

WEEKLY ANALYSIS

Number 744, September 6, 2021

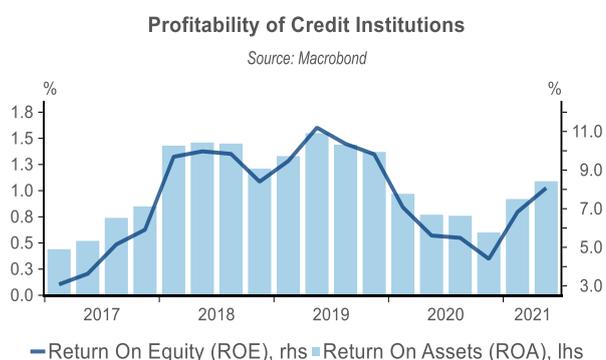
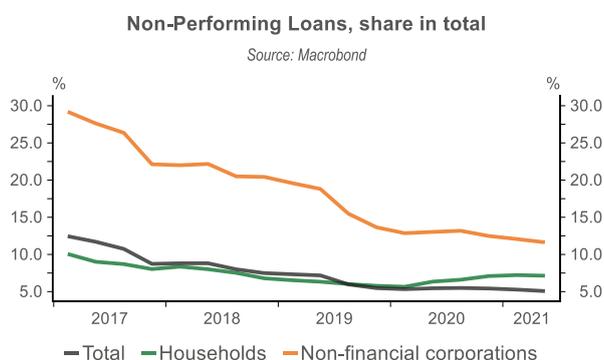
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Share of NPLs continues to decline

Share of NPLs in total loans of credit institutions continued to decline for the third consecutive quarter and reached 5.1% at the end of June, down by 0.2 p.p. qoq (private sector -0.2 p.p. to 8.9%). Share of NPLs in total loans of non-financial corporations was reduced by 0.4 p.p. in Q2, at the same pace as in Q1, to 11.6%, due to HRK 0.4 billion worth sale of NPLs. Construction recorded 0.8 p.p. decline of share to 13.4%, Manufacturing industry 1.0 p.p. to 18.1%, Trade 0.4 p.p. to 9.9%, while Accommodation and food service activities recorded a deterioration of quality (+1.0 p.p. to 9.6%) which is probably the consequence of the expiration of moratorium. Growth trend of share of problematic loans in the household loan portfolio was overturned in previous quarter in which we recorded a slight downturn of 0.1 p.p. qoq to 7.1%. Positive developments are the result of improved quality of housing loans (-0.3 p.p. to 4.0%) which can be attributed to their strong growth induced by the subsidies programme, while with cash loans and overdrafts we still continue to record growth of share (+0.1 p.p. to 8.9%, i.e., +0.3 p.p. to 7.8%).

