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The [Report](#) presents an assessment of the recent performance of the financial system and its borrowers and points out the main risks and vulnerabilities.

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The analysis presented in this edition of the Report allows concluding that the Colombian financial system has ample liquidity and solvency levels which are sufficient to confront the occurrence of extreme and tail risk events.

I. Performance of Credit Institutions

- Credit institutions in Colombia have high levels of capital and adequate liquidity indicators that would allow them to confront the occurrence of various risks. In turn, profitability has shown a downward trend since mid-2022.
- Credit has slowed its growth rate in recent months after showing very high rates of expansion, while higher delinquency rates have been observed in the portfolio. This dynamic is mainly explained by the consumer credit and could continue during the first half of 2023.

II. Sensitivity Analysis related to the Collapse of the Silicon Valley Bank

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- The collapse of some foreign banks did not have a direct impact on local financial institutions.
 - Some characteristics that protect the Colombian financial system are: i) a conservative balance sheet structure on both the asset and liability sides of the entities, ii) the generalized practice of pricing the investment portfolio at market prices, and iii) adequate liquidity risk management.

III. Exposure of the Financial System to Households

- Household debt remains at levels close to historical highs.
- Household savings have recovered but remain below pre-pandemic levels. Households have sufficient liquid resources to cover short-term obligations.
- A decrease in the debt-to-income ratio could be expected, if the loan portfolio growth continues to be low.

IV. Exposure of the Financial System to the Corporate Sector

- The credit risk indicators of the commercial portfolio are at low levels. A slight deterioration is observed for certain sectors.
- On the other hand, most of the foreign currency debt of the corporate sector has foreign exchange risk mitigation mechanisms.

V. Non-Banking Financial Institutions

- The profitability of non-bank financial institutions has shown a recovery, although it remains below pre-pandemic values.
- Open-ended funds have shown declines in their liquidity indicators in recent months, but these remain well above the regulatory minimums.

VI. Stress Test

- It evaluates the resilience of credit institutions in an adverse, extreme, and unlikely hypothetical scenario that considers the following elements:
 - Significant fall in the terms of trade: persistent reduction in oil prices.
 - Increased perception of country risk, sharp contraction of domestic demand, and increase in unemployment.
 - The gradual liquidation of a percentage of the public debt portfolio of foreign investors.
 - The following risks are considered: credit, market, interest rate, funding, liquidity, and contagion risk.
 - A particularly large deterioration in the portfolio of certain sectors and borrowers is expected.
 - In addition, two additional stress tests are included: i) on credit institutions with consolidated financial statements and subsidiaries in Central America and ii) a sensitivity analysis that evaluates the capacity of open-ended funds to confront extreme scenarios of massive withdrawals.
- The effects on the solvency of credit institutions in the stress tests suggest that the system at the aggregate level has sufficient capital capacity to absorb significant losses.
- Open-ended funds would reduce their liquidity indicators in the face of massive withdrawal shocks, although they would remain above the regulatory limits.

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Boxes



[Box 1: A Measurement of the Level of Negative Foreign Exchange Mismatches of Real Sector Companies in Colombia in 2022](#)

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[Box 2: Indicator of Cybernetic Risk](#)

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[Box 3: Financial Stress in the U.S. Banking System and a Stress Test of Credit Institutions' Capital Adequacy](#)

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