Conclusions of the 90th Session of the Financial System Coordination and Monitoring Committee

During the 90th 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 Deputy Director for Resolution Mechanisms of the Financial Institutions Deposit Guarantee Fund (Fogafín in Spanish), and the Deputy Director for Prudential Regulation of the *Unidad de Proyección Normativa y Estudios de Regulación Financiera - URF* (Financial Regulatory Unit), the main trends of the leading performance indicators of the financial system in 2024 were analyzed.

Main indicators reviewed during the session

As of April 2024, credit institutions continued to show prudential solvency and liquidity indicators above the regulatory minimums, supported by the existing regulation and supervision, together with a prudent behavior of financial institutions. The capital injections made by some institutions, together with the issuance of subordinated debt with loss-absorbing capacity, have contributed to improving the capital capacity of these institutions.

The decreasing dynamics of credit continue to be consistent with the local macroeconomic adjustment process, where the commercial and consumer credit portfolios continue to show negative real growth rates. Meanwhile, real growth of microcredit and housing loans showed a positive trend in the first four months of 2024.

Credit risk has materialized more strongly in 2024, mainly in the microcredit and consumer loan portfolios. At the end of April 2024, the total non-performing loan portfolio indicator stood at 5.9%. However, the coverage level of the non-performing loan portfolio through provisions remains above 100%.

Households' financial burden has remained relatively stable, while their savings levels continue to show a recovery path in a context of lower debt. Firms have shown lower demand for credit in an environment of lower investment.

At the beginning of 2024, credit institution profitability continued on a downward trend after exhibiting high levels in previous years. This drop in profitability is largely explained by higher expenses in provisions and, to a lesser extent, by the decline in the net interest margin, which is in line with what was observed in the previous year.

The results of the stress tests show that banking institutions as a whole would maintain total and basic solvency indicators above the regulatory limits, even under hypothetical and quite extreme economic scenarios. The authorities stressed the importance of financial intermediaries maintaining such soundness. The need to encourage a progressive transition of the structural funding of credit institutions considering the expected changes in the weightings of the net stable funding ratio (NSFR), which will become effective in September 2025, was also highlighted.

Conclusions

Based on the joint analysis of the performance indicators of the institutions of the financial system, the members of the Committee concluded that the stability of the system remains resilient during the adjustment process of the Colombian economy which has been supported by the prudential regulation in force, the supervisory measures adopted, and the strengthening of risk management by credit institutions. They also pointed out that the leading indicators of the financial system so far in 2024, as of April, are consistent with the expectations and risk analysis performed at the end of the previous year.

For more details on the main trends in the financial system, see the following reports:

- Financial Stability Report (Only in Spanish)
- Financial System Update Report (Only in Spanish)

Link
Financial Stability Report (Only in Spanish)
Financial System Update Report (Only in Spanish)
Publication Date:
Thursday, June 27, 2024 - 12:00
Hour
12:08

- Print