ANALYSIS OF THE FINANCIAL SOUNDNESS INDICATORS FOR SELECTED COMESA MEMBER COUNTRIES

1. Introduction

1. During the twenty second meeting of the COMESA Committee of Governors of Central Banks held on 30th March 2017 in Bujumbura Burundi, Governors decided that the country that assumes the Chairmanship (currently Central Bank of Kenya) of the subcommittee in a given year consolidates and analyses the Financial Soundness Indicators (FSIs) of all member countries in collaboration with COMESA Monetary Institute.

2. Pursuant to this directive, this paper provides an analysis of Financial Soundness Indicators for selected COMESA member countries that submitted data to CMI. They include: Egypt, Kenya, Malawi, Rwanda, Swaziland and Zambia.

3. This report analyses some key FSIs for the period December, 2012 to December, 2017 covering selected indicators of: – Capital Adequacy; Earnings and profitability; asset Quality and Liquidity. The COMESA Monetary Institute (CMI) with the Financial System Development and Stability Sub-committee should endeavour to harmonize the compilation of the FSIs.

2. Global Economic and Financial Conditions

4. The global economic growth is on an upward trend since 2015 precipitating improved global market sentiments. Global growth is expected to rise from 3.2 percent in 2016 to around 3.6 percent and 3.7 percent in 2017 and 2018, respectively (WEO, October, 2017). The positive outlook is supported by among others, stronger than-expected pick up in advanced economies like Japan and the Euro Area and solid growth in emerging market economies like China and India. Specifically, moderation of fiscal austerities in several Euro Area countries, stimulus programs in China and moderating US Dollar strength, are playing an important contribution to the positive global economic growth outlook.

5. In the near-term, risks to the global growth outlook are broadly balanced. On the up side, global economic recovery could strengthen, further supported by strong consumer and business confidence and benign financial conditions. On the down side, high and increasing debt levels in emerging economies like China; policy uncertainty and monetary policy normalization in some advanced economies, notably the United States, that could lead to unexpected tightening in global financial conditions; possibility of inward-looking and protectionist policies; geopolitical risks and populist movements and; soft commodity prices, notably oil price drop on account of unexpected higher US oil share production, unexpected stronger production recoveries in Libya and Nigeria and higher supply by OPEC countries, could all harm global growth and market confidence.

6. Meanwhile, global financial stability will continue to improve, attributed to continued decline in near term risks to financial stability if a pick-up in global economic activity materializes (Global Financial Stability Report, October, 2017). However, on the flipside, improved economic outlook imply that market and liquidity risks will remain elevated due to intensified search for yields by investors and increased risk appetite. Credit risks to the global financial stability remain elevated following increasing indebtedness among the major global economies.

7. Most COMESA member countries are relatively less interlinked with global financial markets, hence have limited exposure to global risks. As the region's economies get more integrated with the

world economy, then exposure to global risks will inevitably increase, requiring continuous monitoring of the performance of the global economy and financial markets.

8. However, even with limited interconnectedness, the aforementioned down side risks from global financial markets could affect COMESA member States through a number of channels. Global policy uncertainty could lead to policy uncertainty, capital flight and exchange rates volatility, adverse effect on trade, investment and growth in COMESA region. Notably, relatively lower commodity prices in the third quarter of 2017, creates more uncertainty and downside risks for the region's commodity exporting countries. This implies that if the trend continues, most commodity exporters in the region could face large terms of trade shocks and the resultant implications of huge budget revenue losses.

9. In the near term, macroeconomic risks to financial stability in COMESA region are expected to remain subdued, on account of a projected modest pick-up in economic activity of most economies in the region. This will largely depend on improved weather, supportive external environment and continued moderate inflation, if threats to the region's financial stability is to remain minimal.

3. Financial Soundness Indicators (FSIs)

10. This report provides an analysis of Financial Soundness Indicators (FSIs) for the Banking sector for six COMESA member countries, namely: Egypt, Kenya, Malawi, Rwanda, Swaziland and Zambia who submitted data to CMI for the period December 2012 to December 2017. Other member member countries did not respond on time. It is worth noting that Egypt, Swaziland and Zambia data was available up to March/June 2017.

11. The FSIs analysed are:

i). Indicators of Earnings and Profitability
   a. Return on assets (ROA)
   b. Return on equity (ROE)
   c. Non-interest expenses to gross income

ii). Capital Adequacy indicators
   a) Regulatory Tier 1 capital to risk weighted assets
   b) Regulatory total capital to risk weighted assets
   c) Total capital to total assets

iii). Assets Quality Indicators ;
   a) Non-performing loans to Gross Loans and Advances
   b) Provisions to non-performing loans
   c) Total loans and advances to total assets
   d) Foreign currency loans to total loans and advances

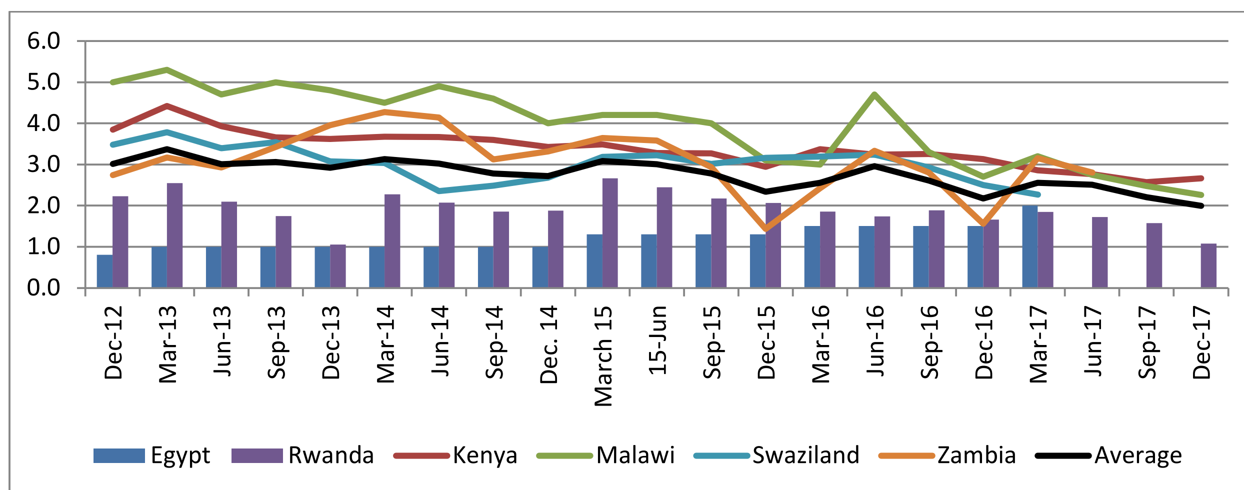
iv). Indicators of Liquidity
   a. Liquid assets to deposits and short-term liabilities
   b. Total loans to total deposits
   c. Liquid Assets to total assets

i). Earnings and Profitability

12. Banks in the region have been profitable over the study period (December, 2012 to December, 2017) as indicated in **Figure 1 and 2.**

