Conclusions from the 91st Session of the Financial System Coordination and Monitoring Committee

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During the 91st session of the Financial System Coordination and Monitoring Committee, held this Friday between the Minister of Finance and Public Credit, the Governor of *Banco de la República* (the Central Bank of Colombia), the Financial Superintendent, the Director of the Financial Institutions Guarantee Fund (Fogafín in Spanish), and the Deputy Director of Prudential Regulation from the *Unidad de proyección normativa y estudios de regulación financiera* – URF (Financial Regulatory Unit), the main trends in leading performance indicators of the financial system for 2024 were analyzed.

Committee members emphasized that, as of August 2024, credit institutions continued to exhibit adequate prudential solvency and liquidity indicators above the regulatory minimums, supported by existing supervision and prudent behavior of financial institutions. The capital injections made by some credit institutions, combined with the issuance of subordinated debt with loss-absorbing capacity, have contributed to improving the capital capacity of these institutions.

Despite experiencing negative real annual growth rates, a recovery in the loan portfolio has been observed so far this year, and positive real growth is expected for the first half of 2025. This gradual recovery trend is mainly explained by the performance of commercial loans. Additionally, positive real growth has been observed in microcredit and housing loans.

The non-performing loan portfolio indicator stabilized, mainly due to slower growth in the non-performing consumer loan portfolio. In contrast, some segments of the housing and commercial loan portfolios have deteriorated further. The coverage ratio for the non-performing loan portfolio through provisions remains above 100%, stabilizing around 106%, following a decreasing trend observed in 2023; however, the microcredit segment continues to see a decline in the coverage ratio. Provisions continue to serve as a prudential buffer against loan portfolio deterioration, while the countercyclical provision component has helped to mitigate the impact of greater deterioration observed during 2023 and early 2024.

The slower growth of the loan portfolio and the effect of lower interest rates have led to a decrease in the average financial burden on households, which, although still high, has shown a downward trend since late 2022, reaching its lowest level since 2019.

Meanwhile, the profitability of credit institutions, measured by annualized ROA, stood at 1.3%, showing relative stability, although it remains below the average for the last five years. Profitability has been mainly affected by higher levels of provisions due to the increased materialization of credit risk. Recent measures implemented by the Financial Superintendency of Colombia regarding the operation of countercyclical provisions aim to mitigate the impact of the current credit cycle on the financial system.

Authorities highlighted the importance of maintaining an orderly transition concerning the changes in the net stable funding ratio (NSFR), which will take effect in September 2025. Additionally, committee members stressed the importance of adopting regulatory standards for interest rate risk in the banking book, which will come into effect at the end of this year.

Finally, the Committee reviewed the results of the indicator used to identify systemically important financial Institutions. These entities will need to establish an additional capital buffer by 2025.

Conclusions
Based on the joint analysis of the indicators of financial institutions, the Committee concluded that the stability of the system has remained resilient during the adjustment process of the Colombian economy thanks to the prudential regulation in force, the supervisory measures adopted, and the strengthening of risk management by credit institutions. They also noted that the leading indicators of the financial system as of August 2024 align with expectations and risk analyses conducted since late last year.

For more detailed information on the main trends in the financial system, please refer to the following reports:

Financial Stability Report Only in Spanish)

Quarterly Update of the Financial Stability Report – September 2024 (Only in Spanish)

Financial System Update Report (Only in Spanish)

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/news/conclusions-91-session-financial-system-committee