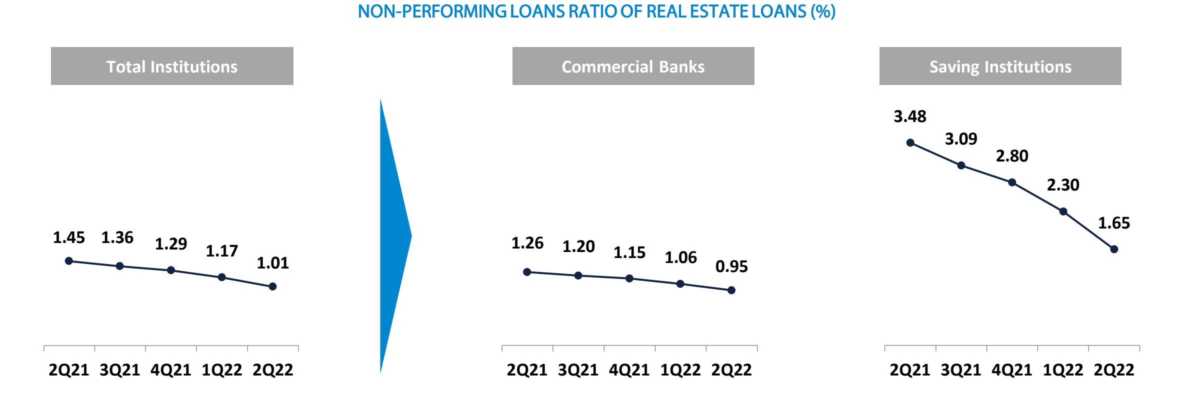
During the second quarter of the year, the y/y growth rate of real estate loans accelerated by 2.78 p.p., up to a 7.64% rate. This increase was the result of the rise experienced by the y/y growth of real estate loans granted by Saving Institutions as well as for Commercial Banks.



Source: Federal Deposit Insurance Corporation.

- The y/y growth rate of real estate loans of all institutions experienced a 2.78 p.p. increase when compared to the previous quarter, reaching positive values and recording a y/y growth rate of 7.64%.
- This behavior was driven by the increase in the y/y growth rate of real estate loans of Saving Institutions, which recorded a 2.53 p.p. rise, continuing with a positive trend from the past quarter and standing at a 7.52% rate.
- Moreover, the y/y growth rate of real estate loans granted by Commercial Banks rose by 2.66 p.p. with respect to 1Q22, recording a 7.65% rate, standing at positive figures.

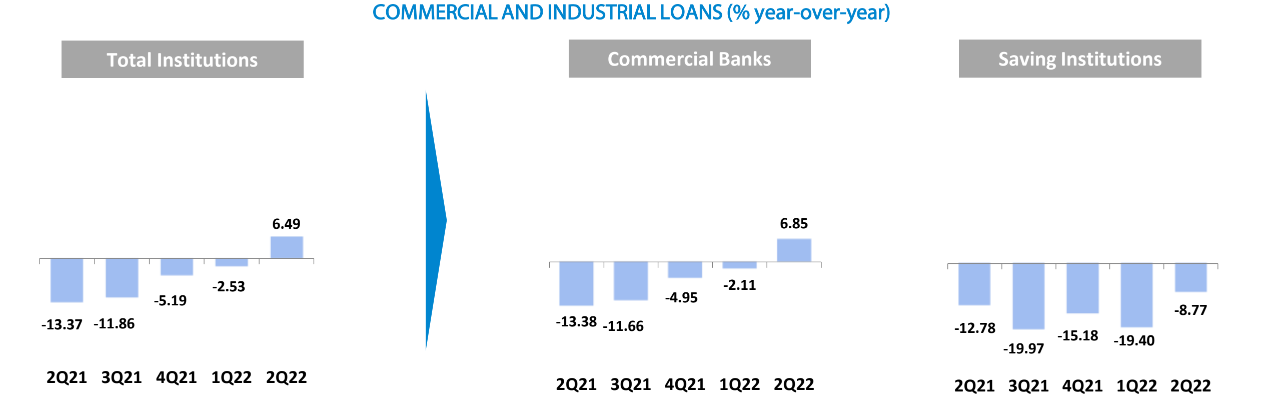
- During the second quarter of 2022, the NPL ratio of real estate loans of all institutions fell by 0.16 p.p. down to a 1.01% ratio, pursuing its downward trend.
- By type of entity, the NPL ratio of Commercial Banks declined by 0.11 p.p., registering a 0.95% ratio. The NPL ratio of Saving Institutions decreased by 0.65 p.p. down to a 1.65% ratio, still significantly higher than that of Commercial Banks.



Source: Federal Deposit Insurance Corporation.