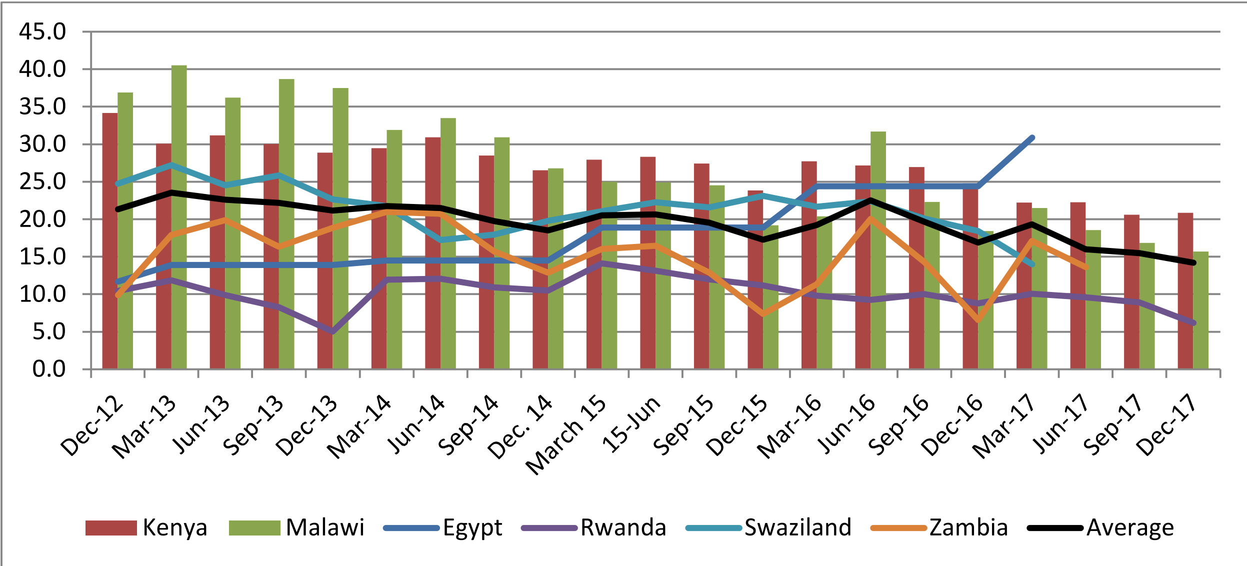
- In Egypt, the banking sector remains profitable with operating profits being sufficient to absorb possible loan impairments. Return on Assets (ROAs) and Returns on Equity (ROE) increased from 1.5 percent and 24.4 percent in March 2016 to 2.0 percent and 30.9 percent in March 2017, respectively.
- In Kenya, banking sector remain profitable despite the interest rate capping law introduced in September 2016. ROA and ROE declined from 3.1 percent and 24.8 percent in December, 2016 to 2.9 percent and 22.2 percent in March, 2017 and further down to 2.7 percent and 20.8 percent in December, 2017, respectively.
- In Malawi, profit after tax in the banking sector increased by 9.1 percent in December, 2017 compared with December, 2016, but ROE and ROA ratios declined to 15.7 percent and 2.3 percent as at December 2017, from the December 2016 ratios of 18.2 percent and 2.7 percent, respectively. Higher accumulation of reserves contributed to the decline in ROE, while declining ROE and ROA when profits were increasing imply that the quality of assets deteriorated over the period. This can be attributed to an increase in NPLs from 15.1 percent in March 2017 to 15.7 percent in December 2017despite an increase in gross loans over the period, which pushed total assets up or some assets had lower returns over the period (e.g. Government securities).
- In Rwanda, the banking sector has continued to make profits over the study period, although ROA and ROE have marginally declined from 1.7 percent and 8.8 percent in December, 2016 to 1.1 percent and 6.2 percent in December, 2017. However, the sector remained profitable due to among others, a decrease in operating costs and increased non-interest income.

Figure 1: Return on Assets (ROA) (Percent)



- In Swaziland, banks profitability declined with average ROA and ROE declining from 3.2 percent and 21.7 percent, respectively at the end of March 2016, to 2.3 percent and 14.0 percent at the end of March 2017, respectively. However, the average ROA and ROE for the entire period for Swaziland at 3.0 percent and 21.5 percent, respectively was well above the selected COMESA countries average of 2.8 percent and 19.7 percent, respectively.
- In Zambia, banks remained profitable with ROA and ROE increasing from 2.4 percent and 11.3 percent in March 2016 to 3.1 percent and 17.1 percent in March 2017 respectively.

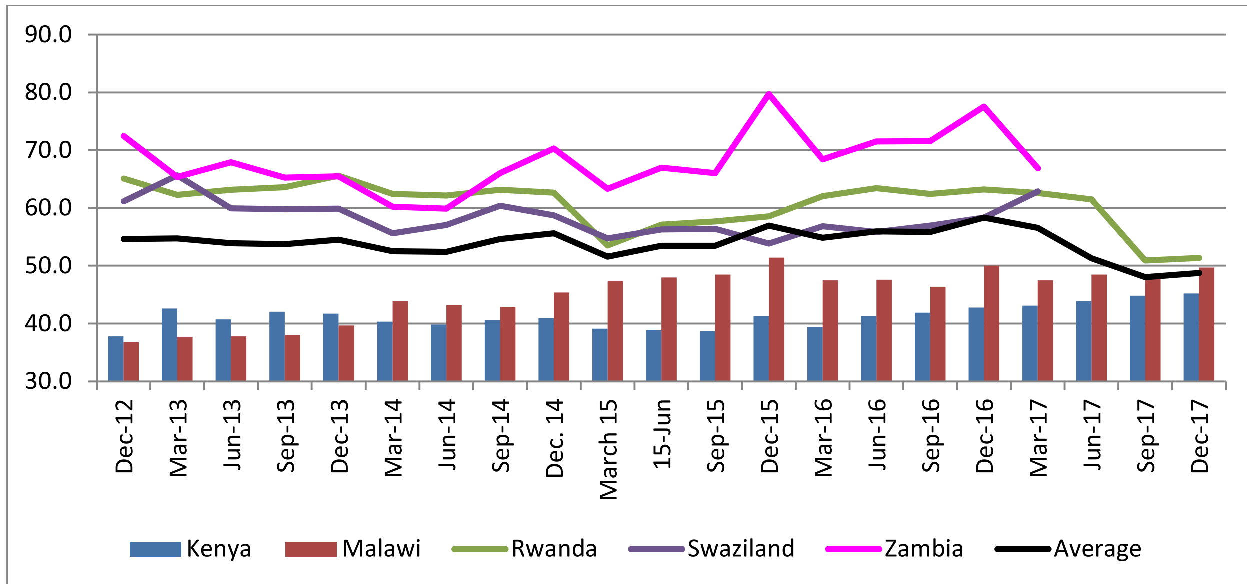
Figure 2: Return on Equity (ROE) (Percent)



13. Overall, banks in the selected countries in the region remain sound and profitable. Banks in Kenya and Malawi posted the highest ROAs and operated above the average for the region in the entire period (December 2012 to December, 2017). Banks in Rwanda and Egypt had their ROAs below the region's average for the entire period. Across these selected countries, there was a general slowdown in private sector credit growth possibly reflecting the effect of slowdown in economic activity. Consistent with ROAs performance, banks in Kenya and Malawi posted ROE above the selected countries average, while banks in Zambia and Rwanda had ROEs below the selected countries average.

