Conclusions from the 92nd Session of the Financial System Coordination and Monitoring Committee

Bogotá, 20 December 2024

During the 92nd 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 Director of 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 to date were analyzed.

Committee members emphasized that credit institutions continued to exhibit adequate prudential solvency and liquidity indicators, higher than the regulatory minimums. The loan portfolio, which is the main asset of these institutions, continues to show a negative real annual growth rate. However, it has shown a recovery trend during the second half of 2024 and is expected to exhibit a positive real annual growth rate during the next year. By type of portfolio, housing, and microcredit are more dynamic with positive real annual growth rates, while consumer and commercial continue to contribute negatively to growth.

In line with the adjustment process that has taken place in the credit market, the non-performing loan portfolio has decreased, mainly in consumer and microcredit loans. Nevertheless, the non-performing loan portfolio as a share of the total continues at levels above the average for the last 5 years. This has been accompanied by a level of provisions that have made it possible to cover the deterioration of the portfolio. Provisions continue to fulfill their function as a prudential buffer against portfolio deterioration. In particular, the countercyclical provisioning scheme has contributed to soften the impact of the deterioration of the portfolio observed during 2023 and 2024. Likewise, through External Circular Letter 014 of 2024, the Financial Superintendency adopted transitory measures to synchronize this scheme with the performance of the credit cycle.

The assessment of the main risks of the financial system highlighted the importance of continuing to monitor the market risk exposure of credit institutions and non-banking financial institutions, including Pension Fund Administrators (*AFPs* in Spanish).

The results of the stress exercises analyzed by the Committee indicate that, overall, credit institutions have sufficient capital capacity to absorb the potential losses derived from a hypothetical and adverse macroeconomic scenario. In this context, the need for credit institutions to maintain prudential capital levels that will allow them to absorb various shocks without potentially affecting their operations was pointed out.

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.

For more detailed information on the main trends in the financial system, please refer to 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)

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