



RWANDA BANKERS' ASSOCIATION

*"Together for a better banking environment"*

# STATE OF THE BANKING INDUSTRY REPORT 2025

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**REPORT BY**

Rwanda Bankers' Association



# The State of the Banking Industry report 2025

The State of the Banking Industry Report (SBIR) is an annual publication of the Rwanda Bankers' Association (RBA) Research Centre. The RBA Research Centre was established in 2023 as a platform for positioning the financial sector to be a key driver of the economy's development aspirations. The setting up of the Research Centre was underpinned by the need to anchor market developments on evidence-based insights. The Centre offers an array of research papers and commentaries, and promotes dialogues on critical policy issues by way of convening conferences and workshops. The pursuit of depth and clarity in the Centre's research is a testament of the commitment to transform the Rwandan banking industry through being at the frontier of knowledge that grounds data-driven insights and forward-thinking solutions.

CENTRE

# About this Report

The State of the Banking Industry Report (SBIR) is aimed at contributing to the understanding of the banking industry in Rwanda. This is the second issue of the SBIR. The knowledge repository on the Rwandan banking industry is as diverse as the number of agencies that have an interest in the economy generally and the financial sector specifically. The thrust of each analysis is underpinned by the intent to offer insights for varied stakeholder of the Rwandan banking industry, in the process proffer diversity of perspectives. This report is therefore contributory to the diversity of viewpoints, therefore complementary to the National Bank of Rwanda (NBR), market analysts, rating agencies, international agencies, commercial banks, and the academic community. The RBA Research Centre compiles a dataset from various secondary sources that forms the

bedrock of its analysis including the IMF, World Bank, National Bank of Rwanda, National Institute of Statistics Rwanda. The assessment of financial performance of the banking industry is based in the dataset assembled from financial statements from each of the commercial banks operating in Rwanda but analysed at industry level.

This issue of the Banking Industry Report has benefited from discussions, comments and suggestions by external reviewers from banks, analysts and academic researchers. However, the analysis and inferences are entirely those of the report's authors and attributable neither to those who commented on it nor the RBA Member. The report has benefited from the partnership between RBA Members and Access to Finance Rwanda (AFR) that facilitated the establishment of the RBA Research Centre.

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# Foreword



“  
**Despite global and regional uncertainties, Rwanda’s banking industry has remained a key driver of economic activity, expanding access to credit, investing in technology, and reinforcing trust through strong governance and capital adequacy.**  
”

**Tony Francis Ntore**

Chief Executive Officer

It is my singular honor to present to you the second edition of the State of the Banking Industry Report (SBIR). This year’s report builds on the foundation laid by the inaugural edition and strengthens the lens through which we view our industry. It offers a comprehensive analysis of the banking sector’s evolving structure and financial performance dynamics as underpinned by the broader context of macroeconomic and regional financial trends.

The SBIR affirms that the sector continues to demonstrate resilience, innovation, and responsibility. Despite global and regional uncertainties, Rwanda’s banking industry has remained a key driver of economic activity, expanding access to credit, investing in technology, and reinforcing trust through strong governance and capital adequacy.

This edition of the SBIR highlights the growing maturity of the sector, not just in size but in strategic behavior. We are seeing deliberate diversification in asset portfolios, tighter alignment between liquidity

management and macroeconomic signals, and renewed focus on operational efficiency. The rise in profitability has not come at the expense of prudence. On the contrary, it has been supported by a cautious risk-taking approach.

The SBIR casts light on emerging areas of transformation: the accelerating adoption of digital banking and the industry’s role in supporting Rwanda’s sustainable development goals. It underscores the importance of aligning financial services with national ambitions, from reducing informality to promoting green finance and inclusive economic growth.

The SBIR is deliberately structured to be more than a reflection of where we are. It seeks to offer a backdrop against which the financial sector players draw strategic insights. It is my hope therefore that the SBIR not only informs but also inspires.





