



The Governor

PRESS RELEASE

QUARTERLY FINANCIAL STABILITY COMMITTEE MEETING

January 31, 2019 – The Financial Stability Committee (FSC) held its meeting and assessed the performance of the financial sector as at end December 2018. The committee observed that improved economic conditions in 2018 supported the financial sector through increased demand for credit, improved asset quality and profitability. Banks, MFIs, and insurance companies maintained sufficient solvency and liquidity buffers above the prudential requirements.

Key observations of the meeting:

- The financial sector remains stable and solvent. The Capital Adequacy Ratio (CAR) of banks stood at 25.5 percent in December 2018, higher than 21.4 percent registered in December 2017, compared to 15 percent prudential minimum. Similarly, the CAR of MFIs stood at 35.1 percent in December 2018, against 34.8 percent registered in December 2017, compared to 15 percent prudential minimum. Private insurers maintained adequate solvency position at 165 percent in December 2018, compared to 100 percent prudential minimum. Sufficient capital buffers held by the financial sector indicate the resiliency of the sector to shocks.
- The banking and microfinance sectors continue to hold adequate liquid assets above the regulatory minimum. As at end December 2018, the Liquidity Coverage Ratio (LCR), the main indicator of liquidity position of banks, stood at 637 percent, against the 100 percent minimum prudential requirement. On the other hand, the liquidity ratio in the microfinance sector stood at 100.3 percent, against the 30 percent prudential requirement.

- Assets quality of banks improved The Non-Performing Loans (NPLs) ratio dropped in banks and MFIs, due to improved economic conditions and write-offs. The NPLs ratio dropped in banks from 7.6 percent in December 2017 to 6.4 percent in December 2018. During the same period, NPLs ratio for MFIs dropped from 8.2 percent to 6.5 percent. The improved agriculture performance in 2018 particularly supported the reduction of NPLs in MFIs.
- The FSC noted that the balance sheet of the financial sector continued to grow, on the back of improved economic conditions. As at end 2018, the total financial sector assets increased by 14.4 percent (year-on-year) to FRW 4,632 billion, against 13.8 percent growth registered the previous year. Higher growth of assets in banks and MFIs was driven by increased profitability, capital injections, as well as, increased deposits. Lending strengthened in banks and MFIs in 2018, reflecting increased demand for loans– total outstanding bank loans increased by 13.6 percent as at end December 2018, against 12.9 percent registered in December 2017. During the same period, MFIs loans increased by 19 percent, compared to 3 percent.
- Going forward, the committee resolved to continue engaging financial institutions on improving their credit underwriting standards and risk management frameworks.

Done at Kigali, 31st January 2019

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Governor, Chairman of FSC

