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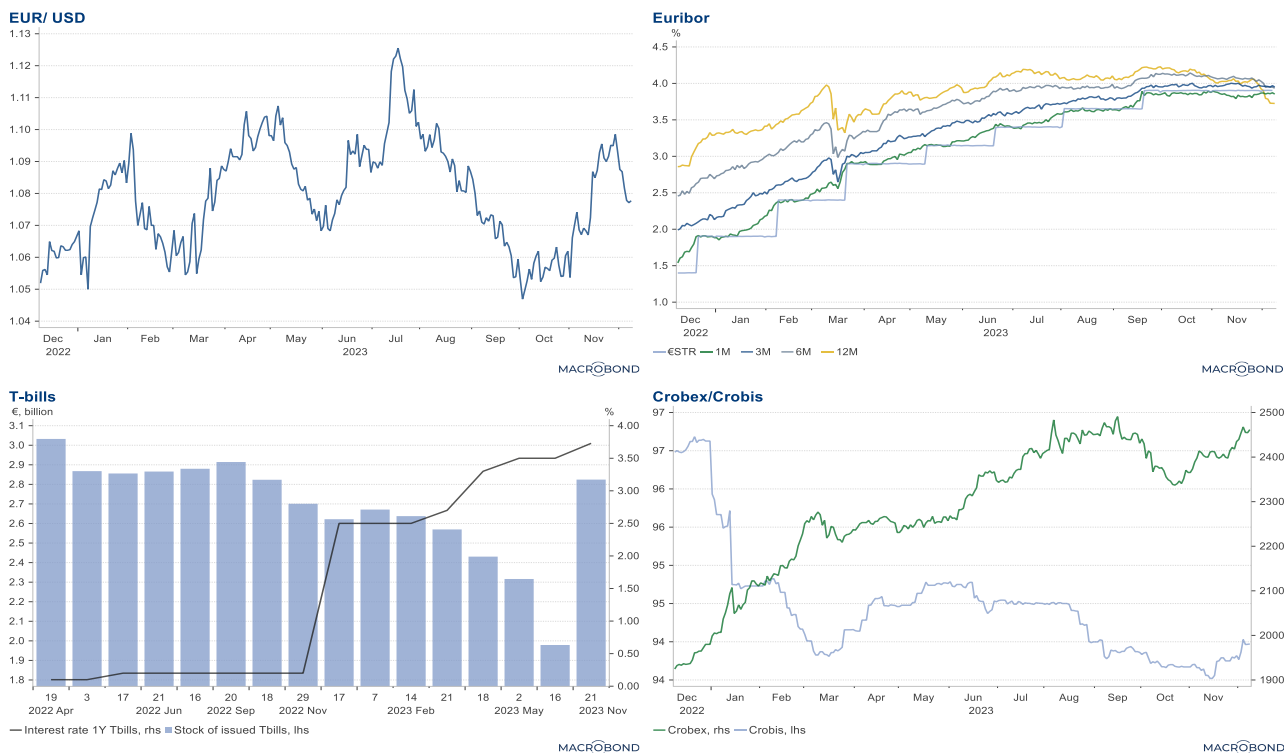
NPL share continues to drop

- Thanks to strong economic growth, high employment, and a more moderate inflation, Q3 retained a favourable trend of quality of credit institutions' assets, and profitability was supported also by higher interest rates.
- Share of non-performing loans (NPL) in total loans in Q3 declined by 0.3 p.p. q-o-q, to 2.7% in late September (private sector -0.3 p.p. to 4.7%). Loans to non-financial corporations continue to lead with a decline of 0.5 p.p., thus reducing the share to 5.1%. Observing per business activities, reduction is mostly the result of improvement in the quality of loans provided to Transport and storage services (-3.9 p.p. to 4.8%), followed by Manufacturing (-0.9 p.p. to 8.7%) and Construction (-0.7 p.p. to 9.3%). Simultaneously, Accommodation and food service activities, following a strong decline in the previous quarter, achieved only a slight improvement in Q3 (-0.1 p.p. to 5.9%), while the ratio in Trade stagnated (at 4.9%). NPL share in loans to households declined at the same pace as in Q2, by 0.2 p.p. (to 4.4%). Cash loans recorded a decline of 0.2 p.p. (to 6.1%), and housing ones and overdrafts of 0.1 p.p. (to 1.8, i.e., 6.7%).
- Banks' interest incomes increased by 0.9 billion € (+79.9%) in the first nine months compared to the same period last year, with income from loans and other income growing by 0.4 billion € each. Analysis of the trends of income from loans shows that the highest contribution to growth came from loans provided to credit institutions (+0.16 billion €) and non-financial corporations (+0.15 billion €), while income from household loans decreased slightly (by 6 million €). At the same time, interest costs were tripled, shooting up by 0.2 billion € (on deposits +0.1 billion €), thus increasing the net interest income by 0.6 billion € (+63.2%). Fee and commission net income increased by a mild 0.2% (+1 million €). Gross operating income was thus increased by 31.0%, and operating expenses by a low 2.7% so the efficiency of business was improved (CIR 40.0%, -11.9 p.p.). Reducing provisions was continued and net profit increased by 0.4 billion € (63.6%) to 1.1 billion €. Returns on assets and equity reached 1.9% and 16.9% (+0.6, i.e., +6.7 p.p. y-o-y).

NPL share at the end of September
2.7%

Notably better efficiency of credit institutions' business operations

- While waiting for this week's Fed meeting, the dollar appreciated due to solid data for the U.S. economy so on Friday the exchange rate was 1.0777 dollars to the euro, down by 0.9% w-o-w.
- Euribor recorded only a mild decline for shorter maturities, so 3M stagnated at 4.0% w-o-w, while the decline was stronger for longer maturities and on Friday 6M was 3.9%, down by 10 bps w-o-w.
- Positive trend at the ZSE was maintained so Crobex rose by 0.9% w-o-w (to 2,462 points) due to growth of all the most important sectoral indices (CROBEXindustry +1.6% to 1,643, CROBEXnutris +1.9% to 917, CROBEXtourist +0.7% to 3,954). Crobis grew by a mild 0.2% (to 94.0 points).



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