Commercial & Industrial Loans

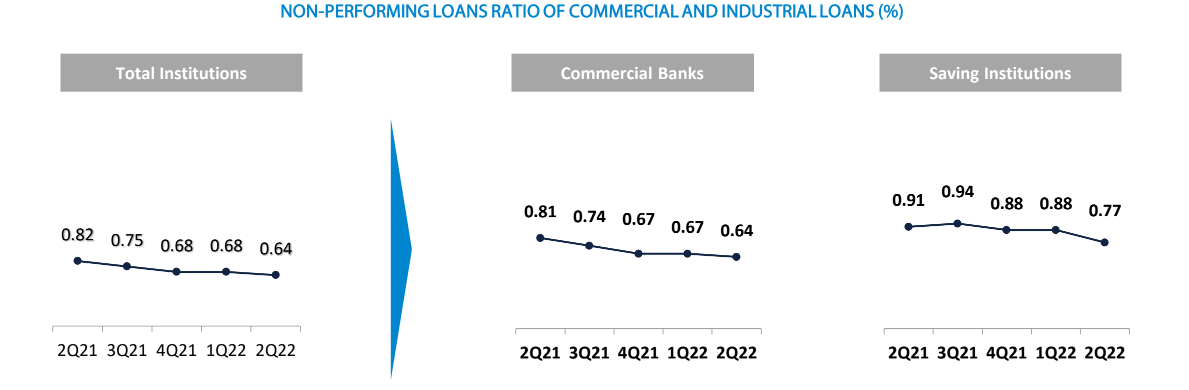
The commercial and industrial loans y/y growth rate accelerated during the second quarter of 2022 relative to the previous quarter, up to a rate of 6.49%. This result was mainly driven by the increase in the y/y growth rate of commercial and industrial loans granted by Commercial Banks.



Source: Federal Deposit Insurance Corporation.

- During the second quarter of 2022, the y/y growth rate of commercial and industrial loans increased by 9.02 p.p. relative to the previous quarter, up to 6.49%, reversing the negative trend of five consecutives periods.
- 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 8.96 p.p., registering a 6.85% rate, reversing its previous negative trend, and those granted by Saving Institutions, which increased by 10.63 p.p., up to a -8.77% y/y growth rate.

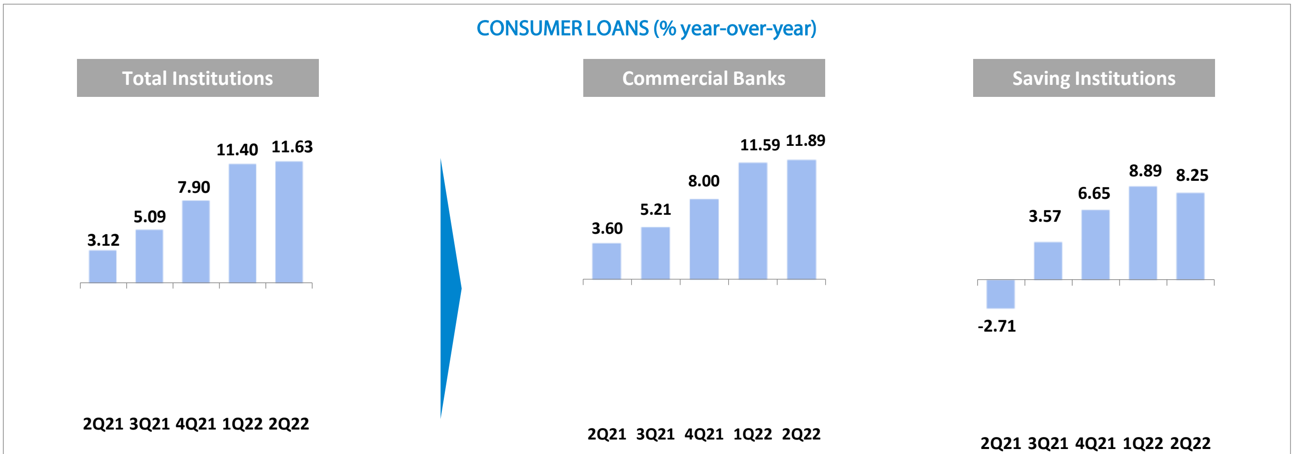
- In the second quarter of 2022, the NPL ratio for commercial and industrial loans of all institutions decreased 0.04 p.p. when compared to the previous quarter down to 0.64% ratio.
- This performance was driven by the steadiness recorded in the NPL ratio of loans granted by Commercial Banks, which stood at 0.64%, and by Saving institutions, which stood at 0.77% ratio.



Source: Federal Deposit Insurance Corporation.

