

Banking Watch

US

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Economic Analysis

US
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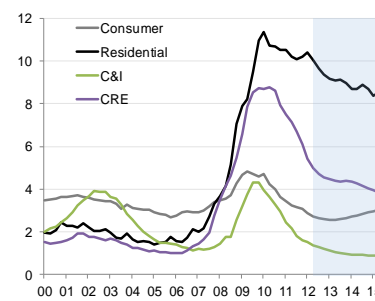
Quarterly Credit Quality Update

- Total charge-offs have recovered more than 60% from the recession peak to nearly 1.2%, supporting improvements in overall asset quality. However, residential delinquencies keep upward pressure on the total figure, with the national delinquency rate still above 5%.
- In general, the household financial situation continues to improve, with most indicators pointing to a stronger outlook for consumers. On the downside, weak income prospects may prolong the deleveraging process.

Breakdown of the Recent Data

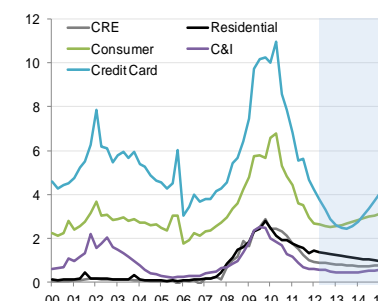
Real estate conditions continue to weigh on overall asset quality, particularly on the residential side. Mortgage delinquencies increased to 10.4% in 1Q12, the highest rate in a year and only slightly lower than the peak of 11.4%. On a brighter note, consumer and commercial and industrial (C&I) delinquencies are back in line with historical trends. National charge-offs have mostly recovered from crisis highs, though residential rates remain well above pre-recession levels.

Chart 1
Commercial Bank Delinquencies (%)



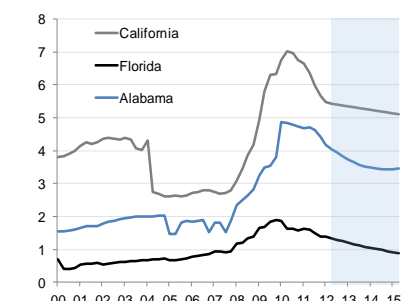
Source: BBVA Research

Chart 2
Commercial Bank Charge-offs (%)



Source: BBVA Research

Chart 3
State Loan Loss Reserves (\$mn)

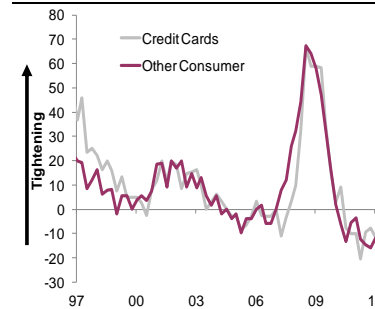


Source: BBVA Research

On the Horizon for Credit Quality

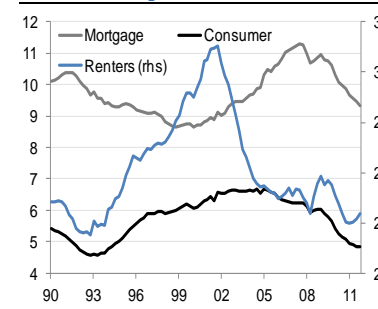
Outside of residential, the latest data suggest that asset quality will continue to improve gradually. Although housing activity appears to be on the mend, there is still a long way to go in terms of credit recovery. In the Senior Loan Officer Survey (SLOS) for 1Q12, banks noted aversion to increasing exposure to mortgage loans over the next year. On the consumer side, gradual improvements in personal finances and debt-service will help stimulate other economic activity.

Chart 4
Consumer Loan Standards (% banks)



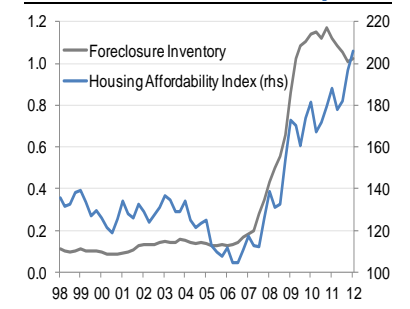
Source: FRB Senior Loan Officer Survey

Chart 5
Financial Obligation Ratios (%)



Source: Federal Reserve & BBVA Research

Chart 6
Foreclosures (Mn) & Affordability



Source: BBVA Research

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