



PRESS RELEASE

QUARTERLY FINANCIAL STABILITY COMMITTEE MEETING

The Financial Stability Committee (FSC) held its quarterly meeting on May 11, 2022, to assess the financial sector's performance, soundness and stability, emerging risks and vulnerabilities, as well as take appropriate measures to mitigate those risks. The committee noted that the recovering economic activities continue to support the growth and the stability of the financial sector. Risks to financial sector have eased, but vulnerabilities stemming from the sectors that have not yet recovered from the impact of COVID 19 pandemic (commercial real estate and hotels) and the new risks posed by the Russia-Ukraine crisis are likely to drag back the performance so far achieved. Looking ahead, the financial sector is expected to remain stable with sufficient capital and liquidity to absorb shocks.

The sections below summarize key observations from the committee:

Assets of the financial sector continued to grow supported by the economic rebound.

Total assets of the financial sector expanded by 16.3 percent to FRW 7,763 billion in March 2022 from FRW 6,674 billion in March 2021. In the banking sector, assets grew by 17 percent to 5,277 billion in March 2022 from 4,502 billion in March 2021 mainly driven by an increase in deposits and capital base. In the Microfinance sector, assets expanded by 21.9 percent to FRW 449 billion from FRW 368 billion in March 2021, buoyed by increase in deposits and capital increment. In the insurance sector, assets grew by 18 percent to FRW 724 billion in March 2022 from FRW 613 billion in March 2021, driven by investment income and capital increments. This growth demonstrates the financial sectors' continued contribution to spurring economic growth and development with the sector's assets representing 69 percent of GDP in March 2022 up from 40 percent a decade ago.

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The financial sector remains adequately capitalized and liquid.

The financial sector continued to be well capitalized and liquid to absorb losses and support the provision of intermediation activities. As at end March 2022, the banking sector aggregate total CAR stood at 23.9 percent while for microfinance it was 34.7 percent both higher than 15 percent minimum prudential requirements. The aggregate solvency ratio of private insurers stood at 157 percent, against the 100 percent minimum prudential requirement. Similarly, financial institutions held sufficient buffers of liquid assets, with the banking industry's aggregate Liquidity Coverage Ratio (LCR) standing at 364.2 percent as at end March 2022, higher than the 100 percent minimum requirement. The aggregate liquidity ratio of Microfinance stood at 110.7 percent as at end March 2022 higher than 30 percent minimum regulatory requirement while in insurance sector, the liquidity ratio of private insurers improved to 95 percent in March 2022 from 80 percent in March 2021 but remained below the 100 percent minimum regulatory requirements.

Pandemic related risks to the financial sector have subsided but recent global and domestic development pose other vulnerabilities.

The full reopening of the economy continues to ease credit payment pressures. With improved economic prospects, many loans that were restructured due to the emergence of COVID-19 pandemic have resumed payment. As at end March 2022, the outstanding loans on moratorium amounted FRW 68.6 billion (2.3 percent of total banks' loans) down from FRW 312.2 billion (11.8 percent of total loans) in March 2021. In addition, the outstanding non-performing loans reduced to FRW 167 billion from FRW 200 billion mainly due to increased write off of long outstanding NPLs in 2021. In reflection of the reduced stock of non-performing loans and increased stock of outstanding loans, the non-performing loans ratio dropped to 4.7 percent in March 2022 against 6.5 percent in March 2021.

Nevertheless, credit risk remains the key risk facing the financial sector. Loans in watch category (loans where repayment is late by 30 to 90 days) increased especially in sectors hardest hit by the pandemic that have not yet fully recovered. In March 2022, these loans increased to FRW 491 billion (14 percent of total loans) from FRW 279 billion in March 2021 (9.0 percent of total loans). To respond to the perceived credit risk outlook, banks increased provisions by FRW 16 billion to FRW 175 billion as at end March 2022 from FRW 159 billion as at end March 2021.



Payment systems remains safe and resilient.

Regarding payment systems, mobile payments continue to drive the digital payments transformation. Person-to-Person (P2P) volume transactions almost doubled compared to 2021Q1 and increased by almost 5-fold compared to 2020Q1 (pre-COVID 19) to 61.3 million transactions during 2022Q1. On the other hand, Person-to-Business (P2B) volume of transactions increased by 26 percent compared to 2021Q1 and more than quadrupled compared to 2020Q1 increasing to 28.3 million transactions. In terms of value, P2P transactions increased by 247 percent when compared to the pre-COVID 19 pandemic level of 2020Q1 to FRW 604 billion. P2B value of transactions decreased by 53 percent compared to 2021Q1 to FRW 226 billion following the re-introduction of merchant charges on mobile money payments (albeit at a lower rate of 0.5 percent compared to the 1 percent rate of pre-COVID 19). Despite this decrease, the value of transactions was still 763 percent higher than the value recorded in 2020Q1.

Financial sector stability outlook

Despite the vulnerabilities in the financial sector especially with regard to credit risks, the financial sector is expected to continue being sound and stable on the back of sufficient capital and liquidity buffers. The NBR will continue to monitor the impact of Russia-Ukraine crisis on the stability of financial sector and assess other potential sources of risks to the sector, as well as implement timely and adequate measures to preserve the stability of the financial sector.


RWANGOMBWA John
Governor and Chairman of FSC
National Bank of Rwanda



The seal of the National Bank of Rwanda is circular, featuring a central emblem with a sun, a mountain, and a river. The text 'NATIONAL BANK OF RWANDA: THE GOVERNOR' is written around the top inner edge, and 'REPUBLIQUE RWANDA' is written around the bottom inner edge. The outer ring contains the text 'NATIONAL BANK OF RWANDA' and 'REPUBLIQUE RWANDA'.