MONETARY POLICY
AND FINANCIAL
STABILITY STATEMENT

February 25, 2020

CORE VALUES: Integrity, Mutual Respect & Team Work, Accountability and Excellence
Global economy

Domestic economy

Financial sector stability

Outlook
Global Economic Developments

GDP to rebound to 3.3% in 2020

World inflation: 3.4% (2019) from 3.6 in (2018)
- In line with falling commodity prices and softening global demand
  Expected at 3.6% in 2020

Monetary policies in major advanced economies remained accommodative in 2019 -in line with:
- Slowing global demand
- Weakening economic activities (Investment)
Domestic Economy
Rwanda continues to enjoy high economic growth

Real GDP growth mainly driven by industry (17.7%) and service (10.6%) sectors

GDP growth projected to end strong in 2019
External sector developments

**TRADE BALANCE: USD MILLION, 2010-2019**

- Exports f.o.b
- Imports c.i.f
- Trade balance

FRW depreciated by 4.9% (2019) from 4.0% (2018)

Imports grew by 10.6%: ↑ in capital and intermediate goods
Exports grew by 3.8%: driven by re-exports and non-traditional exports
Trade deficit increased by 16.3%
In May 2019, NBR cut the policy rate to 5% from 5.5%.

Money market rates continued to stabilize around the CBR.

Decrease in the spread between lending and deposit rates.
Monetary Aggregates Developments

M3 grew by
15.4% vs 15.6%

CPS grew by
12.6% vs +10.8%

NALs
+20.1 % in 2019 from 17.2 % in 2018

Major borrowing sectors:
• Manufacturing: 103% vs 17.2%
• Public works & Building: 17.7% vs 9.6%
• Water & energy: 286.7% vs -23.4%
• Personal loans: 37.8% vs 17.6%
In 2019, Headline inflation was 2.4% from 1.4% in 2018.

Core inflation increased from 2.7% to 3.3%.

Fresh Food Inflation increased from 3.2% to 20%.

2019Q4, inflation increased by 6% from 2.4% in 2019Q3.
Financial Sector
The Financial Sector (Structure & Growth)

Total assets of the financial sector increased by 13.2% to FRW 5,271 billion.
Banking Sector
(Asset Structure)

- Falling Banking exposure to mortgage sector
- Banks diversifying their new lending (manufacturing; water & transport)
Banking Sector (Asset Structure)

- Financial Intermediation the main business of banks
- Banking sector loans increased by 11.4% to FRW 2,084 billion (Dec 19/Dec 18)
- Banks rely on domestics funding (Deposits = 80% of banks liabilities)
Banking Sector FSIs

The banking sector is well capitalised

**CAPITAL ADEQUACY RATIO**

- **22.6%**
- **24.1%**

Banks hold adequate liquidity buffers

- Banking sector LCR at 215% (Prud. Min=100%)
- Banking sector NSFR at 111% (Prud. Min= 100%)
Banking Sector FSIs

Banks profits picking up since Sept. 2017
(increased lending, loans recovery, economic performance)

Declining NPLs ratio in Banks
(strong economic performance & lending, write-offs)

NPLs Ratio

BANKING SECTOR ROE

Dec-17: 6.2
Dec-18: 11.2
Dec-19: 12.5

National Bank of Rwanda-Restricted
Performance of the MFI Sector (Balance Sheet)

The balance sheet of MFIs continued to expand supported by:
Retained earnings and strong growth of Deposits

MFI SECTOR BALANCE SHEET (BILLIONS, FRW)