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# Abbreviations

**AFR:** Access to Finance Rwanda

**CBR:** Central Bank Rate

**EI:** Expense-Income

**ESG:** Environmental Social and Governance

**GDP:** Gross Domestic Product

**HHI:** Herfindahl-Hirschman Index

**KIFC:** Kigali International Financial Centre

**MPC:** Monetary Policy Committee

**NBR:** National Bank of Rwanda

**NPLs:** Non-Performing Loans

**RBA:** Rwanda Bankers' Association

**RWF:** Rwandan Franc

**NISR:** National Institute of Statistics Rwanda

**SBIR:** State of the Banking Industry Report

**USD:** United States Dollar

**IMF:** International Monetary Fund

**WEO:** World Economic Outlook

**MINECOFIN:** Ministry of Finance and Economic Planning

# Executive Summary

- ◇ The global economy is gradually entering a phase of relative stabilization, marked by modest yet consistent growth. However, the recovery remains fragile and uneven, particularly in developing regions. Inflation, once fueled by supply chain disruptions and energy shocks is slowly easing as central banks adopt cautious monetary policies aimed at stability without hindering growth. Notwithstanding the positive economic posture, structural challenges and persistent global uncertainties such as high effective tariffs continue to weigh on trade and investment, tempering the overall pace of progress. While the outlook is cautiously optimistic, sustaining the recovery will depend on addressing these lingering vulnerabilities and ensuring inclusive economic momentum.
- ◇ Developments in Sub-Saharan Africa mirror the global patterns: gradual stabilization, lingering inflation above global averages, and uneven growth trajectories. Nonetheless, there are promising signs within specific sub-regions. East Africa, for instance, stands out with encouraging momentum, driven by public and private investment, robust domestic demand, and stronger regional integration.
- ◇ Against this backdrop, Rwanda's banking sector has demonstrated strong and sustained performance. Total banking assets have continued expanding although their composition is evolving. While loans and overdrafts remain the largest share, their proportion has gradually declined, with banks reallocating toward lower-risk and more liquid assets, such as government securities and placements with foreign banks. This strategic diversification reflects prudent risk management and greater sensitivity to market signals.
- ◇ On the liabilities side, the sector has become more resilient, with customer deposits emerging as the primary funding source. This shift away from volatile interbank borrowings reinforces liquidity, strengthens confidence in the sector, and signals deepening trust from the public.
- ◇ Profitability remains strong, underpinned by improved operational efficiency and disciplined cost management. The expense-to-income ratio has continued to decline, pointing to increased earnings quality and better control of operating costs. These gains have allowed banks to maintain strong margins while building capital buffers to guard against future shocks.
- ◇ Importantly, asset quality has improved, with non performing loans (NPLs) falling and provision coverage rising. Capital levels remain well above regulatory thresholds, further bolstering the system's solvency.
- ◇ Finally, the market structure remains moderately concentrated, but increasingly competitive. The three largest banks, while still dominant, have seen their share of total assets decline slightly – suggesting room for broader market participation and innovation.



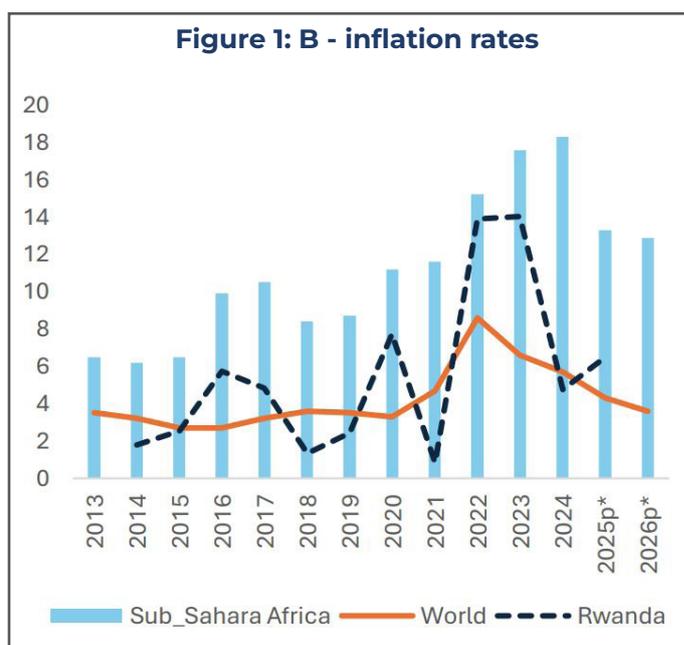
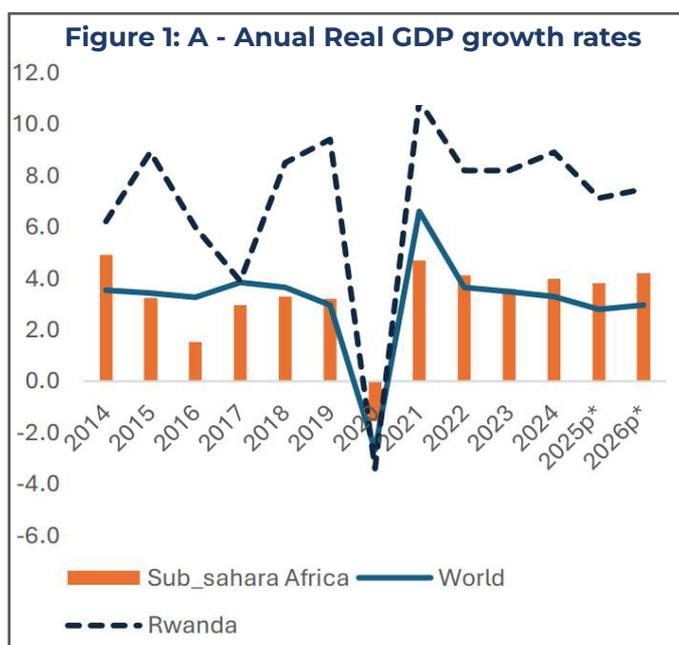
# Chapter 1: : Macroeconomic Conditions And Dynamics