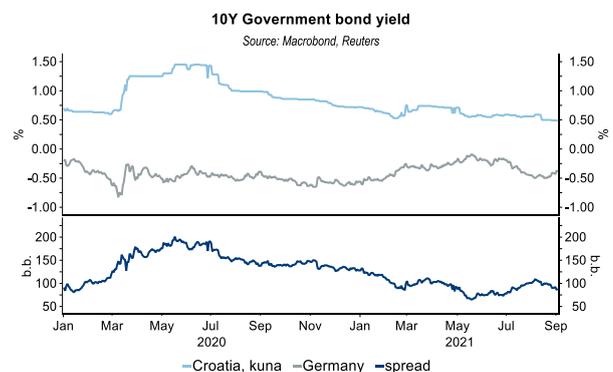
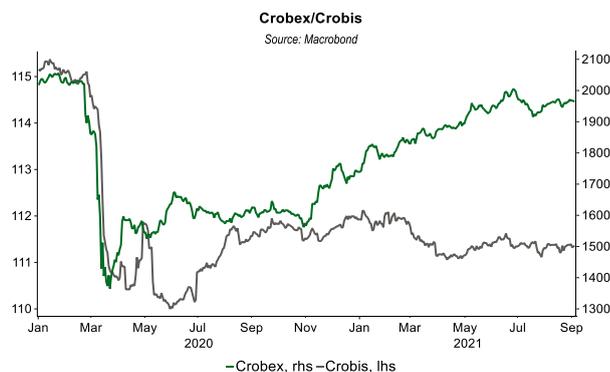
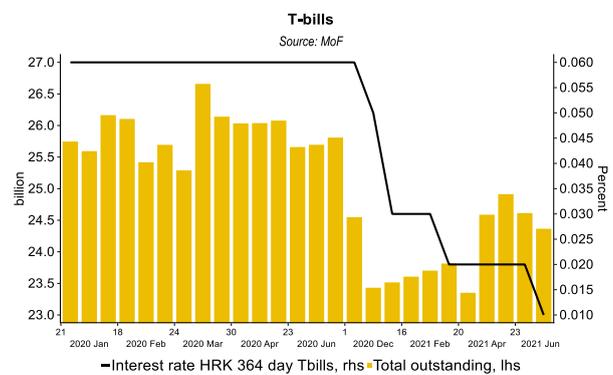
With the economy recovering, credit institutions recorded recovery of revenue and profit in Q2 so the result of first six months is significantly better than the one realised in Q1. Interest income was down by 5.6% yoy in the first half of the year (loans to non-financial corporations a mild -1.5%, household loans -5.6%), while interest expenses were cut by 21.8% (deposits of non-financial corporations -32.0%, household deposits -35.4%) so net interest income was reduced by 3.4%. Net income from fees and commissions increased by 7.2% (-6.8% in Q1) due to 7.7% higher income from payment system and 21.6% jump in credit card income. Gross operating profit recorded 3.4% growth, and with 2.6% lower operating expenses the net operating profit increased by 10.7%, and cost income indicator was improved by 3.6 p.p. to 51.2%. Provisioning costs yoy were halved (-55.9%) so net profit achieved 52.1% increase and in this year's first six months was only 4.6% lower than last year-round profit. Return on assets and return on equity reached 1.1% and 8.1% respectively, representing a 0.3% growth, i.e., 2.5 p.p. yoy.

Positive trends of banks' income are expected to continue during the rest of the year, in line with economic activity growth and especially strong tourist season indicators, for which we expect that in the end will have a positive influence on private sector loan quality trend.