Consumer Loans

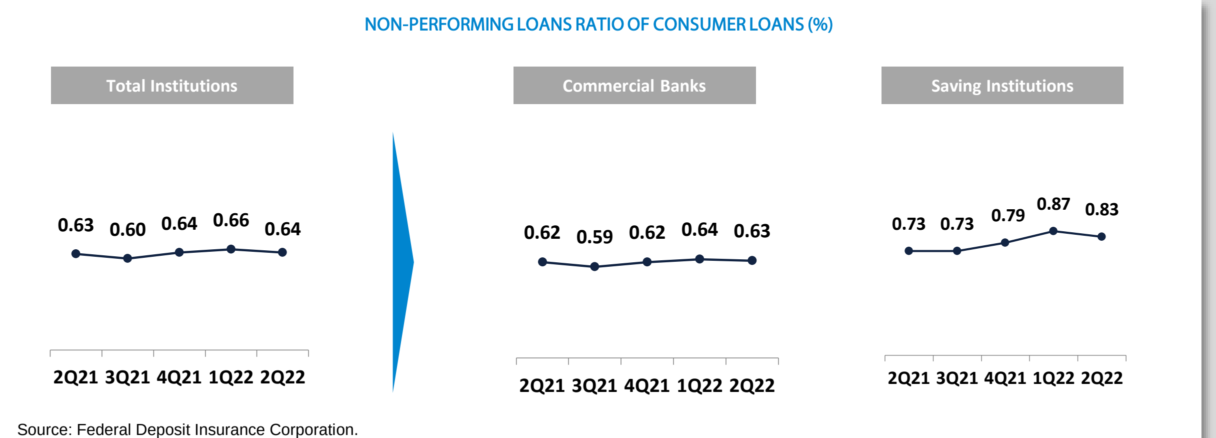
The consumer loans y/y growth rate increased during 2Q22 with respect to the previous quarter, up to a rate of 11.63%. This behavior was the result of the increase in the y/y growth rate of consumer loans of Commercial Banks.



Source: Federal Deposit Insurance Corporation.

- In the second quarter of the year, the y/y growth rate of consumer loans of all institutions rose by 0.23 p.p., up to a 11.63% ratio, maintaining positive figures for the fifth 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 0.30 p.p., recording an 11.89% rate.
- However, the y/y growth rate of consumer loans of Saving Institutions decreased by 0.64p.p. when compared to 1Q22, down to an 8.25% rate.

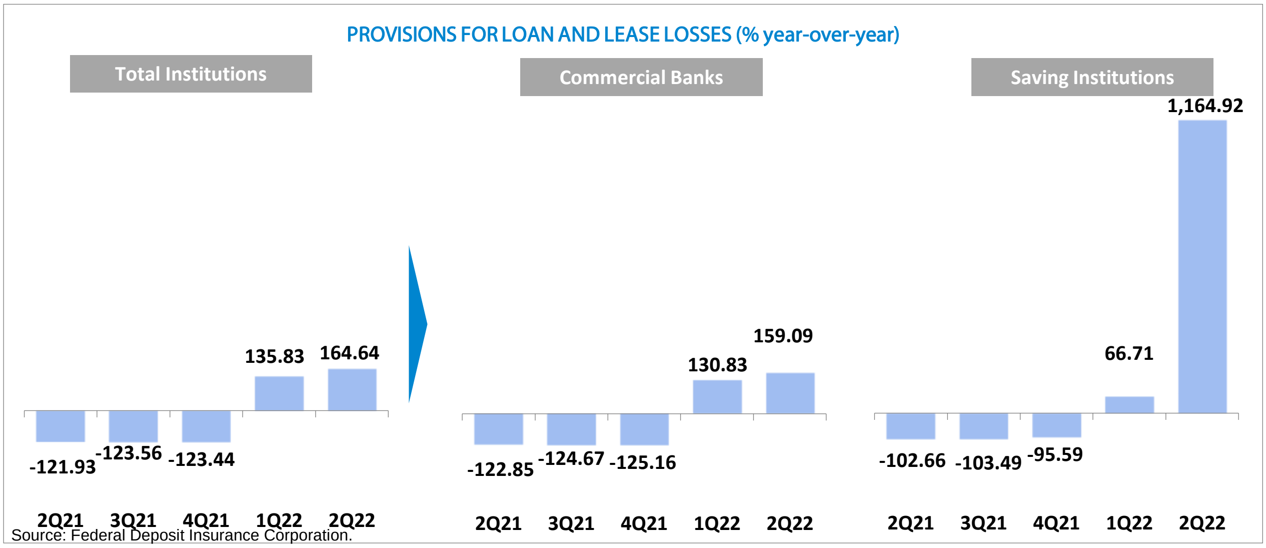
- During the second quarter of 2022, the NPL ratio of consumer loans decreased by 0.02 p.p. relative to 1Q22, down to a 0.64% ratio.
- This performance was driven by the decreased recorded by the NPL ratio of consumer loans granted by Commercial Banks (0.01 p.p.), which registered a 0.63% ratio.
- Regarding the NPL ratio of consumer loans granted by Saving Institutions, it also decreased from the previous quarter (0.04 p.p.) at 0.83%.



Source: Federal Deposit Insurance Corporation.