MFI SECTOR ASSETS

Dec-18  Dec-19

U-SACCOS: +10.3%

NON U-SACCOS: +14.3%

LTD MFIS: +22.1%
# The Soundness of MFIs Sector

## Profits of MFIs (Billion FRW)

<table>
<thead>
<tr>
<th></th>
<th>Dec-16</th>
<th>Dec-17</th>
<th>Dec-18</th>
<th>Dec-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>All MFIs</td>
<td>9.8</td>
<td>2.4</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>U-SACCOs</td>
<td>5.1</td>
<td>3.7</td>
<td>2.8</td>
<td>4.3</td>
</tr>
<tr>
<td>LTD MFIs</td>
<td>1.2</td>
<td>(3.88)</td>
<td>0.06</td>
<td>2.4</td>
</tr>
<tr>
<td>Other SACCOs</td>
<td>3.4</td>
<td>2.5</td>
<td>4.4</td>
<td>5.2</td>
</tr>
</tbody>
</table>

## FSIs (%)

<table>
<thead>
<tr>
<th></th>
<th>Dec-16</th>
<th>Dec-17</th>
<th>Dec-18</th>
<th>Dec-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR (Min. 15%)</td>
<td>32.8</td>
<td>29.1</td>
<td>33.0</td>
<td>35.5</td>
</tr>
<tr>
<td>Liquidity ratio (Min. 30%)</td>
<td>88.8</td>
<td>102</td>
<td>100.3</td>
<td>100.4</td>
</tr>
<tr>
<td>NPLs ratio</td>
<td>9</td>
<td>8.2</td>
<td>6.5</td>
<td>5.7</td>
</tr>
</tbody>
</table>

**Improved profits due to loan recoveries/ reduction of NPLs**

The sector remain adequately capitalized and liquid.
Performance of the Insurance Sector: Asset Growth and Structure

Insurance sector assets increased due to:
- Capital injection (FRW 4.3 billion),
- Retained earnings (FRW 46.6 billion).

Insurance sector’s total premiums increased from FRW 134.6 billion (2018) to FRW 153.4 billion in (2019)

- General insurance accounts for 81% of total premiums
- Life insurance represents 19% of the total premiums.
- Motor insurance accounted for 35.8% of total private insurers’ premiums in 2019
## Performance of the insurance sector: Key Financial Soundness Metrics

<table>
<thead>
<tr>
<th>Private Insurers</th>
<th>Selected FSIs (%)</th>
<th>Dec-15</th>
<th>Dec-16</th>
<th>Dec-17</th>
<th>Dec-18</th>
<th>Dec-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solvency margin (Min. 100%)</td>
<td>116</td>
<td>78</td>
<td>193</td>
<td>165</td>
<td>170</td>
<td></td>
</tr>
<tr>
<td>Liquidity ratio (Min.120%)</td>
<td>71</td>
<td>88</td>
<td>157</td>
<td>134</td>
<td>130</td>
<td></td>
</tr>
<tr>
<td>Claimsratio (60%-70%)</td>
<td>68</td>
<td>67</td>
<td>65</td>
<td>59</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>Expenses ratio (Max.30%)</td>
<td>59</td>
<td>60</td>
<td>48</td>
<td>48</td>
<td>43</td>
<td></td>
</tr>
</tbody>
</table>
### Performance of the Pension sector:

<table>
<thead>
<tr>
<th>Pension Funds</th>
<th>Dec-17</th>
<th>Dec-18</th>
<th>Dec-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSSB</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets (Frw billion)</td>
<td>717.9</td>
<td>773.2</td>
<td>891.1</td>
</tr>
<tr>
<td>Contributors (number)</td>
<td>374,330</td>
<td>478,578</td>
<td>500,607</td>
</tr>
<tr>
<td>Private Pension Schemes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets (Frw billion)</td>
<td>35</td>
<td>45.3</td>
<td></td>
</tr>
<tr>
<td>Contributors (number)</td>
<td>38,878</td>
<td>37,285</td>
<td></td>
</tr>
<tr>
<td>Ejo Heza</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets (Frw billion)</td>
<td>-</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Contributors (number)</td>
<td>32,549</td>
<td>244,182</td>
<td></td>
</tr>
</tbody>
</table>

Assets of the public pension fund increased 15% to FRW 891.1 billion.