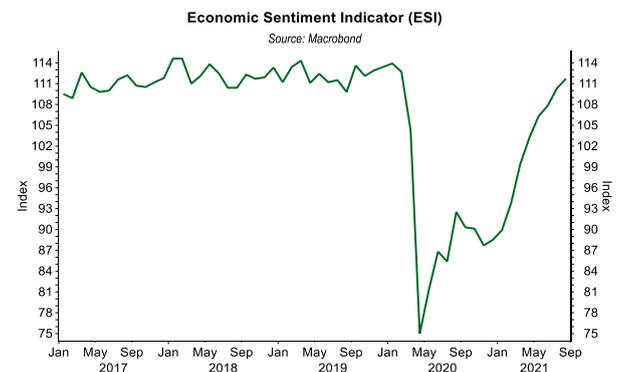
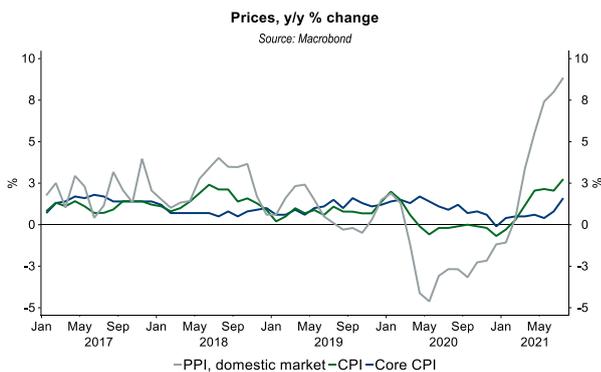
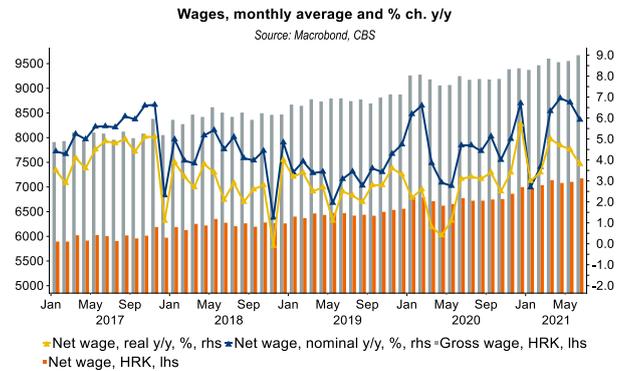
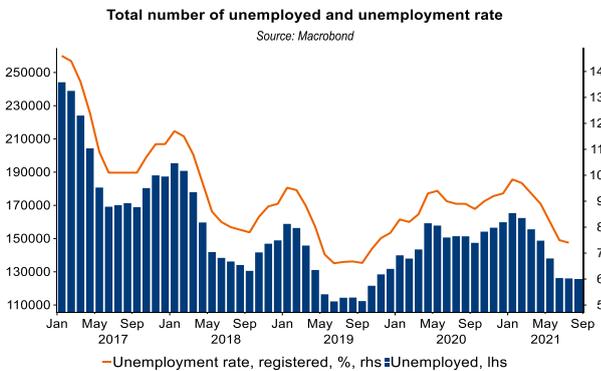
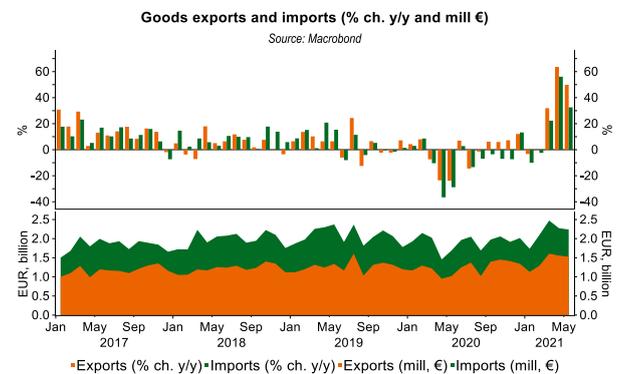
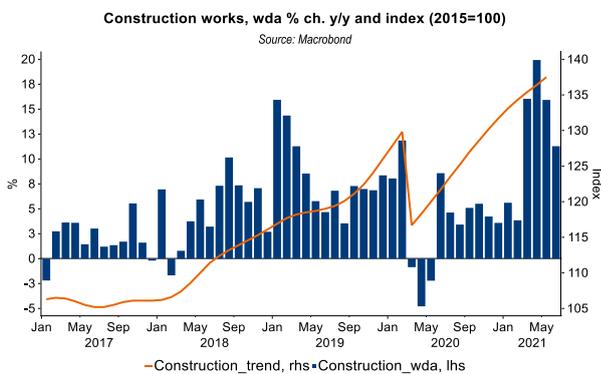
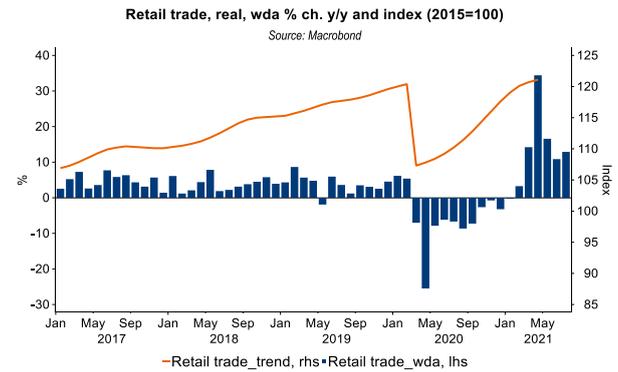
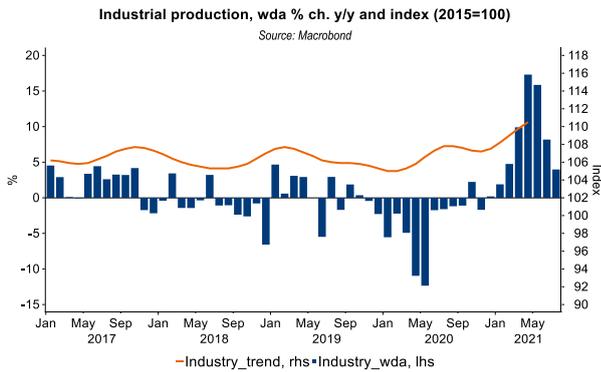


