



*The Governor*

**PRESS RELEASE**

**QUARTERLY FINANCIAL STABILITY COMMITTEE MEETING**

The Financial Stability Committee (FSC) held its quarterly meeting on May 3, 2019 and assessed the performance of the financial sector as at end March 2019. The committee observed that the financial sector maintained sufficient solvency and liquidity buffers above the prudential requirements. Profits of the financial sector increased on the back of stable NPLs, increased lending, and improved underwriting returns of private insurers.

- **The financial sector continued to expand on the back of retained profits, capital injection and deposit mobilization.** As at end March 2019, the consolidated financial sector assets increased by 13.1 percent (year-on-year) to FRW 4,765 billion. Loans remained the main component of the deposit taking financial institutions (banks and MFIs) assets with a percentage share of 58 percent in banks and 52 percent in MFIs. The increased pace of lending observed since the last quarter of 2018 was sustained in the first quarter of 2019. As at March 2019, the outstanding loans of banks increased by 15.9 percent to 1,929 billion, compared to 8.7 percent growth registered in March 2018. Similarly, during the same period, loans of MFIs increased by 16.3 percent to FRW 162 billion, compared to 2.4 percent registered in 2018.
- **Non-Performing Loans (NPLs) remained stable in Banks and dropped in MFIs.** In banks, the NPLs ratio remained stable at 6.8 percent in March 2018 and March 2019, but in the MFI sector it dropped from 8.8 percent to 7.2 percent. The loan recovery campaign in SACCOs during the first quarter of 2019 supported the reduction of NPLs in the microfinance sector.
- **Profits of the financial sector increased in the first quarter of 2019.** The net (after tax) profits of banks increased from FRW 9.2 billion in Q1 2018 to 16.1 billion in Q1 2019. In the MFI sector profits increased from FRW 0.9 billion to 3.8 billion. Profits of the insurance sector

(public and private) increased from FRW 7.2 billion to FRW 9.3 billion. Improved profits in banks and MFIs were mainly supported by increased recoveries from write-offs and the uptick in lending since the second half of 2018. The insurance sector profits was supported by improved performance of the motor insurance product, as well as the uptick of investment income. The improving performance of motor insurance product is due to improved claims management, as well revised premiums that started in January 2018.

- **The banking and microfinance sectors remain sufficiently liquid.** As at March 2019, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), the two main indicators of liquidity of banks, stood at 215 percent and 174 percent, respectively, against the 100 percent minimum prudential requirement. On the other hand, the liquidity ratio in the microfinance sector stood at 108 percent, against the 30 percent prudential requirement.
- **The financial sector remained solvent.** The Capital Adequacy Ratio (CAR) of banks stood at 25.5 percent in March 2019, higher than 23.7 percent registered in March 2018, compared to 15 percent prudential minimum. The CAR of MFIs stood at 34.1 percent in March 2019, slightly lower than 34.4 percent registered in March 2018, but remained higher than the 15 percent prudential minimum. The solvency position of private insurers was 151 percent in March 2019, compared to the prudential minimum of 100 percent. The capital buffers portray the strength and resilience of the financial sector to shocks.

The committee identified slow collateral foreclosure process as the main risk facing the financial sector and resolved to advocate for policy reforms to streamline this process.

  
**RWANGOMBWA John**  
**Governor, Chairman of FSC**

