



The Governor

PRESS RELEASE

QUARTERLY FINANCIAL STABILITY COMMITTEE MEETING

The Financial Stability Committee (FSC) held its quarterly meeting on February 20th, 2024, to assess the performance and stability of the financial sector. The Committee noted that the financial sector remains stable and has maintained its growth momentum despite challenges caused by global tensions. The capital and liquidity buffers held by the financial institutions remain strong and make them resilient to shocks.

The financial sector continued to expand and remains supportive to economic recovery

The financial sector continued to grow amidst challenging global and domestic economic conditions. As at December 2023, total assets of the financial sector grew by 20.0 percent to FRW 10,687 billion from FRW 8,909 billion in December 2022. The banking sector, which is the biggest subsector grew by 22 percent, on account of improved efficiencies and high growth in deposits. The assets of the pension sector (both public and private) increased by 13.7 percent, mainly driven by the growth in pension contributions and investment income. The assets of the insurance sector grew by 17 percent mainly supported by improved underwriting returns, capital injections and investment income. Similarly, during the period under review, assets of microfinance sector expanded by 23.6 percent on the back of increased deposits and capital. With improved asset growth, the financial sector continued to deepen: Financial sector assets relative to Gross Domestic Product (GDP), grew to 66.7 percent in December 2023 from 64.9 percent in December 2022. This portrays the expanding role the financial sector continues to play in financing the economy.

The financial sector remains adequately capitalized and liquid

The capitalization of the financial sector remains strong as the regulated financial institutions continue to maintain capital positions above regulatory requirements. Banks maintained their average Capital Adequacy Ratio (CAR) at 21.5 percent, higher than the minimum regulatory requirement of 15 percent. Similarly, the consolidated CAR of Microfinance Institutions (MFIs) stood at 33.8 percent, higher than the 15 percent minimum regulatory requirement. The strong capitalization of lending institutions is explained by the continued enhancement of capital by Banks and MFIs through retained earnings and capital injection, coupled with improved quality of assets. In addition, the solvency position of the insurance sector remained high during the period under review. In particular, the solvency of private insurance significantly improved to 296 percent in December 2023 from 221 percent in December 2022, on the back of improved profitability and quality of assets.

The liquidity position of financial institutions also remains strong. Banks continue to hold adequate liquidity buffers both in the short- and long-term perspective. As at end December 2023, the

Liquidity Coverage Ratio (LCR) that measures the ability of banks to fund cash outflows for 30 days stood at 234 percent, while the Net Stable Funding Ratio (NSFR) that gauges whether banks hold enough stable funding to cover the duration of their long-term assets stood at 114.6 percent. On the other hand, the average liquidity ratio of microfinance institutions stood at 86 percent, against 30 percent minimum prudential requirement. The liquidity ratio of private insurers also improved to 117 percent in December 2023 from 98 percent in December 2022, in line with improved efficiency, investment returns and capital growth.

Lending institutions maintained quality asset

The stock of performing loans increased from FRW 4,033 billion December 2022 to FRW 4,896 billion December 2023 supported by increased lending appetite by lending institutions. In banks, the proportion of Non-Performing Loans (NPLs) to gross loans¹ stood at 4.1 percent in December 2023.


The payment service providers continue to modernize the payment systems with mobile payments dominating electronic payments

The payment system sector continues to demonstrate robust performance, marked by a notable upswing in mobile payment transactions and transfers. Retail e-payments to GDP increased from 147 per cent in 2022 to 200 per cent in 2023.

Financial sector stability outlook

Over the medium term, the financial sector is expected to remain stable and sound despite global and domestic macroeconomic challenges. This resilience is backed by ample capital and liquidity reserves, strengthened risk management practices, and good domestic economic performance. The NBR will continue to monitor prospective risks and to conduct regular supervision of the financial sector, to ensure that financial institutions uphold adequate capital buffers to weather adverse economic shocks, maintain ample liquidity to fulfill financial commitments, and safeguard payment systems to preserve financial system stability.

Kigali, 22nd February 2024



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signed by
BNR(GOVE
RNOR)



**RWANGOMBWA John
Governor, Chairperson of the FSC**

¹ These loans include cash loans and commitments loans accounted as off-balance sheet loans.