

Banking Watch

US

Houston, May 25, 2012
Economic Analysis

US

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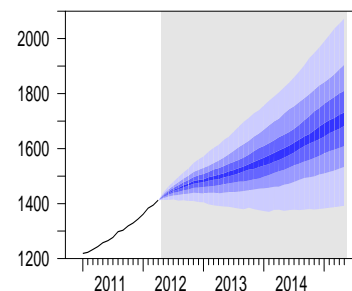
Bank Credit and Deposits: Monthly Situation Report

- Total credit growth reached 3.5% YoY in April, the fastest pace of the recovery, with most strength coming from C&I. Real estate credit declined a combined \$3.6bn, with the residential sector performing slightly better than CRE on a YoY basis.
- Demand deposits continue to drive total deposit growth, while small and large time deposits remain weak. Our current outlook is susceptible to potential fall-out in Europe, which could push people toward transaction accounts for an extended period of time.

Commercial & Industrial (C&I)

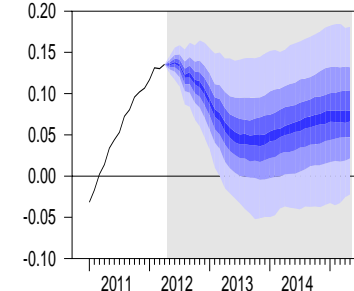
C&I lending continues to exceed expectations, growing at an extremely high YoY pace. After increasing a modest \$10bn in March, credit jumped up another \$18bn in April, accounting for more than 90% of total loan growth for the month. While the data are indicative of business expansion, the question remains as to how long this lending pace can continue. Our estimates suggest that C&I credit should be near its growth peak, yet the deceleration process may be slower than originally predicted.

Chart 1
Commercial & Industrial, \$bn



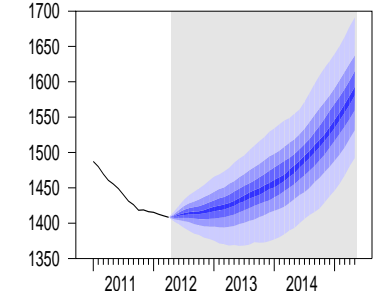
Source: BBVA Research

Chart 2
Commercial & Industrial, YoY%



Source: BBVA Research

Chart 3
Commercial Real Estate, \$bn

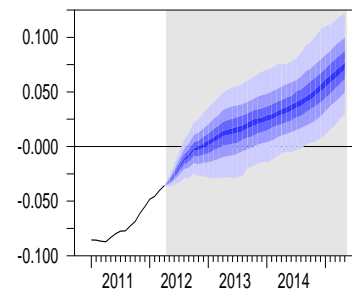


Source: BBVA Research

Commercial Real Estate (CRE)

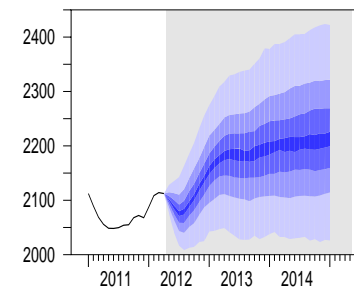
CRE credit declined in April for the fifth consecutive month, dropping 3.6% from levels twelve months ago. Compared to our forecast last month, we now expect that CRE lending will continue to decline on a YoY basis until early 2013 rather than mid-2012. The recovery has been much slower than previously expected, and with real estate activity still weak, it is unlikely that the pace will accelerate anytime soon.

