Credit Risk - Financial Stability Special Report - September 2024

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The Financial Stability Special Reports accompany the publication of the Financial Stability Report, providing a more detailed analysis of certain aspects and risks relevant to the stability of the Colombian financial system.

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This special report analyzes the exposure and performance of credit risk among credit institutions (CIs) with the latest available information, aiming to continue monitoring the evolution of delinquency in detail. According to the analysis presented in this report and aligned with the adjustment process of the Colombian economy, total credit shows low growth rates (still negative in real terms). As of August, the loan portfolio is expected to continue accelerating based on weekly information from the balance sheet account. The recent performance of the total loan portfolio is primarily attributed to the acceleration of the commercial loan portfolio and positive contributions from housing and microcredit loan portfolios. Regarding interest rate levels, the analysis made in this Report suggests that the reduction in rates has solidified across all types of loans in line with decreases in the monetary policy interest rate. In terms of credit risk, the quality risk indicator (QRI) and non-performing loans indicator (NPL) remain high and exhibit relative stability between March and June 2024. Such stability is attributed to a decline in the NPLs of consumer and microcredit loan portfolios, alongside a recomposition of risk toward commercial and housing loan portfolios, as noted in the Quarterly Update of the Financial Stability Report. Overall, it is observed that CIs maintain adequate levels of provisions coverage over the non-performing loan portfolio. Additionally, CIs have sufficient capital levels to withstand extreme and unlikely scenarios of credit risk materialization, as highlighted in the Financial Stability Report for the first half of 2024. However, consistent with the current phase of the credit cycle and the disaccumulation of countercyclical provisions by some CIs, coverage ratios continued to decline. In the current context of economic adjustment, it is necessary to continue monitoring the dynamics of credit granting and credit risk materialization in the near future.

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