14. Banks in Zambia, Rwanda and Swaziland posted the highest Non-interest Expenses to Gross Income (Percent) above the selected countries average (**Figure 3**), suggesting that banks in these countries have higher operating costs on average than in the other countries. Consistent with their earnings performance, banks in Kenya and Malawi posted the lowest Non-interest Expenses to Gross Income and possibly reflecting a refocus on efficiency for banks in Kenya and the structure of banking sector in Malawi (**Figure 3**).

Figure 3: Non-interest Expenses to Gross Income (Percent)



ii). Capitalization Adequacy Levels

15. The banking sector in the selected COMESA member countries remain sound and resilient with adequate capitalization of varying levels and buffers **(Figures 4 and 5).**

- In Egypt, banks remain well capitalized. In June 2017, Capital adequacy ratio in Egypt was 14.5 percent against Central Bank of Egypt (CBE) statutory requirement of 11.25 percent.
- In Kenya, the banking sector remain healthy and well capitalized with Regulatory Tier 1 Capital to Risk Weighted Assets and Regulatory Total Capital to Risk Weighted Assets (RWAs) ratios, which declined marginally from 16.3 percent and 18.7 percent as at December, 2016 to 16.0 percent and 18.5 percent in December, 2017, respectively against the statutory minimum capital requirements of 10.5 percent and 14.5 percent, respectively.
- In Malawi, Regulatory Tier 1 Capital to Risk Weighted Assets and Regulatory Total Capital to Risk Weighted Assets ratios were at 15.3 percent and 19.4 percent in December, 2017, compared to 16.1 percent and 19.5 percent in March 2017 and 13.8 percent and 17.0 percent in December, 2016 against regulatory minimum requirements of 10.0 percent and 15.0 percent, respectively. The slight decline in both ratios was attributed to an increase in Risk Weighted Assets (RWAs), (figure 4, 5 and 6).
- In Rwanda, Capital adequacy indicators remained at comfortable levels with Regulatory Total Capital to Risk Weighted Assets (RWAs) ratio at 21.4 percent in December, 2017 against a regulatory requirement of 15 percent but slightly lower than 21.89 percent as at December, 2016. The reduction was due to changes in banks' risk profile and the role of new banks' lending behaviour that favoured loans over government securities (figure 4, 5 and 6).
- In Swaziland, banking sector remain well capitalized, with regulatory tier 1 capital adequacy and total capital adequacy ratios at 21.2 percent and 23.5 percent respectively in the year to March, 2017 compared with 20.4 percent and 22.8 percent in March, 2016, respectively, thus indicating the banks' strong solvency positions.
- In Zambia, Banks experienced improved capital adequacy ratios with Regulatory Tier 1 Capital to Risk Weighted Assets, Regulatory Total Capital to Risk Weighted Assets (RWAs) and Total capital to total assets at 25.5 percent, 27.8 percent and 13.1 percent as at June 2017 respectively, compared to 22.5 percent, 25.1 percent and 12.0 percent respectively as at June 2016.

Figure 4: Regulatory Tier 1 Capital to Risk Weighted Assets (Percent)

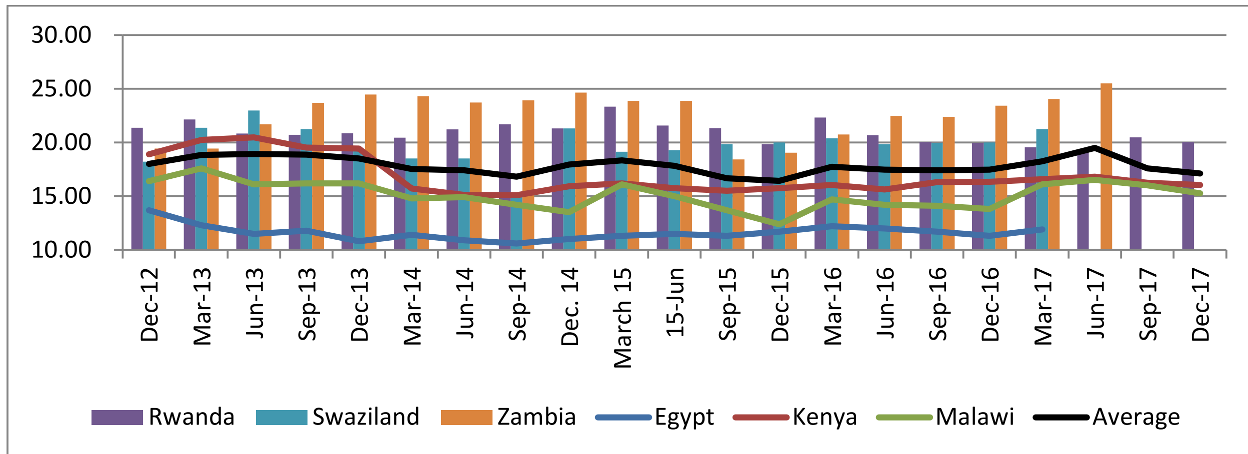
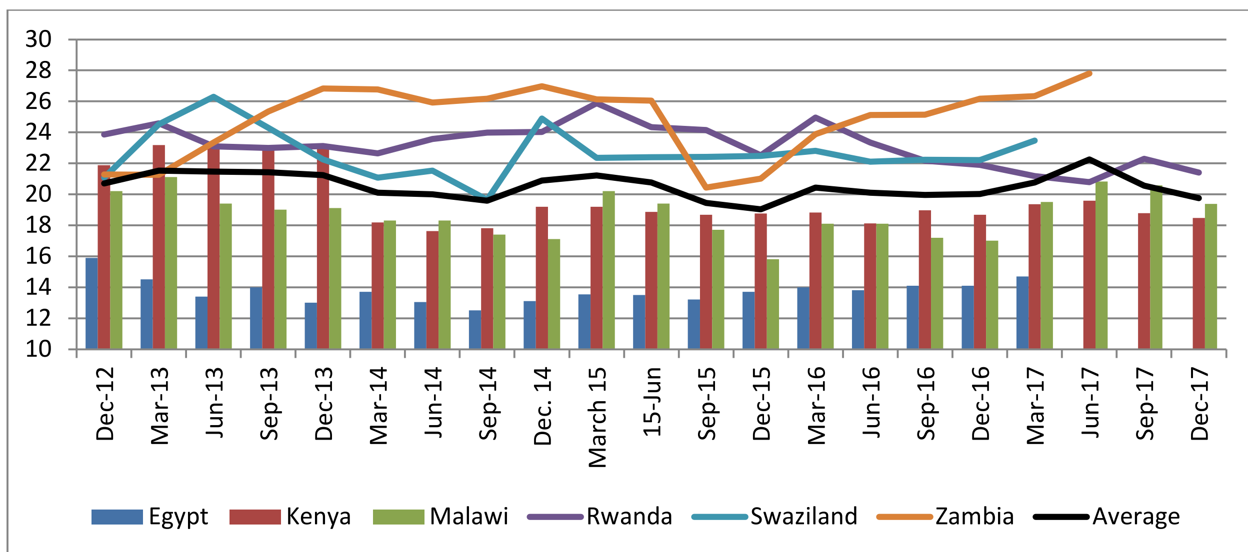