Chart 4
Commercial Real Estate, YoY%



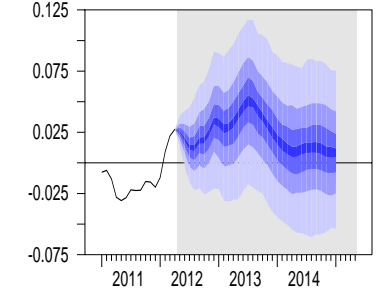
Source: BBVA Research

Chart 5
Residential, \$bn



Source: BBVA Research

Chart 6
Residential, YoY%

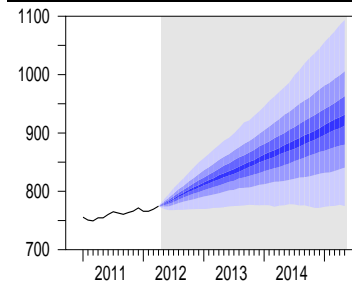


Source: BBVA Research

Residential

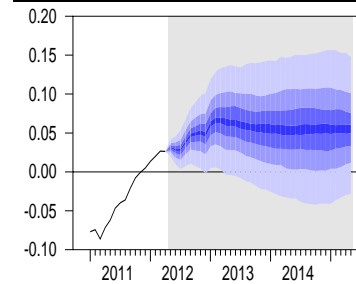
Compared to CRE, residential lending has improved on a YoY basis throughout 2012, reaching the highest rate of the recovery at 28%. However, mortgage lending declined \$1.7bn in April for the first time all year. Our outlook for the sector remains cautious given that banks have been extremely watchful of the quality of borrowers, and we expect that credit in the upcoming months will be weak. On the bright side, we expect that annual growth will remain positive.

Chart 7
Consumer Lending, \$bn, break-adj.



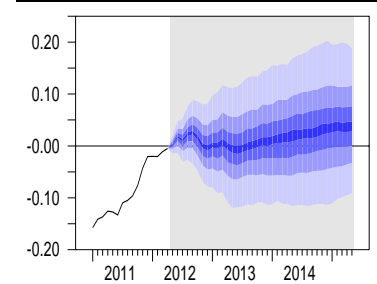
Source: BBVA Research

Chart 8
Consumer Lending, YoY%, break-adj.



Source: BBVA Research

Chart 9
Domestic Large Time Deposits, YoY%

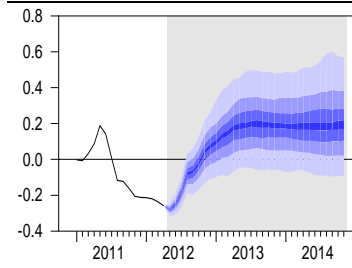


Source: BBVA Research

Consumer Credit

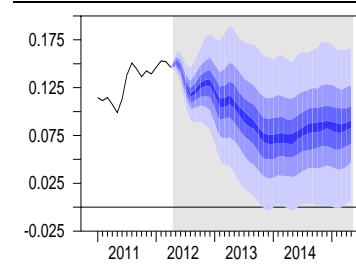
Consumer credit is on a clear upward trajectory, increasing \$5.1bn in April following a \$3.8bn increase in March. Despite slowing improvements in employment conditions, confidence levels have reached recovery highs. The latest Senior Loan Officer Survey from the Federal Reserve noted a particular increase in auto loans, most likely a result of pent-up demand. On a YoY basis, consumer credit rests near 2.6% but will likely jump near 4% by the end of 2012.

Chart 10
Foreign Large Time Deposits, YoY%



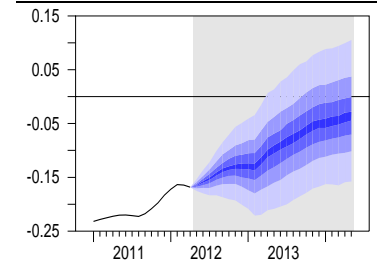
Source: BBVA Research

Chart 11
Savings Deposits, YoY%



Source: BBVA Research

Chart 12
Small Time Deposits, YoY%

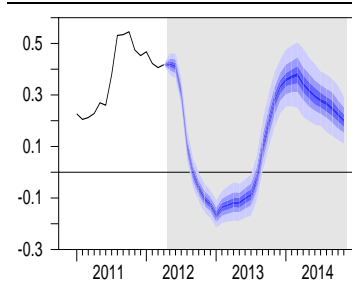


Source: BBVA Research

Deposits

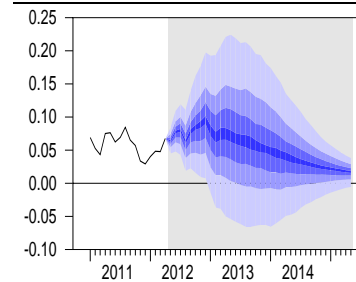
Deposit growth is arriving in line with our expectations, supported in large part by strong growth in demand deposits. Increasing uncertainties stemming from further deterioration in Europe may change our current outlook for the rest of 2012. Similar to the debt ceiling anticipation in the summer of 2011, people may feel inclined to abandon financial assets in exchange for more liquid and less risky transaction accounts.