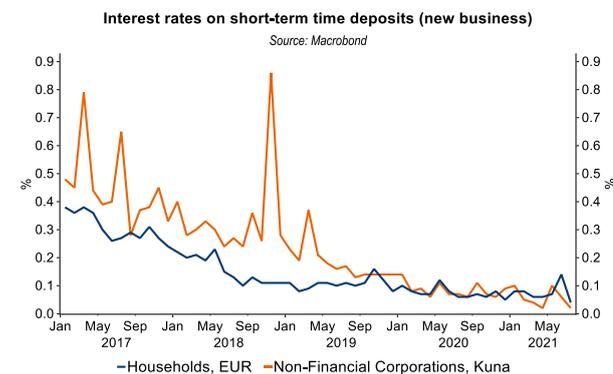
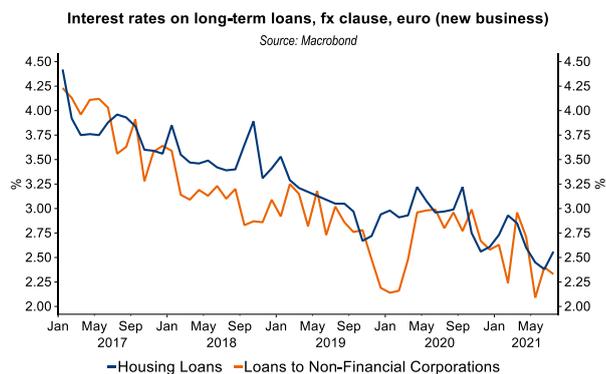
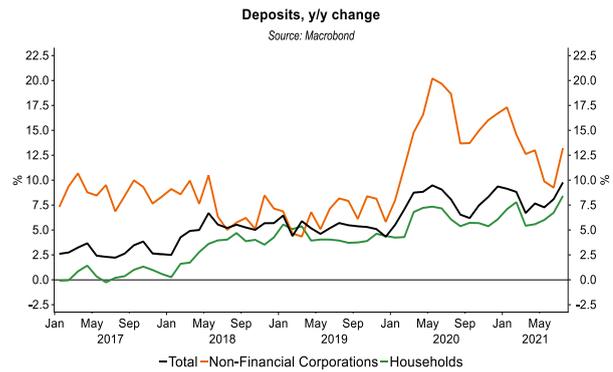
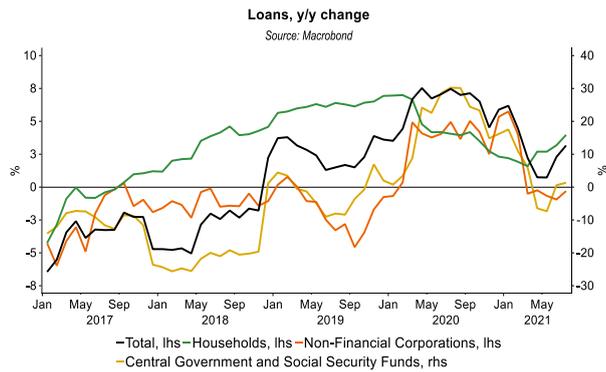
Weekly overview

- Industrial production increased by 3.9% yoy in July (+8.7% in the first seven months of this year), while retail trade turnover in real terms simultaneously recorded annual growth of 12.8% (+12.6% in the January – July 2021 period).
- Total loan growth improved in July to 3.2% yoy, where loans to the central government accelerated to 1.3%, and in private sector to 2.3% (household 4.0%, non-financial corporations -0.3%). At the same time according to transactions 12-month cumulative growth of loans to private sector slightly accelerated to 3.3%. Total deposits also accelerated in July (to 9.8% yoy), where private sector deposits increased by significantly higher 9.7% (households 8.4%, non-financial corporations 13.2%).
- During relatively calm last week the mid-point exchange rate continued to move within a narrow range of 7.48-7.49 and on Friday amounted to 7.4893 kuna to the euro, up by 0.1% wow. Kuna simultaneously appreciated against the dollar by 0.9%, reducing the exchange rate to 6.3105 kuna to the dollar. This week we expect trading in the range of 7.48-7.53 kuna to the euro.
- Excess liquidity was reduced to 59 billion kuna last week, at the CNB's repo auction there was no interest and interest rates continued to stay put.
- The Crobex and Crobis Indices last Friday stagnated at wow (to 1,965.37 i.e. 111.79 points). As for sector indices, CROBEXconstruct decreased by 3.8% compared to previous Friday (to 444.48 points), while CROBEXindustry and CROBEXtourist rose by 4.2% and 0.1% (1,057.45 and 3,506.23 points). Total ZSE turnover last week reached 92.4 million kuna, down by 61.8% wow, owing to 78.3% lower turnover in bonds (reaching 44.5 million kuna), while turnover in shares rose by 27.7% (to 47.9 million kuna).



Statistics





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