National Bank of Rwanda
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The Governor

PRESS RELEASE

QUARTERLY FINANCIAL STABILITY COMMITTEE MEETING

On November 21, 2023, the Financial Stability Committee (FSC) convened its quarterly meeting with the objective of evaluating the financial sector's performance and overall stability. The committee observed that despite the complexities linked to the ongoing global geopolitical tensions, supply chain disruptions, the impacts of changing weather patterns and tighter financial conditions, the financial sector has remained stable and sustained its growth momentum. The resilience observed in the sector can be attributed to the robust capital and liquidity buffers maintained by financial institutions, ensuring their ability to weather unforeseen shocks while providing uninterrupted financial services to the public. The following highlight key observations from the committee:

The financial sector continued to grow despite challenging economic conditions.

In the face of global macroeconomic challenges, the financial sector persists in its growth trajectory. As of September 2023, the total assets of the financial sector continued to expand. The banking sector, the largest sub-sector, witnessed noteworthy growth driven by increased deposits and retained earnings. The pension, insurance, and microfinance sectors also contributed to this growth, resulting from their good performance. With improved asset growth, the financial sector continued to deepen, emphasizing the significant and expanding role the sector continues to play in contributing to the performance and resilience of the domestic economy. Banks and MFIs have increased their willingness to lend, aligning with an increase in the demand for loans, despite the prevailing uncertainties in the economic environment. The repayment of these loans is expected to be sustained by positive economic prospects, in addition to reinforced risk management by lending institutions. In the insurance sector, premiums continued to grow in this quarter, supported by economic growth. This upward trend in premiums serves as a positive indicator for the health and stability of the insurance sector.,

The financial sector maintains sufficient capital and liquidity.

Banks maintained capital positions that exceeds the minimum requirement in relation to their risk appetite. The central bank mandates banks to allocate a minimum of 15 percent of their capital for every investment made. This minimum capital requirement ensures that, in the event of any unexpected . shocks, the banks can absorb potential losses. Microfinance Institutions (MFIs) also maintained compliance with capital adequacy regulatory requirements. In addition, both Banks, SACCOs and Limited MFIs, ensured a strong liquidity position, exceeding regulatory requirements of 100 percent, 30 percent and 20 percent respectively. This liquidity position infers that these institutions have liquid assets readily available to meet their short-term financial obligations and operational needs. The insurance sector's solvency ratio grew, as a result of improved profitability and asset quality, while the liquidity ratio of private insurers improved aligning with increased appetite in the investments of government securities and placements in banks.

Credit risks in lending institutions remain low.

The possibility of a borrower defaulting on their loan repayments remains minimal, despite a slight increase in the Banking sector's Non-Performing Loans (NPLs) in the third quarter of 2023. Banks and MFIs have taken proactive measures to mitigate potential credit risks, supported by reinforced risk management and economic performance. Increased integrity in the lending market coupled with usage of centralized credit information continues to support financial institutions.

The payment service providers continue to modernize the payment systems.

Mobile payment transactions and transfers increased, with various transaction types experiencing increases in both volume and value. The sector witnessed a surge in active merchants and unique users, with E-money issuers dominating. The increase in merchant payments was mainly through mobile transactions that grew both in volume and value. This signifies growing reliance on mobile payment methods, reflecting a continued shift from traditional methods. In regard to ensuring secure payment systems, reinforced resilience and security measures resulted in fewer disruptions and instances of fraud. The importance of cyber security awareness and control measures in the expanding digital ecosystem cannot be overemphasized.

Financial sector stability outlook.

Over the medium term, despite the heightened uncertainties inherent in the global financial system due to the global economic slowdown and geopolitical tensions, Rwanda's financial sector is anticipated to maintain its stability and soundness. This resilience will be underpinned by sufficient capital and liquidity reserves, strengthened risk management practices, and ongoing economic performance prospects. The Central Bank will continue monitoring potential risks arising from macroeconomic conditions, global supply chain disruptions, and climate-related factors. As part of addressing climate change risks, the NBR has established a team responsible for monitoring the impact of climate change and is in the final stages of developing related guidelines for financial institutions.

The Central Bank will continue its regular oversight of the financial sector, ensuring that financial institutions remain adequately capitalized and liquid to withstand adverse economic conditions and meet their financial obligations.

Statistics are available at BNR website

Kigali, 23rd November 2023

Digitally signed by BNR(GOVERNOR)

NATIONAL BANK OF RWANDA: THE GOVERNOR

RWANGOMBWA John
Governor and Chairman of FSC