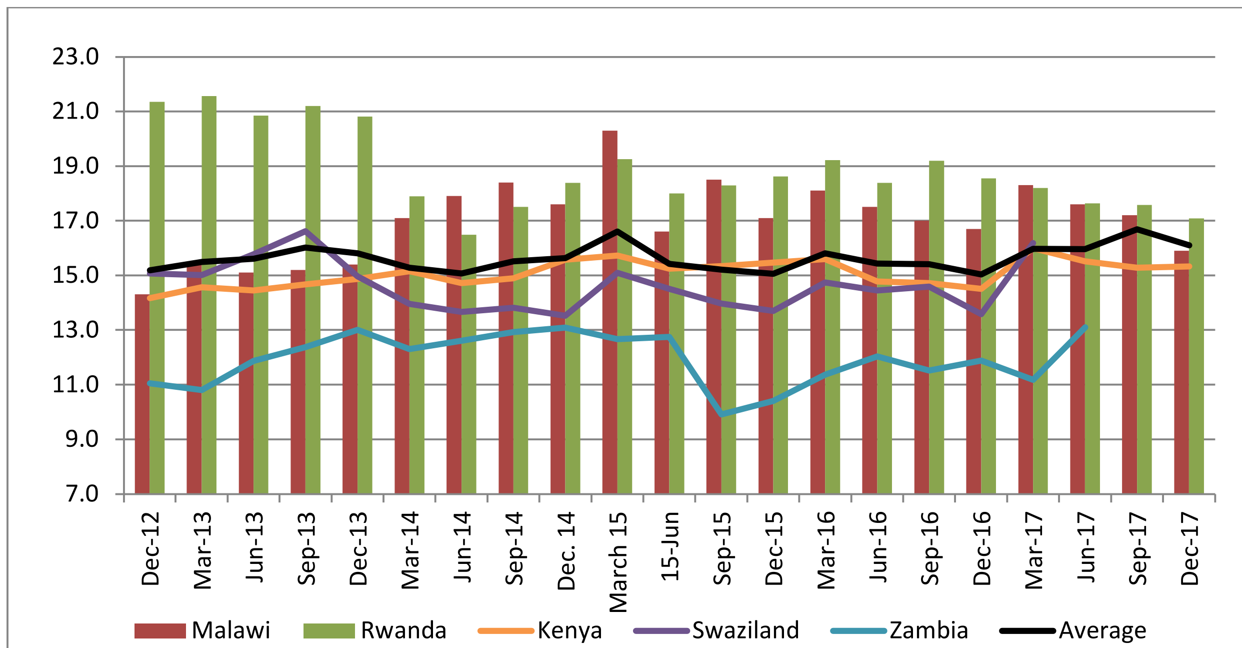
Figure 5: Regulatory Total Capital to Risk Weighted Assets - RWAs (Percent)



16. Overall, banks in the selected COMESA countries remained well capitalized over the period December 2012 to December 2017. For the entire period, Banks in Rwanda, Swaziland and Zambia posted average Regulatory Tier 1 Capital to Risk Weighted Assets above the selected countries average, while banks in Malawi, Kenya and Egypt posted core capital below the average.

17. However, banks in Rwanda and Malawi posted total capital to total assets ratio above the selected countries' average. Banks in Zambia and Swaziland posted below average, while in Kenya, banks ratio almost equal to the average. When examined together with profitability, banks in Zambia and Swaziland may need to expand their asset base or take measures to increase their capital, in order to move closer to the selected countries' average (**Figure** 6).

Figure 6: Total capital to total assets



iii). Assets Quality

18. Overall, the selected COMESA countries banking sector non – performing assets quality measured by the Non-Performing Loans (NPLs) have showed mixed results but generally elevated (**Figures 7, 8, 9 and 10**). The selected COMESA countries NPLs is as indicated in **Figure 7** below.

- In Egypt, the banks loan quality remains strong with NPLs declining. In June 2017, the share of non-performing loans in total loans remained stable at 5.5 percent and specific loan-loss provisioning coverage was 91.1 percent compared with 5.9 percent and 99.0 percent in June 2016 respectively. The main factors behind this minimal credit risk include; Central Bank of Egypt (CBE) restrictions on foreign exchange lending to borrowers without sufficient foreign exchange revenues; the cash collateral requirement for import-related trade finance loans in the same currency; the focus of banks on multinational corporates, local blue chips, and wealthy retail clients; the relatively low debt levels of Egyptian corporates and households; resilient revenues of large corporate borrowers in most sectors; and, the generally strong economic growth (**Figure 7, 8 and 9**).
- In Kenya, Non-performing loans to gross loans and advances increased by 25 percent and 38 percent from 7.6 percent in March 2016 to 9.6 percent and 10.6 percent in March 2017 and December 2017, respectively. The increase is largely attributed to delay of payments by government to contractors, enhanced transparency and governance, review of business models (the new normal), and the 2015-16 placement of three banks under receivership. As a consequence, provisioning to NPLs ratio has increased by 12 percent from 25.6 percent in March 2017 to 28.6 percent in December 2017. (**Figure 7, 8 and 9**).
- In Rwanda, banks assets quality deteriorated as depicted by 28.6 percent increase in the ratio of NPLs to gross loans from 6.0 percent as at end March 2016 to 7.7 percent as at end of March 2017, before declining marginally to 7.2 percent in December 2017. Despite the increase in NPLs, total loans and advances to total assets have continued to rise from 68.5 percent in March, 2016 to 73.8 percent in December, 2017. Provisions for non-performing loans increased by over 500 percent from 6.1 percent in March 2017 to 37.1 percent in December 2017 commensurate with increased credit risk. The increase in NPLs has been

attributed to among others, poor project assessment, delayed payments to contractors for government funded projects, drought, and more broadly to the slowdown in economic growth (figure 7, 8 and 9). Despite previous preference for foreign currency loans, foreign currency loans to total loans and advances remained fairly constant at 11.54 percent, 11.93 percent and 11.15 percent in March, 2016, March 2017 and December, 2017 respectively, and was within the Rwanda's banking system foreign exchange exposure prudential requirements (**Figure 10**).