Provisions for Loan and Lease Losses

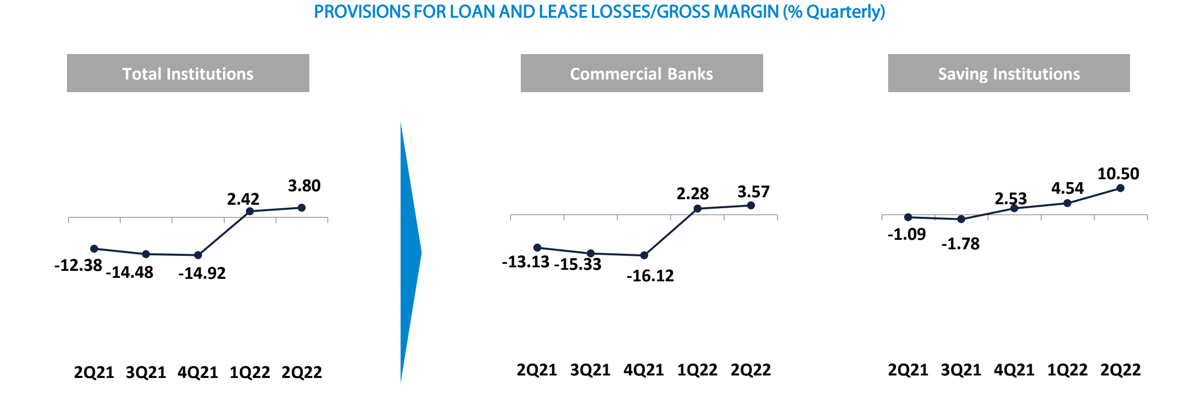
In the second quarter of 2022, provisions for loan and lease losses recorded a slight y/y growth rate increase of 28.81 p.p. to reach 164.64%, maintaining the accelerating trend for the second consecutive period. Commercial Banks and Saving Institutions recorded ascents in the y/y growth rates of their provisions for loan and lease losses.



Source: Federal Deposit Insurance Corporation.

- During 2Q22, the volume of provisions for loan and lease losses slightly increase with respect to the previous quarter, recording a y/y growth rate of 164.64%, which was 28.81 p.p. above the one recorded during 1Q22.
- According to Standard and Poor's, the negative levels of provisions registered in 1Q21 and 2Q21 due to COVID-19, 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 increase in the y/y growth rate of their provisions for loan and lease losses, increasing by 28.26 p.p., up to 159.09%. Furthermore, Saving Institutions increased significantly compared to 2Q21, whose provisions were affected by the COVID-19, recording a 1,164.92% rate, 1,098.21 p.p. higher than the previous quarter.

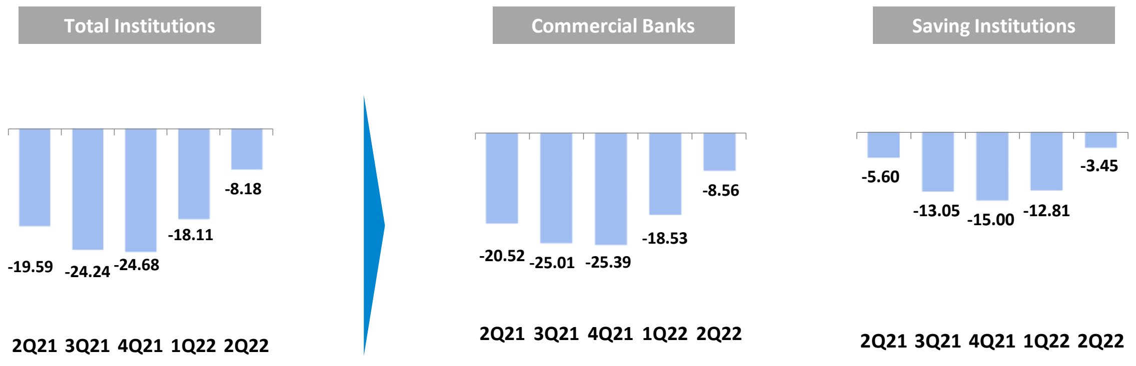
- As far as the provisions for loan and lease losses over gross margin ratio is concerned, it increased by 1.38 p.p. during the second quarter of the year, recording a 3.80% ratio.
- In the case of provisions for loan and lease losses over gross margin in Commercial Banks, this ratio increased by 1.29 p.p. compared to the previous quarter, up to a 3.57%. Furthermore, the ratio for Saving Institutions increased by 5.96 p.p., up to a 10.50% ratio.



Source: Federal Deposit Insurance Corporation.

- In the second quarter of 2022, the y/y growth rate of loan loss allowances of all institutions increased by 9.93 p.p. when compared to the previous quarter, up to -8.18% rate. This behavior was driven by the increase 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 9.97 p.p. and recorded a -8.56% rate.
- On the other hand, Saving Institutions registered also an increase of 9.36 p.p. in their y/y growth rate, reaching a -3.45% rate.

