National Bank of Rwanda
Banki Nkuru y'u Rwanda

KN 6 Av.4/P.O. Box 531 Kigali-Rwanda
Tel: (+250) 788199000 /
Website: www.bnr.rw /
E-mail: info@bnr.rw /
Swiftcode: BNRWRWRW /
Twitter: @CentralBankRw

The Governor

PRESS RELEASE

QUARTERLY FINANCIAL STABILITY COMMITTEE MEETING

The quarterly Financial Stability Committee (FSC) convened on November 12, 2019 to assess the performance and risks facing the financial sector as well as take appropriate actions to mitigate the identified risks. The committee noted improved growth of the financial sector balance sheet in the first nine months of 2019 on the back of solid economic performance. The committee also noted that the financial sector remains solvent, liquid and profitable. Sections below summarize the key observations and decisions of the committee.

Financial sector assets continued to grow

Banking sector's assets increased by 13 percent from FRW 2,906 billion as at 30 September 2018 to FRW 3,283 billion as at 30 September 2019. During this period, growth was most notable in net loans, which increased from FRW 1,651 billion to FRW 1,962 billion. This growth was mainly financed by the growth in deposits from FRW 1,876 billion to FRW 2,085 billion in September 2019.

Similarly, microfinance assets increased by 15 percent from FRW 272 billion as at September 2018 to FRW 313 billion as at end September 2019 while insurance sector assets increased by 13 percent from FRW 437 billion to FRW 494 billion and pension by 17.5 percent from FRW 781 billion to FRW 918 billion.

The financial sector is adequately capitalized

The banking and microfinance sectors continue to hold adequate buffers of capital and liquid assets relative to regulatory requirements. As at September 30, 2019, the total Capital Adequacy Ratio (CAR) for the banking and microfinance sectors stood at 23.7 percent and 35.3 percent respectively, compared to 15 percent prudential requirement. Private Insurers solvency level, a measure of the strength of Insurers' capital buffers held to cover all liabilities, improved to 188 percent in September 2019, compared to 100 percent prudential minimum.

The financial sector hold sufficient liquidity buffers

Liquidity Coverage Ratio (LCR)[1], the main indicator of liquidity of banks, stood at 193 percent, against 100 percent minimum prudential requirement. The liquidity ratio of the MFI sector stood at 87.8 percent at end September 2019, significantly above the prudential limit of 30 percent. The liquidity ratio of private insurers stood at 133 percent, above the 120 percent minimum requirement.

Non-performing loans in banks and MFIs continued to decrease

The asset quality for banks and microfinance institutions improved during the first nine months of 2019, with the Non-Performing Loan Ratio (NPLs) in banks declining from 7.2 percent in September 2018 to 5.3 percent in September 2019, while in the same period, the NPLs ratio in the microfinance sector dropped from 6.8 percent to 6.1 percent. The drop in NPLs ratio largely reflects the positive effects of the stronger economic performance in 2019, although loan write-offs also contributed to this reduction.

Profits increased across the financial sector.

Net profits of banks improved from FRW 37 billion in September 2018 to FRW 51 billion in September 2019. During the same period profits of the microfinance sector increased from FRW 5.8 billion to FRW 9.9 billion. Similarly, profits of private insurers increased from FRW 4.3 billion to FRW 6.1 billion. The pick-up of profits in banks and MFIs largely reflects the positive effects of strong economic performance that enabled higher demand of loans and improved debt service by economic agents. Profits of private insurers was largely driven by investment income.

Credit risk is main risk facing the financial sector

The committee identified credit risk as main risk facing the lending institutions. Credit risk is manifested through high loan concentration to some sectors, particularly mortgage and hotels. In this regard, the National Bank of Rwanda will continue to regularly monitor the performance, classification and provisioning of mortgage loan facilities in banks, ensure compliance with Single Obligor Limits (SOL) as well as Loan-to-Value (LTV) limits. Regarding the high level of written off loans, the National Bank of Rwanda will continue to liaise with key stakeholders to deal with issues regarding the collateral realization process.

[1] LCR indicates the proportion of Banks' liquid assets to their short-term obligations in 30 days

Operational inefficiency was another challenge noted across the financial sector. The National Bank of Rwanda will continue to urge financial institutions to undertake measures that rationalize costs and increase revenues.

November 15, 2019

NATIONAL BANK OF RWANDA: THE GOVERNOR

RWANGOMBWA John
Governor, Chairperson of FSC