- In Malawi, banks asset quality deteriorated on the backdrop of increasing NPLs to total loans from 15.1 percent in March 2017 to 15.7 percent in December, 2017, despite an increase of 7 percent in gross loans over the period. The increase in NPLs is attributed to, among others: poor agricultural commodity prices; high cost of borrowing despite the reduction in lending rates; default by one of the large multi-borrower; and, continued intermittent power supply. Increase NPLs have resulted in tighter credit standards and conditions for approving loans, attributed to high risk on collateral demanded and poor creditworthiness of borrowers, despite continued favourable macroeconomic conditions. As a consequence, specific provisions to non-performing loans increased by 62 percent from 21.3 percent in March 2017 to 34.5 percent in December, 2017, while Total loans and advances to total assets slowed down from 33.5 percent in March 2017 to 28.5 percent in December, 2017 (**Figure 7, 8 and 9**). Preference for Foreign currency loans to total loans and advances increased from 24.2 percent in March 2017 to 27.9 percent in December, 2017 (**Figure 10**).
- In Swaziland, non-performing loans to gross loans and advances increased by 30.6 percent from 7.6 percent in March, 2016 to 10.0 percent in March 2017, partly explaining the weakened profitability in the banking sector over the period. Despite increasing NPLs, credit extended by banks continued to grow. During the year to March 2017, total loans and advances to total assets grew from 60.1 percent in the year to March 2016 to 62.1 percent in the year to March 2017. However, specific provisions to non-performing loans declined marginally from 40.8 percent in March 2016 to 39.1 percent in March 2017 (**Figure 7, 8 and 9**).
- In Zambia, assets quality deteriorated as depicted by an increase of 28.9 percent and 14.4 percent in Non-performing loans to gross loans and advances from 8.2 percent in March 2016 to 10.6 percent in March 2017 and to 12.1 percent in June 2017, respectively. The increase in NPLs largely reflects the slowdown in credit growth where total loans and advances to total assets declined by 18.3 percent from 42 percent in March 2016 to 34.3 percent in March 2017. Consequently, there has been a slowdown in Provisions to non-performing loans from 74 percent in March 2017 to 62.9 percent in June 2017 (**Figure 7, 8 and 9**). Preference for Foreign currency loans to total loans and advances decreased from 37.1 percent in March 2016 to 34.9 percent in June, 2017 (**Figure 10**).

Figure 7: Non-Performing Loans (NPLs) to Gross Loans and Advances (Percent)

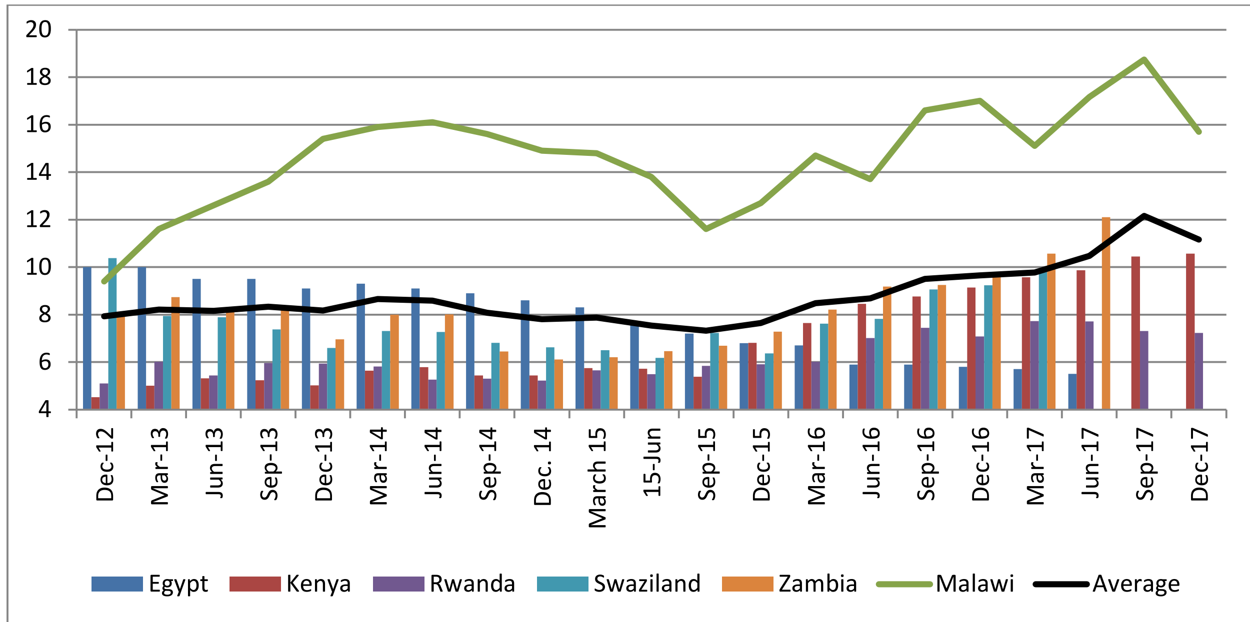


Figure 8: Specific Provisions to Non-performing Loans (Percent)

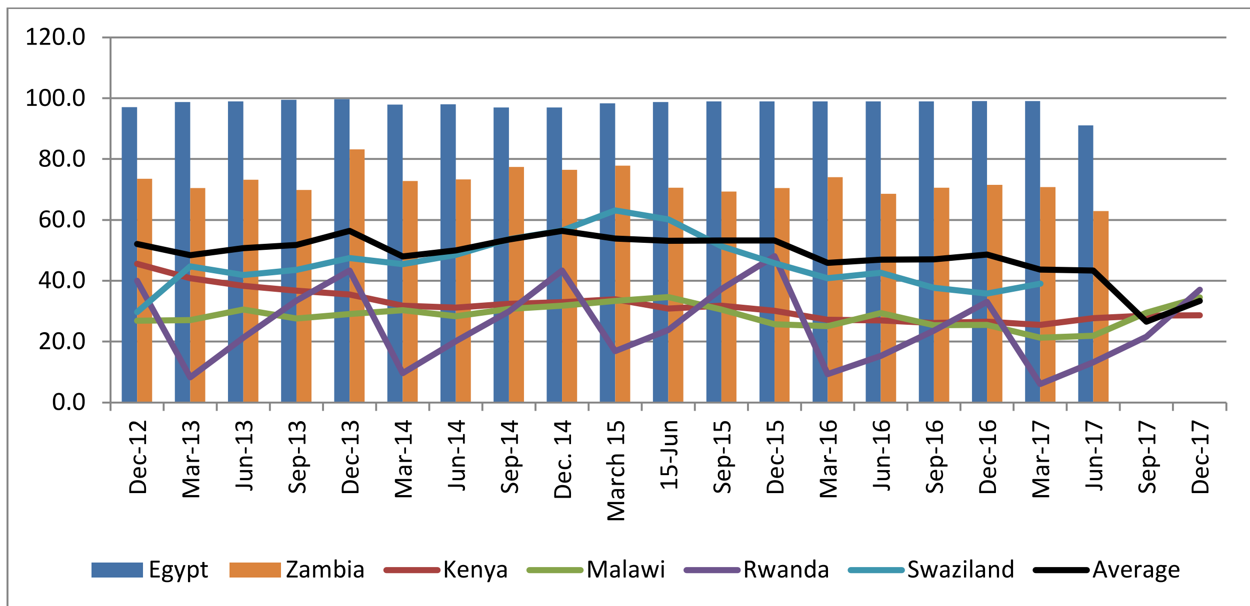


Figure 9: Total Loans and Advances to Total Assets (Percent)