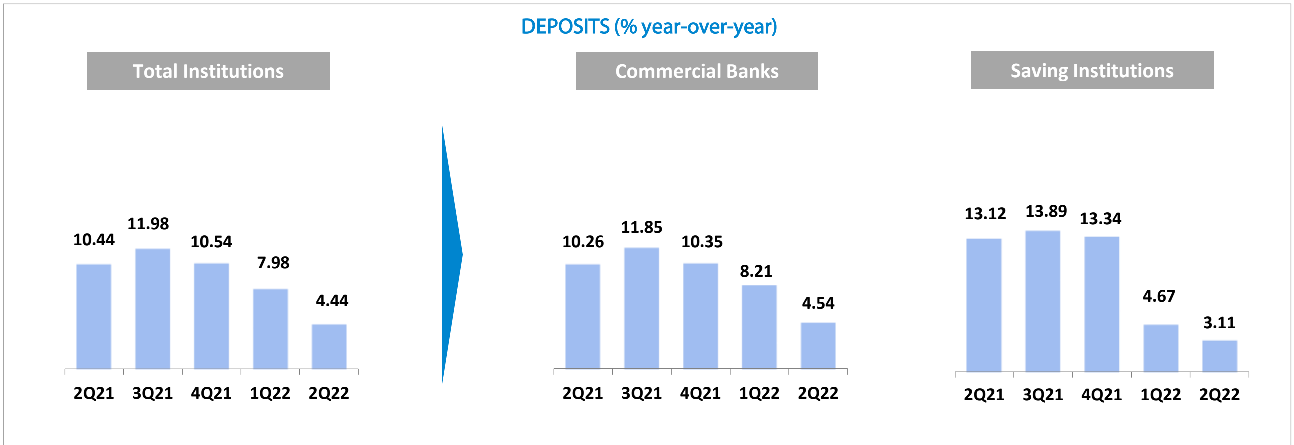
LOAN LOSS ALLOWANCES (% year-over-year)



Source: Federal Deposit Insurance Corporation.

Deposits

During the second quarter of the year, the y/y growth rate of deposits decelerated compared to the previous quarter, down to a 4.44% rate. This performance was driven by the decrease in the y/y growth rate of both Commercial Banks and Saving Institutions deposits.



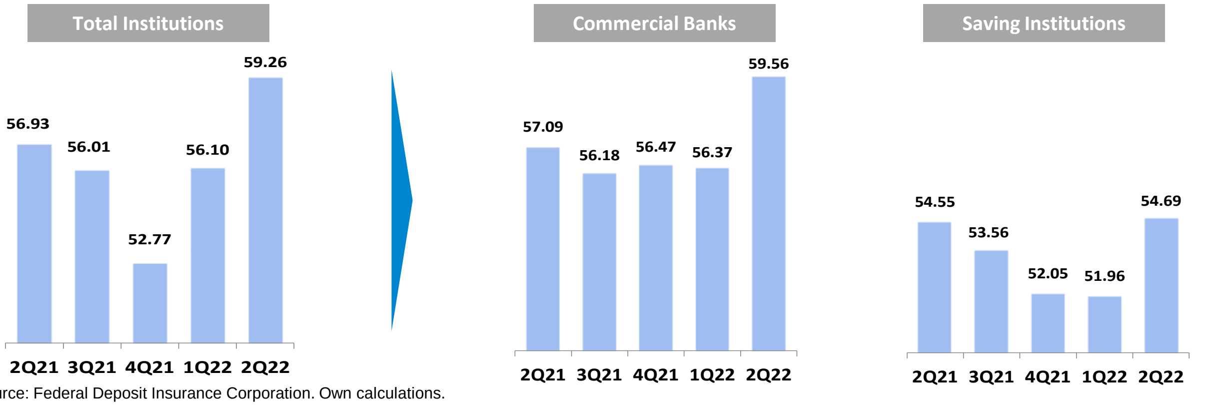
Source: Federal Deposit Insurance Corporation.

- In the second quarter of the year, the total deposits y/y growth rate decreased by 3.54 p.p. with respect to the previous quarter, down to a 4.44% 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 3.67 p.p., down to an 4.54% rate.
- Moreover, Saving Institutions registered a decrease of 1.56 p.p. in their deposit y/y growth rate when compared to 1Q22, reaching a 3.11% 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 5.72 p.p. for Commercial Banks and 10.01 p.p. in the case of Saving Institutions.

LTD Ratio

In the second quarter of the year, the LTD ratio registered an increase relative to the same quarter of the previous year and reached a 59.26% ratio. This outcome was the result of the higher increase experienced by loans than the one recorded by deposits compared to the second quarter of 2021.