The global economy is at a critical juncture. While some signs of stabilization emerged in 2024 following years of global shocks, renewed uncertainty returned in early 2025, driven by rising protectionist trade policies and retaliatory responses. These shifts have disrupted global supply chains and dampened investor confidence. Although inflation began to decline in 2024, fresh price pressures emerged in several advanced and emerging markets, pushing inflation rates above target thresholds<sup>1</sup>.

Against the background of the global economic developments Sub-Saharan Africa's recent economic performance has exhibited relative stability, with real GDP growth maintaining a steady pace and aligning closely with global trends (**Figure 1: A**). This growth trajectory is supported by the strong resilience of the East African region, which continues to underpin regional economic

momentum despite broader global uncertainties.

Recent and projected inflation trends highlight a stark divergence between global and Sub-Saharan African economic trajectories. While global inflation has eased from its peak of 8.6% in 2022, Sub-Saharan Africa has experienced a continued rise, with inflation reaching a recorded peak of 18.3% in 2024—more than three times the global average of 5.0 % for the same year. Although inflation in the region is projected to decline gradually to 13.3% in 2025 and 12.9% in 2026, these rates remain significantly higher than the global forecasts of 4.3% and 3.6%, respectively (**Figure 1: B**). This persistent gap underscores the enduring structural and external challenges unique to Sub-Saharan Africa and indicates that inflationary pressures in the region are likely to persist, even as the rest of the world moves toward greater price stability.

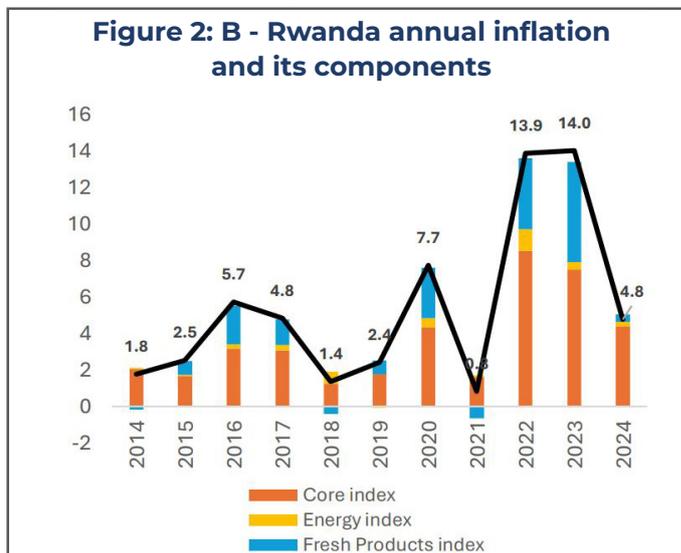
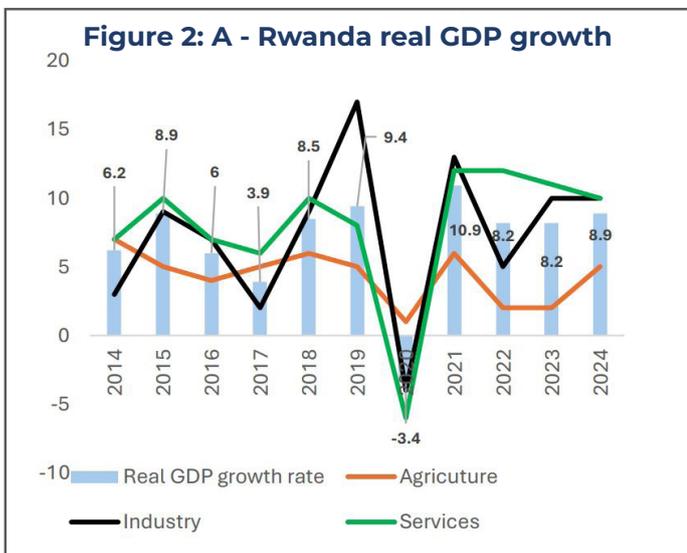