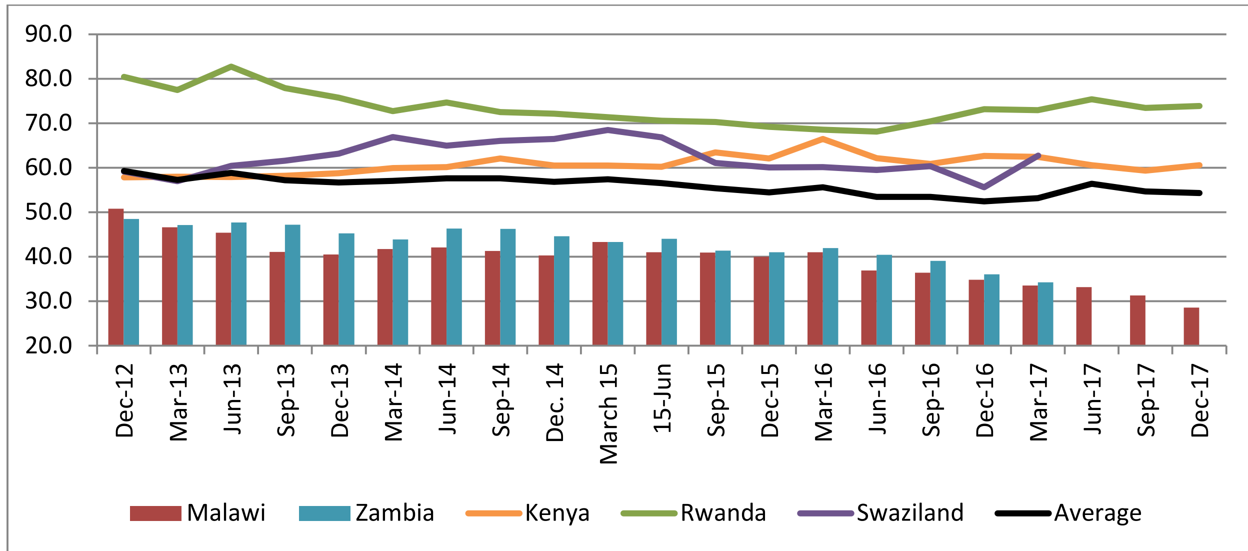
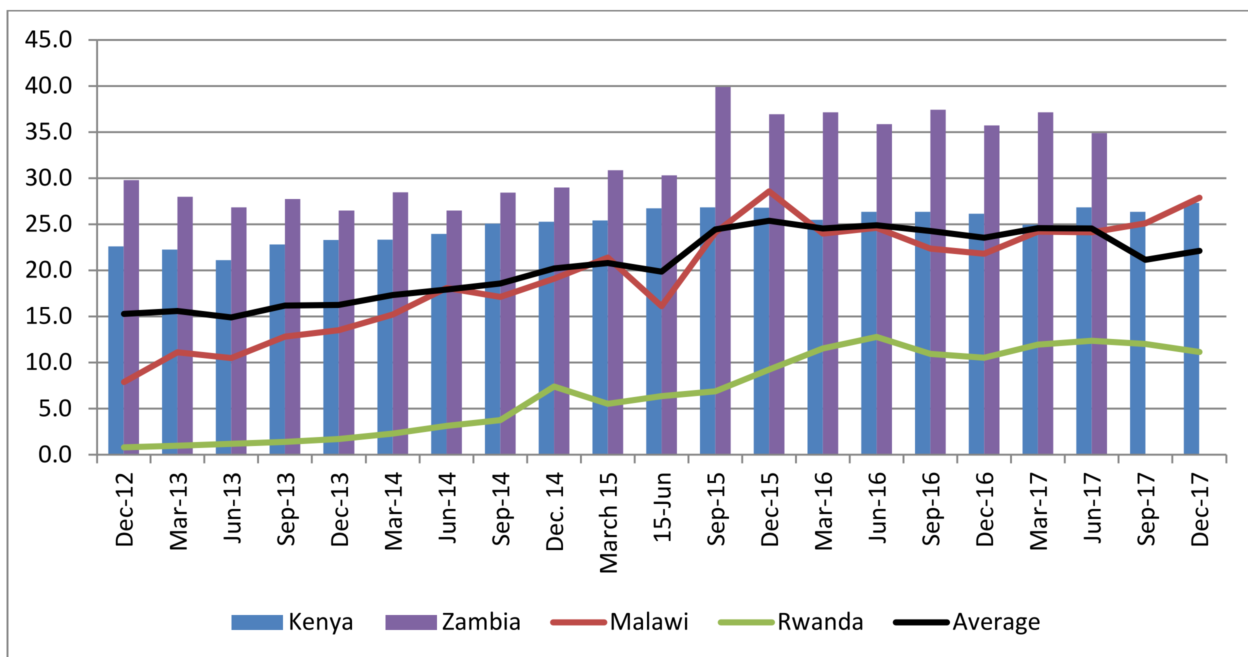


Figure 10: Foreign Currency Loans to Total Loans and Advances



19. Overall, banks in Malawi reported the highest ratio of NPLs to gross loans and advances with an average of 14.9 percent for the period from December, 2012 to December, 2017, above the region's average of 8.8 percent over the period, while banks in Rwanda show the lowest average NPLs ratio at 6.2 percent. Banks in Egypt provided the highest Provisions to non-performing loans at 98.2 percent against the region's average of 48.4 percent over the review period. Consistent with low NPLs ratio, banks in Rwanda also had the lowest average provisions to non-performing loans at 25.4 percent over this period. Banks in Rwanda also have the highest total loans and advances to total assets ratio at 73.5 percent, against the region's average of 56 percent, which further explains why Rwanda posted the lowest non-performing loans to gross loans and advances ratio. Loans growth was lowest in Malawi at an average of 39.6 percent over the entire review period. On foreign currency loans, Banks in Zambia show the highest preference with foreign currency loans to total loans and advances of 32.0 percent against the region's average of 20.6 percent, while banks in Rwanda indicate lowest preference at 6.8 percent, over the review period.

iv). Liquidity Conditions (Figure 11, 12, 13 and 14)

20. In Egypt, banks have sufficient liquidity buffers that are able to mitigate against interest rate and liquidity risks from large holdings of government securities. Based on the available data for an approximate measure for liquidity for Banks in Egypt, total loans to total deposits ratio improved by 10.6 percent from 42.6 percent in March 2016 to 47.1 percent in March 2017. However, it is important to note that small banks remain vulnerable as they sometimes operate below sector average on several threshold requirements. Central Bank of Egypt (CBE) supervision closely monitors implementation of these banks' remediation plans, and therefore they do not pose significant risks to financial stability, considering their small market share (**Figure 12**).

21. In Kenya, average liquid assets to deposits and short-term liabilities increased by 9.6 percent from 39.9 percent in March 2016 to 43.7 percent in December, 2017. The healthy liquidity position of Kenyan banks is also confirmed by an increase of liquid assets to total assets ratio from 32.6 percent in March 2016 to 34.6 percent in December, 2017. There has been a slowdown on total loans to total deposits ratio from 86.5 percent in March 2016 to 82.9 percent in December 2017 (**Figures 11, 12 and 13**).

