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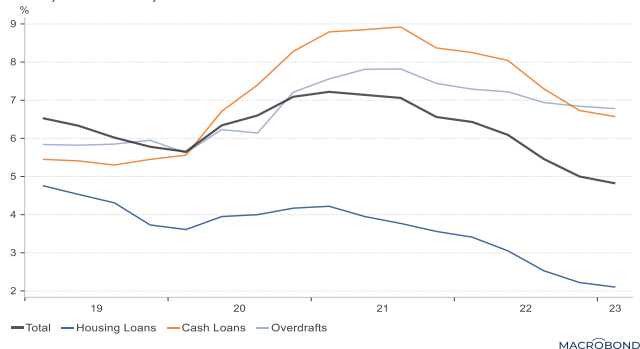
Quality of private sector loans improved

- In this year's Q1, the quality of private sector loans and credit institutions' profitability improved due to more than solid GDP growth (that we mentioned in the previous issue) that facilitated loan repayments and consequently reduced provision costs, and due to growth of reference rates.
- Total share of NPLs in Q1 2023 recorded slight quarterly growth, from 0.2 p.p. to 3.2%. However, share in private sector loans continued to decrease for the ninth consecutive quarter and decreased by 0.2 p.p. to 5.4%. Share in household loan portfolio declined by 0.2 p.p. to 4.8%, with cash loans recording a fall of 0.2 p.p. to 6.6% and housing loans and overdrafts a somewhat milder decrease of 0.1 p.p. to 2.1, i.e., 6.8%. In loans to non-financial corporations, after stagnating in the previous quarter, this one recorded a decline in share of 0.3 p.p. (to 6.2%). Among the most significant business activities, according to a decrease in ratio, Construction is leading (-2.0 p.p. to 9.2%), followed by Accommodation and food service activities (-0.3 p.p. to 7.4%). Manufacturing and Trade recorded slight reduction of 0.1 p.p. (to 10.9, i.e., 5.2%). The amount of sold receivables in the first three months was insignificant so NPL drop resulted from an increase of crediting followed by a reduction in volume of problem loans, with the latter being the result of both economic growth and proactive approach of banks.
- Banks' interest income, per CNB's data, increased in Q1 by 63.3%, i.e., € 217 mil. y-o-y, with the largest incomes, those from loans, recorded a growth of 35.1% (€ 108 mil.), while other interest incomes increased by € 92 mil. Interest expenses increased by 182.7% or € 58 mil. (for deposits 131.1%, i.e., € 21 mil.) thus increasing net interest income by 51.0% y-o-y. Fee and commission income increased by 9.3%, mostly due to card fees, so along with increase of commission expenses of 13.7%, net fee and commission income recorded growth of 7.7%, i.e., € 9 mil. Cost/Income ratio improved significantly and declined by 6.8 p.p. to 46.8%. Profitability recovered so ROA and ROE reached 1.6% and 14.0% (+0.4, i.e., +4.6 p.p. y-o-y).

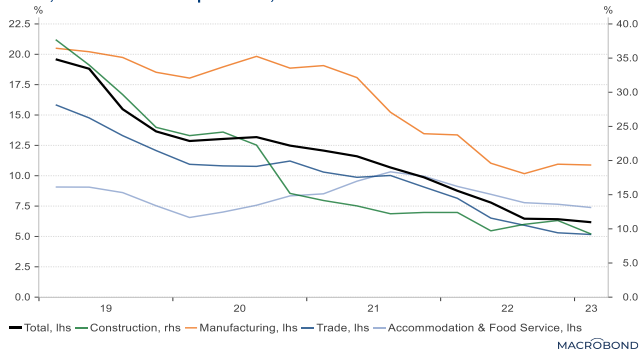
NPL share in private sector loans declined to 5.4%

Returns on assets and equity increased

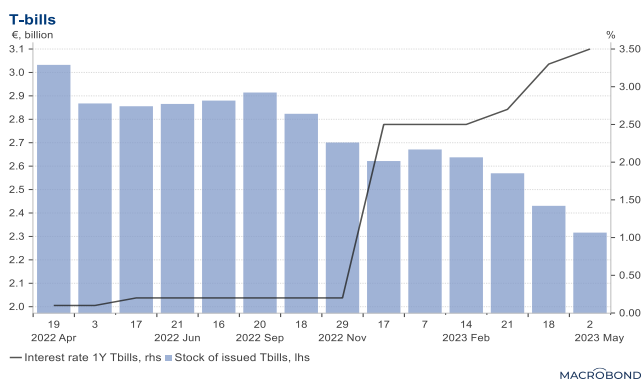
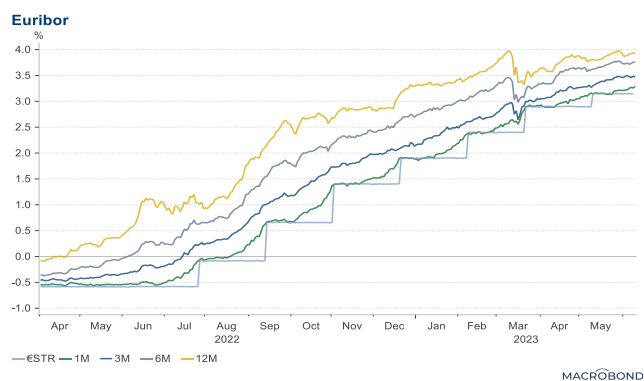
NPLs, Households, share in total



NPLs, Non-Financial Corporations, share in total



- The dollar slightly weakened as the expectations are growing that the Fed will pause the raise of fed funds rate at the next session, only to raise it again in July. By the end of week, the exchange rate was 1.0780 dollars to the euro, up by 0.2% w-o-w.
- Euribor increased to 10 bps w-o-w so on Friday 3M was 3.5%, and 6M 3.8%. There are no T-bills maturing this week and no auction. Last week, RoC bond was issued on the international market in the amount of 1.5 billion euros with maturity date in 2035 with a yield of 4.047%.
- Positive sentiment at the ZSE continued so Crobex closed the week up by 1.0% w-o-w, i.e., at 2,285 points. The most important sector indices recorded mixed performances – CROBEXindustry and CROBEXnutris declined by 0.1, i.e., 0.9% (to 1,428 and 770 points), and CROBEXtourist increased by 0.9% (to 4,085 points). Crobis continued to stagnate (at 94,7 points).



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