NET LOANS AND LEASES / DEPOSITS (% Quarterly)



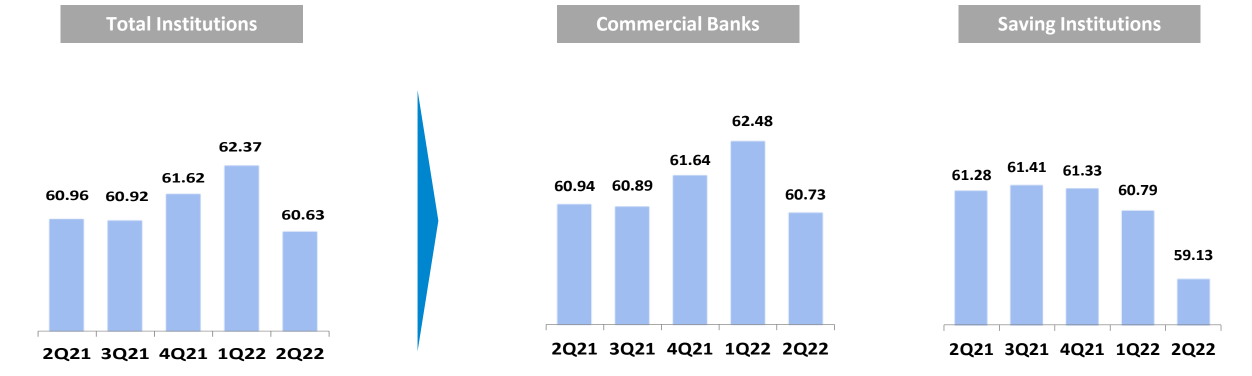
Source: Federal Deposit Insurance Corporation. Own calculations.

- During the second quarter of the year, the loans to deposits (LTD) ratio of American institutions increased by 2.33 p.p. when compared to the same quarter of the previous year, up to a 59.26% ratio.
- This outcome was the result of the decrease experienced by deposits (4.44%) compared to the rise experienced by loans (8.72%), comparing to 2Q21.
- In the case of Commercial Banks, the LTD ratio registered an increase of 2.47 p.p. relative to 2Q21, reaching a 59.56% ratio. As well as the overall performance of LTD, this ratio was the result of the acceleration recorded by loans and leases (9.07%) and the decrease recorded in the y/y growth rate of deposits (4.54%).
- Moreover, Saving Institutions experienced an increase in their LTD ratio of 2.73 p.p., up to a ratio of 54.69%, following an acceleration in their loans (3.35%) that was higher than that of deposits (3.11%).

Efficiency

In the second quarter of the year, the efficiency ratio of US financial institutions improved with respect to the same quarter of the previous year, decreasing down to a 60.63% ratio. This performance was the result of the decrease in the efficiency ratio of Commercial Banks and in the efficiency ratio of Saving Institutions.

EFFICIENCY RATIO (%)

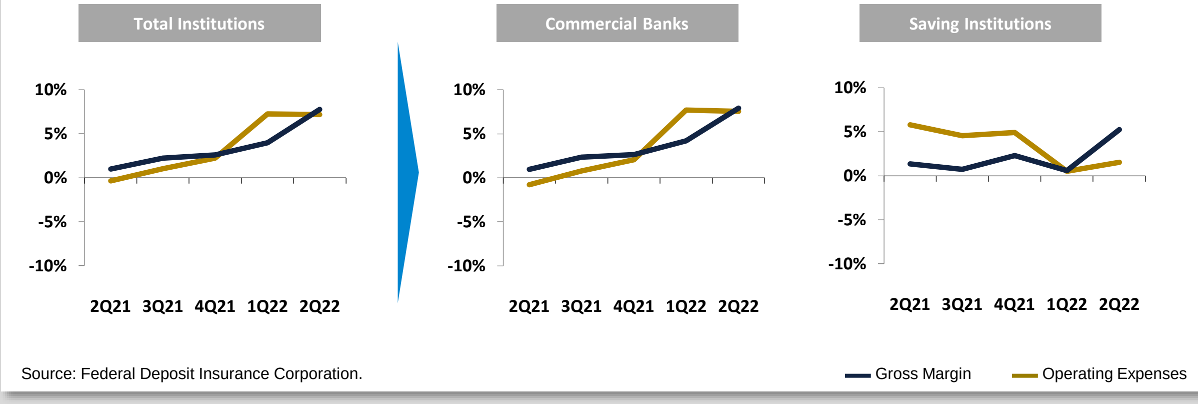


Source: Federal Deposit Insurance Corporation. Own calculations.

- During 2Q22, the efficiency ratio of the US financial system experienced a 0.33 p.p. decrease with respect to the same quarter of the previous year, down to a 60.63% ratio. This decrease was driven by the higher y/y growth rate of gross operating margin (7.75%) than that of operating expenses (7.17%).
- Likewise, when compared to the previous quarter, the efficiency ratio decreased by 1.74 p.p..
- In the case of Commercial Banks, the efficiency ratio also decreased by 0.21 p.p. relative to the same quarter of the previous year, while that of Saving Institutions improved, decreasing by 2.15 p.p.. Thus, Commercial Banks recorded a 60.73% ratio, whereas Saving Institutions registered at 59.13%.