22. In Malawi, liquidity improved from an average liquidity ratio of 68.8 percent in March 2017 to 77.0 percent as at December, 2017, well above the regulatory minimum ratio of 30.0 percent, on account of a higher proportionate growth of 45.0 percent in liquid assets against 29.5 percent growth in total deposits and short-term liabilities. Although the sector is expected to continue being vibrant, the outlook for asset quality is mixed. On one hand, the sector is expected to benefit from the decline in average base lending rates between April and December 2017 following downward revision in the Policy rate by registering reduced levels of NPLs, while on the other, the effects of reduced economic activity (if projected adverse weather conditions materializes) may dampen such gains. Similarly, Liquid Assets to total assets ratio increased by 28.2 percent from 43.6 percent in March 2016 to 55.9 percent in December, 2017. However, total loans to total deposits decreased by 25.8 percent from 60.7 percent in March 2016 to 45.1 percent in December, 2017 mostly reflecting the slowdown in the growth of total loans and advances (**Figures 11, 12 and 13**).

23. In Rwanda, banks maintained enough liquid assets to meet any liquidity distress, well above the statutory requirements, with National Bank of Rwanda (BNR) adopting Basel III liquidity requirements in 2017. Liquid assets to deposits and short-term liabilities ratio remained fairly constant at 32.4percent as at March 2016 and March 2017, and 32.5 percent as at December, 2017. However, liquid assets to total assets declined marginally from 29.1 percent in March 2016 to 28.1 percent in

December, 2017, while total loans to total deposits ratio increased from 103.4 percent in March, 2016 to 108.7 percent in December 2017, largely reflecting growth in loans and advances **(Figures 11, 12 and 13).**

24. In Swaziland, banks maintained acceptable levels of liquidity with the ratio of liquid assets to deposits and short-term liabilities increasing from 26.9 percent as at March 2016 to 28.4 percent as at March 2017 against a regulatory minimum requirement of 25.0 percent. Similarly, liquid Assets to total assets increased from 19.4 percent to 21.6 percent during the same period. However, total loans to total deposits decreased from 87.1 percent as at March 2016 to 86.0 percent as at March 2017, mostly reflecting a slowdown in growth of loans and advances over the period (**Figures 11, 12 and 13**).

25. In Zambia, liquid assets to deposits and short-term liabilities in banks has been increasing from 44.7 percent in March 2016, to 54.2 percent and 59.7 percent in March 2017 and June 2017 respectively, while liquid assets to total assets has increased from 35.5 percent in March 2016 to 43.6 percent and 44.3 percent in March 2017 and June 2017 respectively. However, total loans to total deposits declined from 58.4 percent in March 2016 to 47.3 percent in June, 2017 (Figures 11, 12 and 13).

Figure 11: Liquid Assets to Deposits and Short-term Liabilities (Percent)

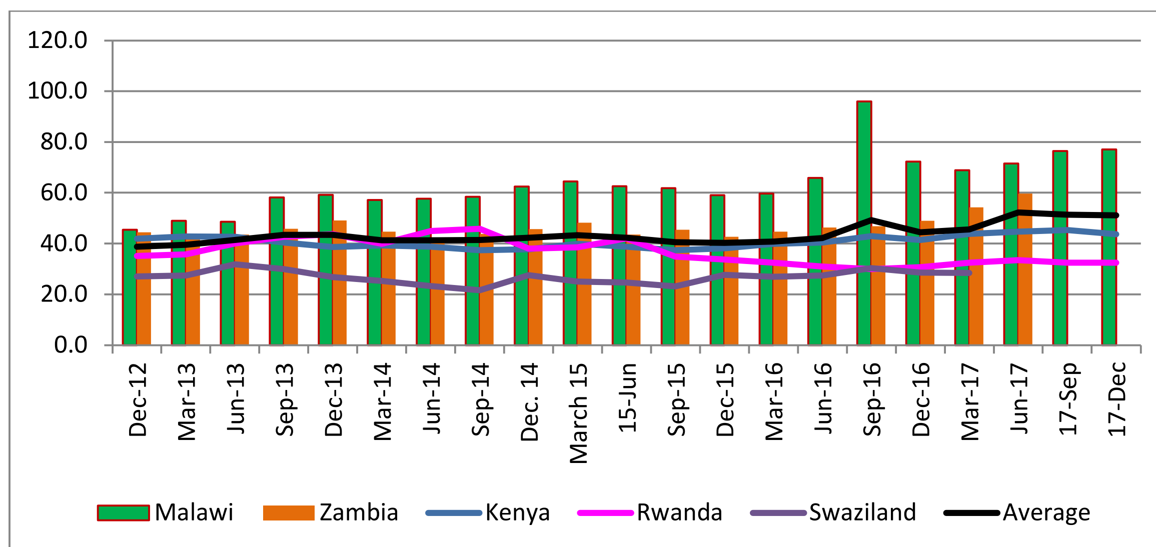


Figure 12: Total Loans to Total Deposits (Percent)

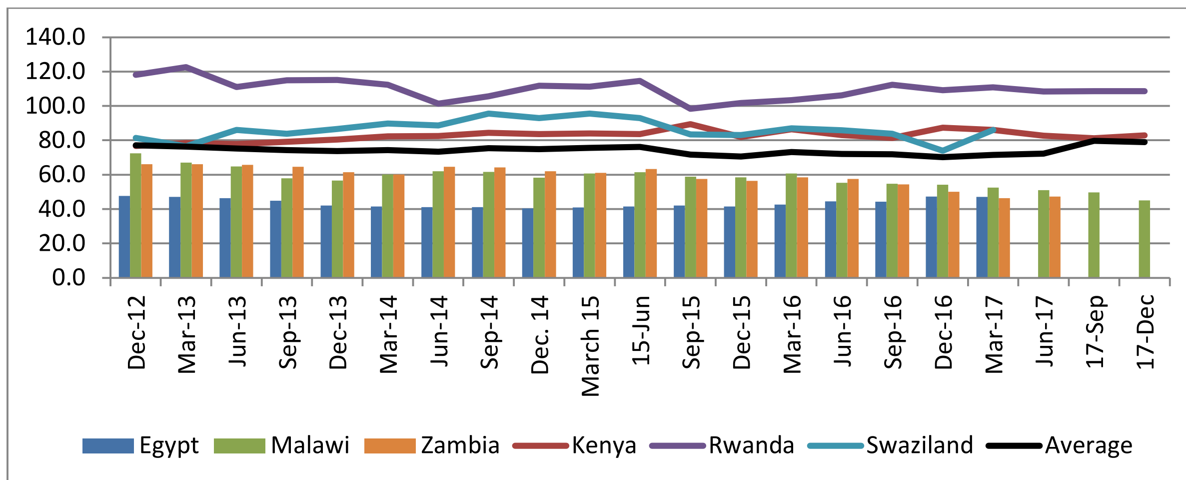
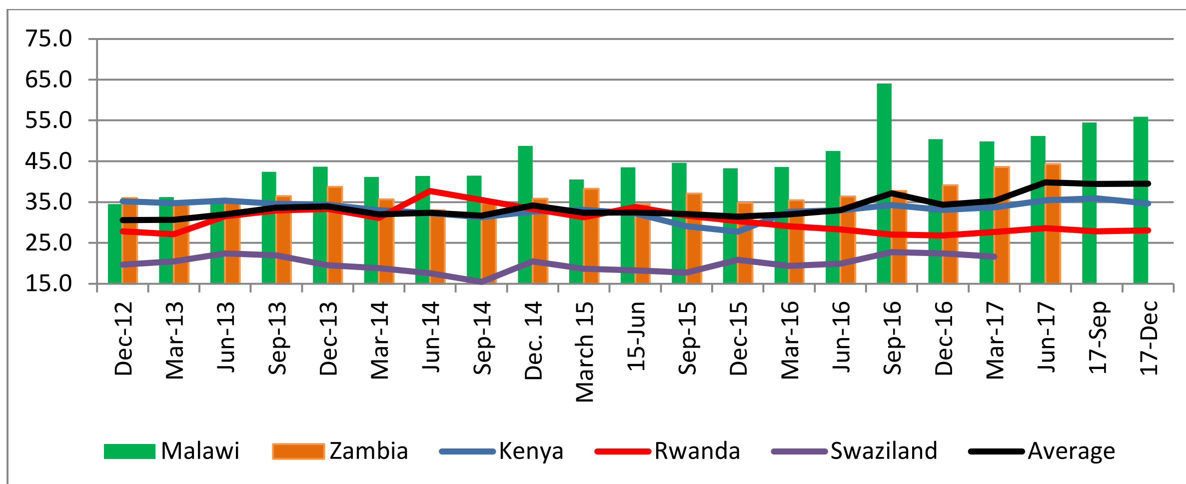


