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Share of non-performing loans in March 2.5%

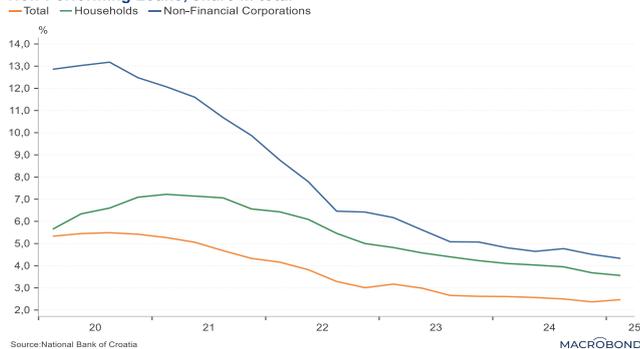
- In the first quarter of this year, the share of non-performing loans in total loans (NPL) increased by 0.1 p.p. to 2.5% quarter-on-quarter, returning to the level of September last year. However, the share in the private sector loan portfolio continued its favourable trend and decreased by 0.1 p.p. to 3.9%, while the decline was slightly more pronounced in the corporate portfolio, where it reached 0.2 p.p. to 4.3%. Looking at the amounts of non-performing loans, Transportation and storage and Trade recorded the most significant decline, while the volume in Accommodation and food service activities, Manufacturing and Construction, increased, but as the volume of loans placed on most activities, except for Construction, increased at the same time, thus the shares of NPL mostly decreased. Manufacturing and Trade recorded a decline of 1.0 and 0.5 p.p. (to 7.1 and 3.6%, respectively), Accommodation and food service activities stagnated (at 4.8%), and Construction increased by 0.2 p.p. (to 8.1%). The share of NPL in loans to households decreased by 0.1 p.p. to 3.6%, whereby the total amount of non-performing loans decreased, however, it recorded a significant growth in cash loans and a slight increase in housing loans. As in the case of loans to enterprises, this growth was offset by an increase in the loan portfolio, so the share of NPL in housing and cash loans stood still quarter-on-quarter (at 1.5 and 5.0%, respectively), while in the case of overdrafts it fell by 0.4 p.p. to 5.1%. In the period ahead, we expect a continued decline in the share of NPL amid steady growth in domestic economic activity, employment and income. It is possible, however, that against the backdrop of increased uncertainty and trade tensions, the quality of placements to certain export-oriented enterprises will deteriorate.
- Net profit of credit institutions in the first three months of this year amounted to €375 million, down by 9.1% year-on-year, whereby returns on assets and equity decreased by 0.3 and 2.6 p.p., respectively, to 1.8 and 15.4%. Net interest income decreased by 4.4% due to a decline in interest income, while fee income achieved a net increase of 13.8%. As the 7.7% increase in operating costs greatly exceeded the 1.8% increase in gross operating profit, cost efficiency deteriorated, i.e. the cost-efficiency indicator increased by 2.1 p.p. to 41.2%, according to the CNB. In the first quarter, impairment charges were

The share of NPL in enterprises 3.9%, in households 3.6%

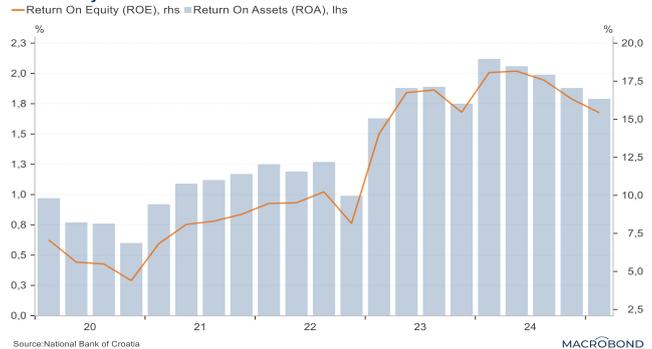
In the first quarter, credit institutions' ROA and ROE decreased

recorded, in contrast to last year's income (-0.6 million € vs. +41 million €), which further put pressure on the movements of net profit.