- In the second quarter of the year, the gross margin of all institutions recorded a y/y growth rate of 7.75%, registering a higher rate than operating expenses, which stood at a 7.17% rate.
- This result was driven by the increase in the y/y growth rate of the gross margin of Commercial Banks (6.97 p.p.) and Saving Institutions (3.88 p.p.) when compared to the same quarter of the previous year. These growth rates moved up to 7.92% and down to 5.25% rate, respectively.
- Moreover, Commercial Banks increases in their operating expenses y/y growth rates with respect to 2Q21, increasing by 8.34 p.p., up to a 7.56% rate, while the rate of Saving Institutions decreased by 4.25 p.p. and stood at 1.55%.

GROSS MARGIN AND OPERATING EXPENSES (% growth from quarter of previous year)

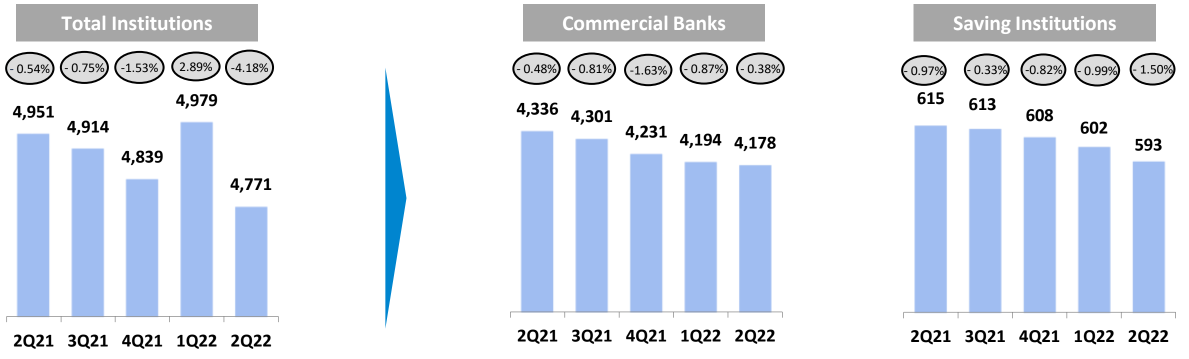


Source: Federal Deposit Insurance Corporation.

Institutions and Employees

During the second quarter of the year, the number of institutions in the US financial system decreased. When compared to 1Q22, the number of financial institutions decreased to 4,771 (-4.18%). Moreover, the y/y growth rate of the number of employees accelerated with respect to the previous quarter (2.02%).

NUMBER OF INSTITUTIONS

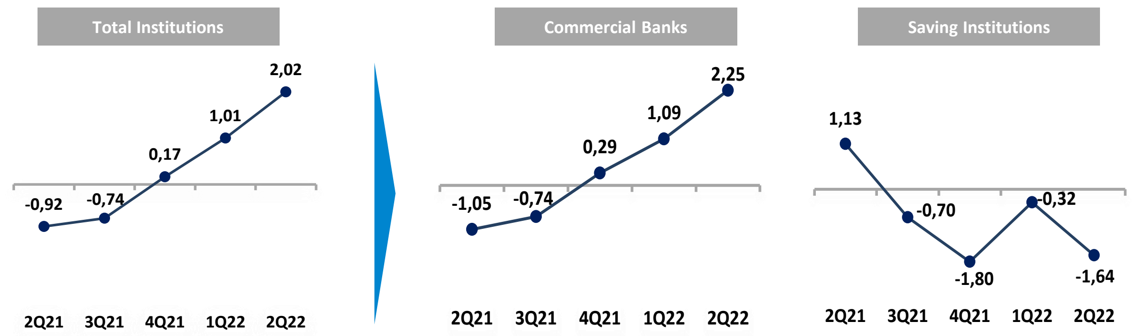


Source: Federal Deposit Insurance Corporation. Quarterly % changes above the chart.

- The number of institutions within the US financial system decreased by 4.18% in the second quarter of the year with respect to the previous one, resulting in 208 less institutions and a total of 4,771.
- In turn, the number of Commercial Bank financial institutions decreased by 0.38%, with a total of 4,178 institutions in the second quarter of the year, 16 less than in the previous quarter. Therefore, the downward trend which started in 2009 continued.
- The number of Saving Institutions fell by 9 institutions, suffering a 1.50% reduction relative to the previous quarter, down to 593.

- In the second quarter of the year, the number of employees in the US financial system reached 2,100,326 people, recording a y/y growth rate of 2.02%. Furthermore, when compared to the previous quarter, the number of employees increased by 12,174 people.
- This increase was driven by the positive y/y growth rates of the number of employees recorded by Commercial Banks (2.25%), which had a total of 1,981,781 employees.
- Relative to the previous quarter, the number of employees increased in absolute terms for Commercial Banks (13,216 employees), while it decreased for Saving Institutions (1,042 employees).

