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The Financial Stability Special Reports the publication of the Financial Stability Report and provide 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 credit risk exposure and performance among credit institutions (CIs) using the latest available data, aiming to continue with the detailed monitoring of the evolution of delinquency. It complements the analysis presented in the Financial Stability Report for the second half of 2024 and in its April 2025 Update.

According to the analysis presented in this Report, and in line with the recovery process of economic activity and the increase in loan demand, total credit accelerated between July 2024 and January 2025, although it still exhibits negative real annual growth rates. According to weekly data from the balance sheet accounts, the total loan portfolio would continue to exhibit negative real annual growth rates as of February 2025. The recent performance of the total loan portfolio responds mainly to the acceleration of the commercial and consumer loan portfolios and to the positive contributions of the housing loan portfolio and microcredit. The housing loan portfolio and microcredit, in turn, are showing positive real growth amid heterogeneities within each type of loan.

Regarding interest rate levels, the analysis presented in this Report suggests that the reduction in interest rates has solidified in all loan types, in line with the accumulated reductions in the monetary policy interest rate and lower inflation expectations. In terms of credit risk, the quality risk indicator (QRI) and non-performing loans indicator (NPL) for the total loan portfolio remain high, although they showed a slight improvement between July 2024 and January 2025. Improvement in the NPL is mainly due to a decline in the consumer and microcredit loan portfolio indicators in recent months.

Overall, CIs maintain adequate levels of coverage provisions over the non-performing loan portfolio. Additionally, CIs hold sufficient capital levels to withstand extreme and unlikely scenarios of credit risk materialization, as highlighted in the Financial Stability Report for the second half of 2024. In the current context of economic recovery, the analysis presented in this Report exhibits a gradual recovery of credit towards the long-term performance of some categories, which would suggest that credit growth has been converging towards its trend. However, some lags persist in certain segments and loan portfolio types. In particular, commercial credit is recovering slowly in a context of increases in the non-performing loan portfolio for some economic sectors and uncertainty regarding the potential effects of increased geopolitical tensions on the firms' income. These factors will require continued monitoring in the near future.