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Credit risk - Special Financial Stability Reports - Second Half 2022

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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.

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This report analyzes the credit risk exposure and performance of credit institutions as of September 2022. In line with the sustained economic recovery observed so far this year, commercial loans, consumer loans, and microcredits show high growth rates above their historical levels. In turn, the growth rate of the mortgage portfolio is close to its historical trend, given the slowdown registered in 2022. On the other hand, there is a generalized increase in credit interest rates, given the monetary policy stance. In terms of risk indicators, all types of loans, except consumer loans, continue to show improvement in the latest available data. In particular, for consumer loans, the risky and non-performing loan portfolios show the first signs of deterioration, which is reflected in the increase in the levels of the quality risk indicator (QRI) and the non-performing loans indicator (NPL) during the last six months. Likewise, a greater deterioration has been observed in loans originated in this portfolio during 2022 compared to that recorded in previous periods. The Financial Stability Report for the second half of 2022 points out that such recent behavior, in conjunction with the high levels of household debt, is one of the main vulnerabilities currently faced by the financial system. Given this situation of high financing costs, expectations of an economic slowdown, and inflation rates above *Banco de la República's* target range, it is important to continue monitoring the behavior of the materialization and risk perception of the different types of loans in the future.