Credit Risk - Special Financial Stability Reports - Second Half of 2023

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The Financial Stability Special Reports accompany the publication of the Financial Stability Report and provide a more detailed analysis of some aspects and risks relevant to the stability of the Colombian financial system: market liquidity risk, market risk, credit risk, financial burden, loan portfolio, and housing market in Colombia, international indicators, concentration, and competition in the deposit and credit markets, corporate sector surveys, and financial inclusion.

Publication Date: Wednesday, 10 of January 2024
This special report analyzes the behavior of credit institutions (CIs) and their exposition to credit risk with the latest available information to continue with the monitoring of loans delinquency. According to the analysis presented, as of September 2023, credit continued with the slowdown shown since July 2022, in line with the adjustment process of the Colombian economy. According to the preliminary weekly information from the balance sheet accounts, this behavior continued through November. The slowdown in the portfolio has been generalized among all types of loans, except for microcredit. As for the financing cost, nominal interest rates remain at high levels, although corrections have been observed in the different types of loans so far in 2023. As for portfolio quality indicators, deteriorations continued to be observed as of September 2023. This result has been mainly driven by consumer portfolio through the free investment and credit card segments. The other portfolios have also shown deterioration in the quality indicator by risk (QIR) and non-performing loans indicator (NPL) during 2023. In general, it is observed that CIs have adequate levels of provisions coverage on non-performing loan portfolio and sufficient levels of capital to face extreme and unlikely scenarios of credit risk materialization, as indicated in the *Financial Stability Report for the first half of 2023*. However, in the current context of restrictive financial conditions and economic adjustment, pressures on borrowers' payment capacity persist, making it necessary to continue monitoring the dynamics of granting and materialization of credit risk in the near future.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/special-financial-stability-reports/credit-risk-second-half-2023