Chart 13
Demand Deposits, YoY%



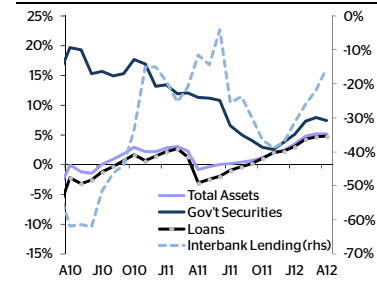
Source: BBVA Research

Chart 14
Checking Deposits, YoY%



Source: BBVA Research

Chart 15
Commercial Banking System, YoY%



Source: Federal Reserve

Table 1

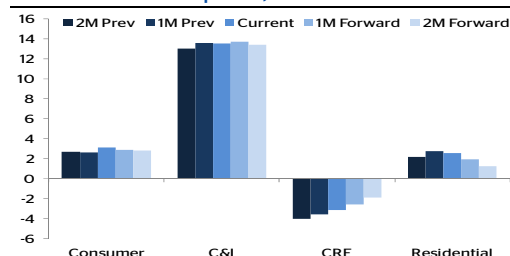
Banking System Update

	Consumer	C&I	CRE	Residential	Savings	Small Time	Domestic Large Time	Foreign Large Time	Demand	Checking
Deviation	0.7	0.5	0.5	-0.2	0.1	0.0	2.5	-3.3	-1.2	-0.3
2M Prev	2.7	13.0	-4.0	2.2	15.2	-16.4	-1.1	-23.7	40.6	4.8
1M Prev	2.6	13.6	-3.6	2.7	14.6	-16.8	-0.5	-25.9	41.8	6.8
Actual	3.1	13.5	-3.2	2.6	15.2	-16.4	0.4	-27.8	42.0	6.4
Predicted	2.4	13.0	-3.7	2.7	15.2	-16.4	-2.0	-24.5	43.3	6.8
Next Month	2.8	13.7	-2.6	1.9	14.6	-15.8	1.9	-24.8	41.1	7.8
2M Forward	2.8	13.4	-1.9	1.3	12.8	-15.2	1.2	-18.3	30.8	8.1
3M Forward	3.8	12.1	-1.2	1.2	11.8	-14.3	2.5	-7.8	10.3	6.4

Source: BBVA Research

Chart 16

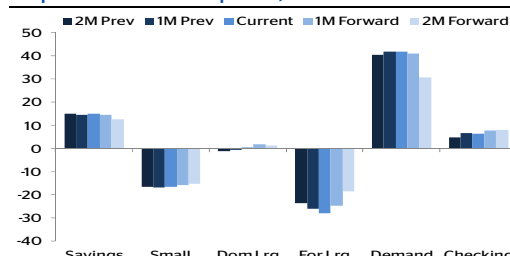
Credit Growth Snapshot, YoY%



Source: BBVA Research

Chart 17

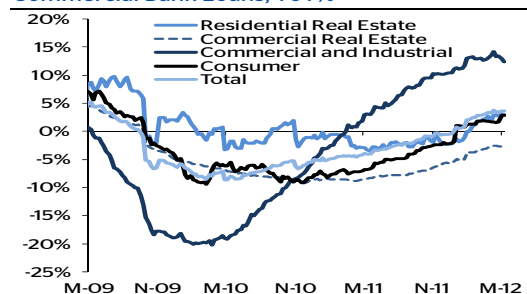
Deposit Growth Snapshot, YoY%



Source: BBVA Research

Chart 18

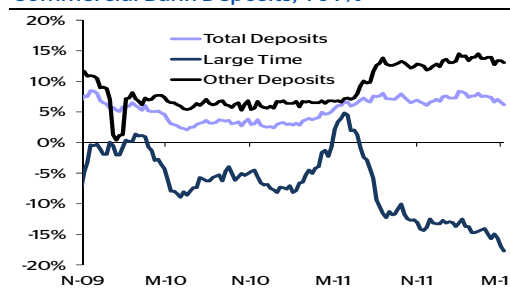
Commercial Bank Loans, YoY%



Source: Federal Reserve. Note: Consumer break-adjusted for FASB

Chart 19

Commercial Bank Deposits, YoY%



Source: Federal Reserve

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