Non-Performing Loans, share in total



Profitability of Credit Institutions



- At last week's meeting, the Fed maintained the fed funds rate target range at 4.25% to 4.50%, emphasizing that uncertainty remains elevated. In the new projections, US GDP growth in 2025 and 2026 was reduced to 1.4% and 1.6% respectively due to tariffs, which at the same time raised the forecast inflation to 3.0% and 2.4%, respectively. The Fed's dot plot indicates two cuts in the fed funds rate by 25 b.p. by the end of this year and one next year.
- The dollar held above 1.15 for most of the week, closing Friday at \$1.1515 per euro, unchanged week-on-week.
- Euribor made only slight week-on-week shifts, so 3M and 6M were both 2.0% on Friday. Last week, the first round ended, and the second round of quarterly T-bills took place. €1.2 billion was issued, of which natural persons subscribed €970 million with a yield of 2.60%, and institutional investors €200 million with a yield of 2.05%. This increased the balance of issued bills to €4.5 billion.
- Crobex recovered strongly, jumping by 2.9% week-on-week to 3,559 points with a varied performance of sectoral indices (CROBEXindustry +0.2% to 2,578, CROBEXnutris +3.8% to 858, CROBEXtourist -1.1% to 4,503). Crobis was down by 0.1% to 99.2 points week-on-week.

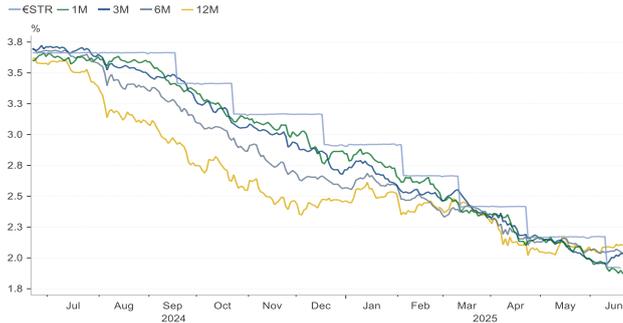
The Fed posted no changes

EUR/ USD



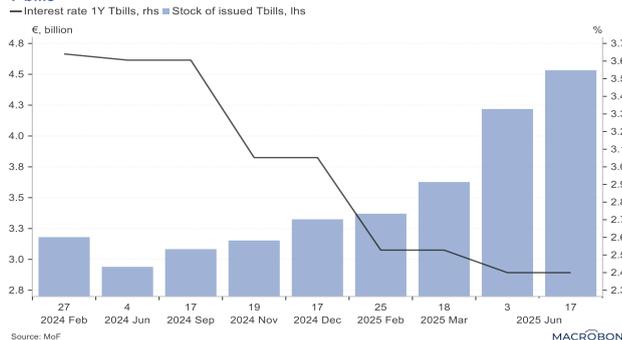
Source: ECB

Euribor



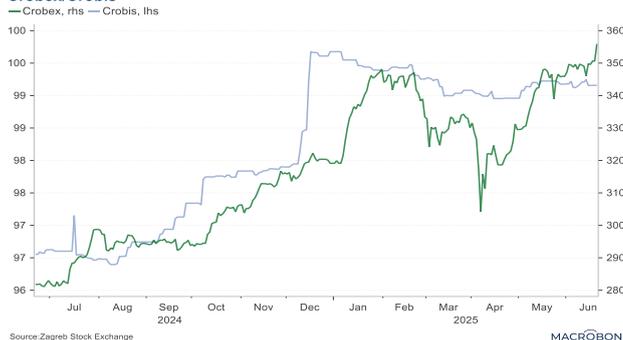
Source: EMMI, ECB

T-bills



Source: MoF

Crobex/Crovis



Source: Zagreb Stock Exchange

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