Private Pension Schemes increased by 29.4% to FRW 45.3 billion.
Payment systems
(Retail Payment System)

The journey towards digitization of payment services

MOBILE PAYMENT SUBSCRIBERS

<table>
<thead>
<tr>
<th>Year</th>
<th>Subscribers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4,666,206</td>
</tr>
<tr>
<td>2019</td>
<td>4,700,987</td>
</tr>
</tbody>
</table>

MOBILE PAYMENT TRANSACTIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>299.9 Million</td>
</tr>
<tr>
<td>2019</td>
<td>378.8 Million</td>
</tr>
</tbody>
</table>

MOBILE PAYMENT SERVICES COMPOSITION

<table>
<thead>
<tr>
<th>Service</th>
<th>2018 (%)</th>
<th>2019 (%)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash-in</td>
<td>25.9</td>
<td>23.1</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Cash-out</td>
<td>17.0</td>
<td>15.8</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Airtime purchase</td>
<td>37.2</td>
<td>36.7</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Digital payments</td>
<td>19.9</td>
<td>24.2</td>
<td>4.4%</td>
</tr>
<tr>
<td>International remittance/transfers</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

- Growth of digital payment (Merchant,Bill & Govt payment);
- Decreased portion of cash out
# Payment systems

## (Retail Payment System)

<table>
<thead>
<tr>
<th></th>
<th>Dec-14</th>
<th>Dec-15</th>
<th>Dec-16</th>
<th>Dec-17</th>
<th>Dec-18</th>
<th>Dec-19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Traditional(Physical) POS</strong></td>
<td>1,152</td>
<td>1,718</td>
<td>1,885</td>
<td>2,104</td>
<td>2,801</td>
<td>3,477</td>
</tr>
<tr>
<td><strong>Number of modern(Virtue &amp; Mobile) POS</strong></td>
<td></td>
<td></td>
<td></td>
<td>11,537</td>
<td>19,770</td>
<td></td>
</tr>
<tr>
<td><strong>Number of ATMs</strong></td>
<td>354</td>
<td>380</td>
<td>400</td>
<td>406</td>
<td>383</td>
<td>383</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Penetration rates of POS</th>
<th>Dec-16</th>
<th>Dec-17</th>
<th>Dec-18</th>
<th>Dec-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of POS per 100,000 adult population</td>
<td>28.16</td>
<td>30.5</td>
<td>206.8</td>
<td>216</td>
</tr>
<tr>
<td>POS Penetration rate target</td>
<td>-</td>
<td>21.6</td>
<td>32</td>
<td>62</td>
</tr>
</tbody>
</table>

Expansion of Payment footprints over the last 4 years driven by: mobile payment technology

Target by 2024: 324
Outlook - Financial Sector Stability

• The financial sector is expected to remain sound and stable.

• NBR will continue ensuring that financial institutions hold enough capital relative to the risks they undertake as well as sufficient liquidity to meet financial obligations.

• Enhancement of the legal and regulatory framework will continue to strengthen the resilience of the financial sector.

• Implementation of Risk Based Capital (RBC) will be a key priority in insurance.

• NBR will work with insurers to ensure smooth transition from IFRS 4 to IFRS 17_Insurance Contracts.

• The ongoing RIPPS upgrade will provide real time payment, accelerated clearing and settlement to reduce settlement risk and expansion of operating hours.

• NBR will continue to enforce payment security and consumer protection requirements and in line with international best practices.
Outlook - Domestic Economy

• In 2020, Rwanda’s economy expected to continue performing well (currently projected at around 8.1%):

• NBR will conduct prudent monetary policy;
  ← Inflation is projected to evolve slightly above 5% in 2020
  ← FRW depreciation vs USD projected around 4.7% in 2020

• Global economy projected to pick up
  ← However, risks are posed by corona virus, rising geopolitical tensions and climate-induced disasters

• NBR stands ready to take appropriate actions as required, to maintain Rwanda’s macroeconomic stability.
Thank You
MONETARY POLICY AND FINANCIAL STABILITY STATEMENT

February 25, 2020