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Improved quality of loans to the private sector

- The share of non-performing loans in total loans (NPL) at the end of March was unchanged compared to the end of the previous year and amounted to 2.6%, however, the share in loans to the private sector recorded a downward shift (-0.2 p.p. to 4.4%). After a minor shift in the previous quarter, NPL in loans to non-financial corporations decreased by 0.3 p.p. quarter-on-quarter to 4.8%, primarily due to a decline in Manufacturing (-0.5 p.p. to 8.6%) and Accommodation and food service activities (-0.6 p.p. to 5.2%). At the same time, the share in Trade recorded only a slight improvement, and in Construction a stagnation. For households, NPL decreased by 0.1 p.p. quarter-on-quarter, to 4.1%, with cash loans and overdrafts falling by 0.2 p.p. (to 5.7 and 6.7%, respectively), and housing loans by 0.1 p.p. (to 1.7%). Falling interest rates, easing inflationary pressures, strong labour market and strengthening economic growth create space for the continuation of positive asset quality trends in the rest of the year.
- The profitability of credit institutions maintained a favourable trend in the first quarter, with net profit increasing by 36.9% or €0.1 billion year-on-year, respectively, while returns on assets and equity increased by 0.5% and 4.0 p.p., respectively, to 2.1% and 18.1%. As in the previous year, this was primarily the product of an increase in net interest income (+€0.1 billion) due to higher interest rates on loans and overnight deposits with the central bank. If we look at the structure of interest income from loans, the increase is led by income from non-financial corporations (+€47 million), while the growth in interest expenses on deposits (+€33 million) is the same for non-financial corporations and households. Among interest expenses, with an increase of €14 million, those from issued debt securities issued by individual banks to meet the minimum requirements for own funds and eligible liabilities (MREL) also stand out. In the first three months, net fee and commission income grew at a moderate rate of 6.4% year-on-year, with the largest increase in volume recorded in income from charges for payment services. Gross operating profit increased by 19.9%, which, combined with marginally higher operating expenses, led to a 38.1% increase in net operating profit. Business efficiency was thus significantly improved (CIR -17.7 p. p. to 39.1%). Provisions were released as a year ago thanks to the improved quality of placements.

Share of NPL in loans to the private sector at the end of March 4.4%

Profitability of credit institutions maintained a favourable trend

- The dollar weakened against the euro following disappointing data on developments in the US economy, only to strengthen again at the end of the week and close Friday at 1.0688 US\$ per €, which is almost unchanged week-on-week.
- The Euribor maintained its downward trend, except for the shortest maturity. At the end of the week, 3M and 6M were 3.7%, down by 3-4 b.p. week-on-week.
- For the second week in a row, Crobex achieved a slight increase (+0.3% week-on-week to 2,818 points) with a varied performance of sectoral indices (CROBEXindustry -0.3% to 2,045, CROBEXnutris +1.0% to 908, CROBEXtourist +0.1% to 4,417). Crobis continued to stagnate (at 96.6 points).



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