NUMBER OF EMPLOYEES (% year-over-year)

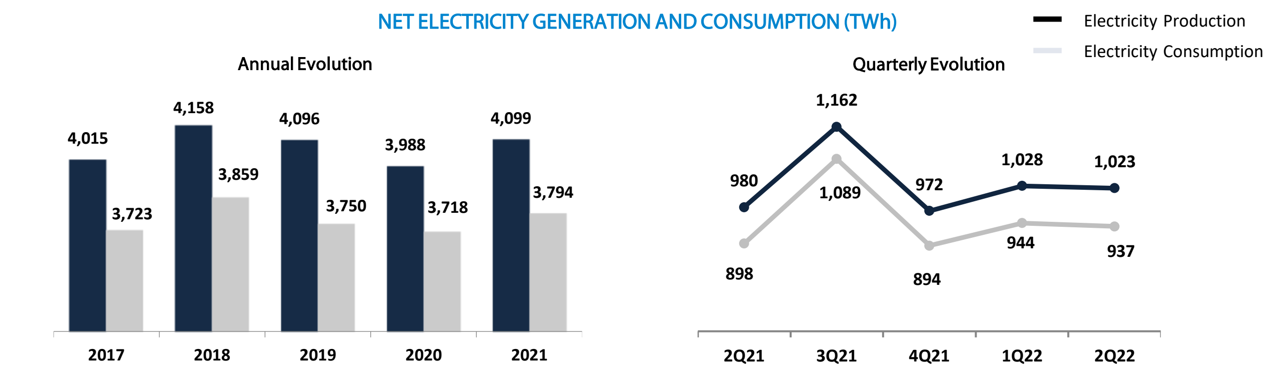


Source: Federal Deposit Insurance Corporation.

5. Energy Sector

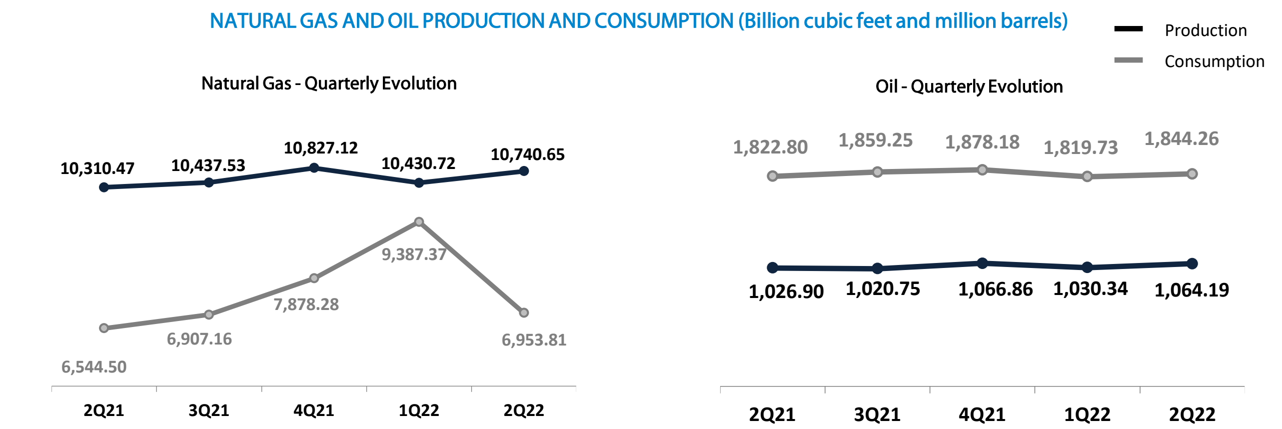
In the second quarter of 2022, net electricity generation in the US reached 1,023,238 GWh, standing above national electricity consumption, which increased compared to 2Q21 up to 936,886 GWh. Energy prices increased by 12.12% relative to 2Q21, up to 12.24₵/KWh. Moreover, gas production continued to be above the volume of domestic consumption during this period, whereas domestic oil consumption exceeded production.

- During the second 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 936,886 GWh. In addition, the net energy generation also increased, rising by 4.38%, up to 1,023,238 GWh. Regarding energy prices in the US in 2Q22, they increased relative to the previous quarter (6.47%) and grew considerably with respect to the same period of the previous year (12.12%), up to 12.24₵/KWh.
- With respect to the different sources of energy generation, coal registered the highest decline in production relative to 2Q21 (-7.17%). In turn, other energy generation rose significantly by 13.33%. Fuel and gas were once again the main sources of energy generation, representing 38.04% 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 4.17%, however, consumption also increased by 6.25% 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 2Q21.
- 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 3.63%, whereas consumption increased by 1.18% relative to 2Q21.



Source: EIA


116.71
38.2%: 119.29
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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