



The Governor

PRESS RELEASE

QUARTERLY FINANCIAL STABILITY COMMITTEE MEETING

October 30, 2018 – The Financial Stability Committee (FSC) held its meeting and assessed the performance of the financial sector as at end September 2018. The committee noted that the financial sector remains sound and stable. Banks and MFIs hold sufficient capital and liquidity buffers above the prudential requirements. The solvency and profits of private insurers continue to improve. The payment systems performed effectively and supported financial sector transaction processing.

Key observations and decisions of the Committee:

- Assets of the financial sector continued to expand. Total assets of the banking sector increased by 10.4 percent to Frw 2,905 billion at end September 2018, albeit lower than the 17.1 percent growth registered in September 2017. During the same period, microfinance sector assets increased by 12.3 percent to Frw 272 billion, higher than the 9.5 percent growth observed in the previous year. Insurance sector assets increased by 13 percent to Frw 437 billion, the same growth registered in September 2017, while pension sector assets increased by 8 percent to Frw 747 billion, lower than the 15 percent recorded in September 2017.
- The banking and microfinance sectors continue to hold adequate capital and liquidity buffers above the regulatory requirements. As at end September 2018, the total Capital Adequacy Ratio (CAR) for the banking and microfinance sectors stood at 22.6 percent and 34.8 percent respectively, compared to the 15 percent prudential requirement. Liquidity Coverage Ratio (LCR), the main indicator of liquidity position of banks, stood at 306 percent, against the 100 percent minimum prudential requirement. On the other hand, the liquidity ratio in the microfinance sector stood at 96.4 percent, against the 30 percent prudential requirement.

- The asset quality for banks and microfinance institutions improved during the period under review. The Non-Performing Loan ratio (NPLs) in banks declined from 7.7 percent in September 2017 to 7.2 percent in September 2018 while in the microfinance sector, the ratio reduced from 8 percent in September 2017 to 6.8 percent in September 2018. The improved economic performance and clean-up of bad loans supported this reduction of non-performing loans.

The insurance sector held sufficient capital relative to risks underwritten. The aggregate solvency level of private insurers stood at 155 percent in September 2018, comparable to the 159 percent level of September 2017 and above the 100 percent prudential requirement. The improved solvency position of private insurers was underpinned by capital injections, as well as improved financial performance.

- The profits of the financial sector increased across all sub-sectors. Net profits of banks increased from FRW 30.6 billion in September 2017 to FRW 37.24 billion in September 2018. During the same period, the net profits of MFIs increased from FRW 3.1 billion to FRW 5.8 billion, while profits of private insurers improved from FRW 2.3 billion to FRW 4.3 billion. The improved profits of the financial sector mainly mirrored the improved economic performance in the first 6 months of 2018 and efficiency gains driven by improved revenues and rationalization of costs.
- The payment system performed well during the period under review. The RIPPS¹ continued to be reliable with an uptime above the target level of 99.9%. Retail payment systems functioned smoothly and further development are observed. Financial and Payment institutions completed a self-assessment of security systems as required and as part of ongoing efforts to mitigate cyber risks to the payment system infrastructures.
- The FSC resolved to closely follow up lending institutions with NPLs above the best practice benchmark of 5 percent and to continue engaging private insurers on appropriate actions to streamline their operations in order to remain financially sound and stable.

Done at Kigali, 30th October 2018

RWANGOMBWA John
Governor, Chairman of FSC



¹ Rwanda Integrated Payment Processing System