Figure 13: Liquid Assets to Total Assets (Percent)



26. Overall, banks in the selected COMESA countries have sufficient liquidity with banks in Malawi having the highest average liquid assets to deposits and short-term liabilities at 63.4 percent compared to the region's average of 43.6 percent over the period December 2012 to December, 2017. Banks in Swaziland have the lowest average liquid assets to deposits and short-term liabilities at 26.8 percent over the same period. Similarly, banks in Malawi have the highest average liquid assets to total assets ratio at 45.4 percent over the same period against the region's average of 33.8 percent, while Swaziland have the lowest average liquid assets to total assets ratio of 19.9 percent over the period December 2012 to December, 2017. However, Rwanda have the highest average total loans to total deposits ratio of 109.8 percent compared to the region's average of 74.2 percent, while banks in Egypt have the lowest average total loans to total deposits ratio of 43.5 percent.

4. Conclusion

27. Global growth prospects, FED normalization of US monetary policy and tapering by European Central Bank (ECB) and the attendant implication on global financial and currency markets, will continue to have a bearing on the financial systems of COMESA member countries. However, the

financial systems in COMESA member countries have remained resilient, with banks being well capitalized, liquid and profitable, although differences existed at individual country and bank levels. However, concerns on increasing non-performing loans (NPLs) cut across almost all the countries that reported the FSIs in the region.

28. In a number of the countries in the region, the banking sector vulnerability increased partly due to weak growth in 2016, drought, and geopolitical political tensions. Non-performing loans have increased in a number of countries, while profitability and capital buffers have decreased requiring recapitalization and increased provisioning in order to contain risks. In a number of countries, growth in credit to private sector slowed down reflecting deterioration of assets quality, and lagged effect of economic slowdown for a majority of countries in the region.

29. In the meantime, global macroeconomic conditions will continue to partly dictate performance of financial systems of the region's economies, requiring continued strengthening of the banking sector resilience. Member states continue to implement some aspects of the Basel II and III requirements, strengthen legal and regulatory frameworks for financial institutions, and strengthen corporate governance and financial services consumer protection regimes.

30. In the medium term, weather shocks and commodity prices remain a critical source of vulnerability to agricultural and commodity dependent economies in the region due to high dependence on rain-fed agriculture and other weather sensitive activities such as electricity production, which might slow down economic activity, with potential adverse spill-over effects to financial stability.

5. Reference:

Financial sector stability reports, *Central Banks of member countries publications*, various issues

Article IV Consultation Reports, *IMF reports for individual member country*, Various Issues

Global Financial Stability Report (October, 2017), *IMF Publication*.

Bank supervision Annual Reports, Central Banks of Member Countries Publications, Various Issues

FINANCIAL SOUNDNESS INDICATORS TEMPLATE[1]

FSI	2015		2016		2017		2018	
EARNINGS AND PROFITABILITY	**June (%)**	**Dec (%)**	**June (%)**	**Dec (%)**	**June (%)**	**Dec (%)**	**June (%)**	**Dec (%)**
ROA	1.0	1.1	1.3	1.4	1.5	1.5	1.5	1.6
ROE	10.7	11.6	13.4	13.6	14.8	15.3	14.8	15.2
NIE	40.7	44.7	41.9	46.2	40.4	43.0	40.3	39.0
CAPITAL ADEQUACY								
TIER 1 Capital	14.7	16.4	15.9	15.9	16.5	16.5	16.0	17.0
Total Capital RWA	17.2	17.7	17.6	17.5	17.9	17.8	17.2	18.4
Total capital to total assets	9.9	10.1	10.0	10.1	9.8	9.5	11.0	11.0
ASSETS QUALITY								
NPLs	5.7	7.3	8.2	7.9	8.0	7.1	7.0	6.6
ProNPLs	39.5	48.7	49.9	48.8	49.2	50.4	56.4	54.0
TLA	46.6	44.2	44.3	44.3	41.8	42.0	48.3	48.8
FOREXL	63.5	61.3	60.3	62.2	60.7	60.5	59.6	60.5
LIQUIDITY								
LASSDEP	17.6	19.0	19.0	18.9	19.4	15.8	15.8	14.2
TLDEP	67.5	65.1	64.3	63.6	60.9	63.0	62.9	65.0
LQASS	25.7	27.8	28.7	28.7	28.9	22.5	26.2	23.3

Key:

i). Indicators of Earnings and Profitability
   a. Return on assets (ROA)
   b. Return on equity (ROE)
   c. Non-interest expenses to gross income (NIE)

ii). Capital Adequacy indicators
   a) Regulatory Tier 1 capital to risk weighted assets (TIER 1 Capital)
   b) Regulatory total capital to risk weighted assets (Total Capital)

[1] This table should be accompanied by a brief report explaining the trends in FSIs and immediate risks to financial stability

c) Total capital to total assets

iii). Assets Quality Indicators ;

e) Non-performing loans to Gross Loans and Advances (NPLs)
f) Provisions to non-performing loans (ProNPLs)
g) Total loans and advances to total assets (TLA)
h) Foreign currency loans to total loans and advances (FOREXL)

iv). Indicators of Liquidity

a. Liquid assets to deposits and short-term liabilities (LASSDEP)
b. Total loans to total deposits (TLDEP)
c. Liquid Assets to total assets (LQASS)

Sensitivity to market risk Net open position in foreign exchange to capital