Source: IMF WEO update, April 2025

**O**n the domestic front, in 2024 Rwanda's economy demonstrated significant momentum, with GDP expanding by 8.9% to reach a value of FRW 18,785 billion. The notable exceptional performance of the services sector was notable, registering a 10.0% growth and now accounting for 48.0% of the size of the economy thanks to a 25.0% increase in information and communication and an 18.0% increase in trade. Industry matched this pace with 10.0% growth, fueled by a 12.0% expansion in both construction and mining. A crucial detail lies in the agricultural sector's 5.0% growth, which was driven entirely by an increase in domestic food crops, successfully counteracting a 1.0% decline in export crops and highlighting a strategic pivot towards internal economic fortification (**Figure 2: A**).

<sup>1</sup> <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>

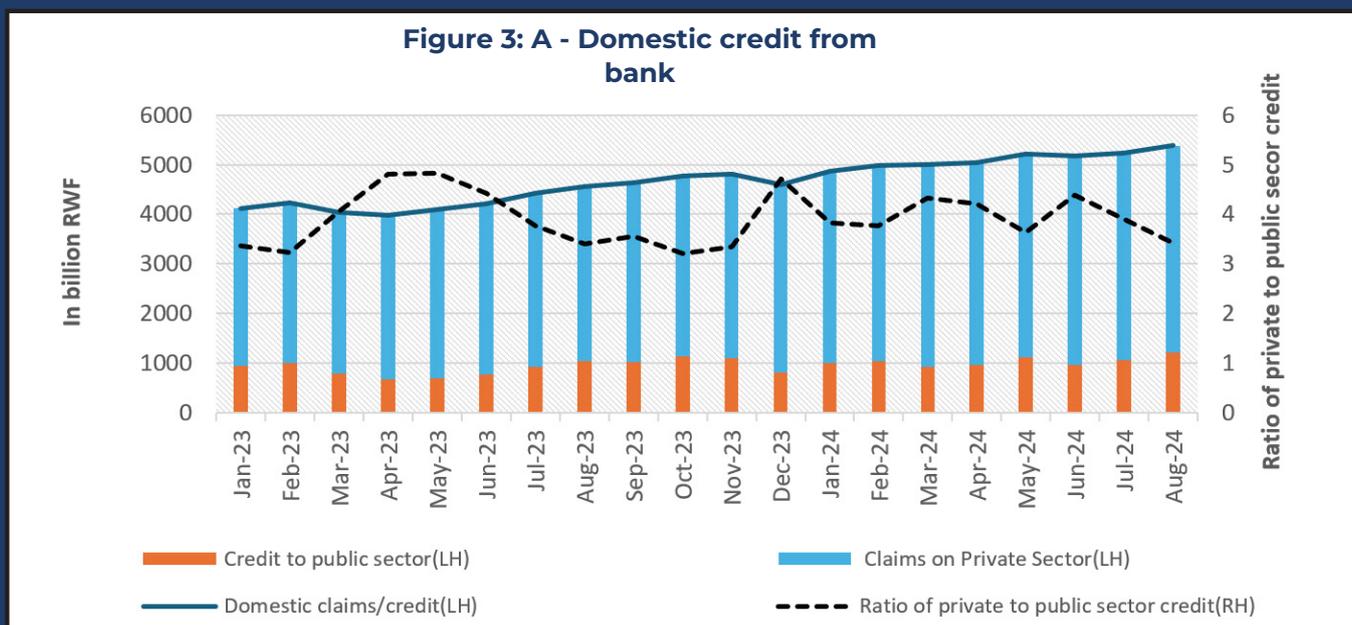
In 2024, Rwanda’s headline inflation saw a dramatic improvement, falling sharply to 4.8% from 14.0% in 2023. This was achieved through a powerful combination of favorable global trends and strong domestic performance. On the global stage, falling commodity prices provided significant relief, as energy prices dropped by 5.1% and food prices by 7.6%, lowering the cost of imports. At home, these benefits were amplified by an improved local food supply and sustained economic stability. This resulted in a widespread easing of prices across the board: fresh food inflation plummeted from a staggering 34.9% to just 2.6%, while core inflation slowed from 9.7% to 5.7%. The combined effect of this external relief and internal resilience was key to restoring price stability throughout Rwanda’s economy.



Source: NISR

Looking at the evolution of domestic credit by August 2024, credit extended by the banking sector reached RWF 5,376.4 billion, representing a significant year-on-year growth of 18.0% and a monthly increase of 2.8% compared to July 2024.

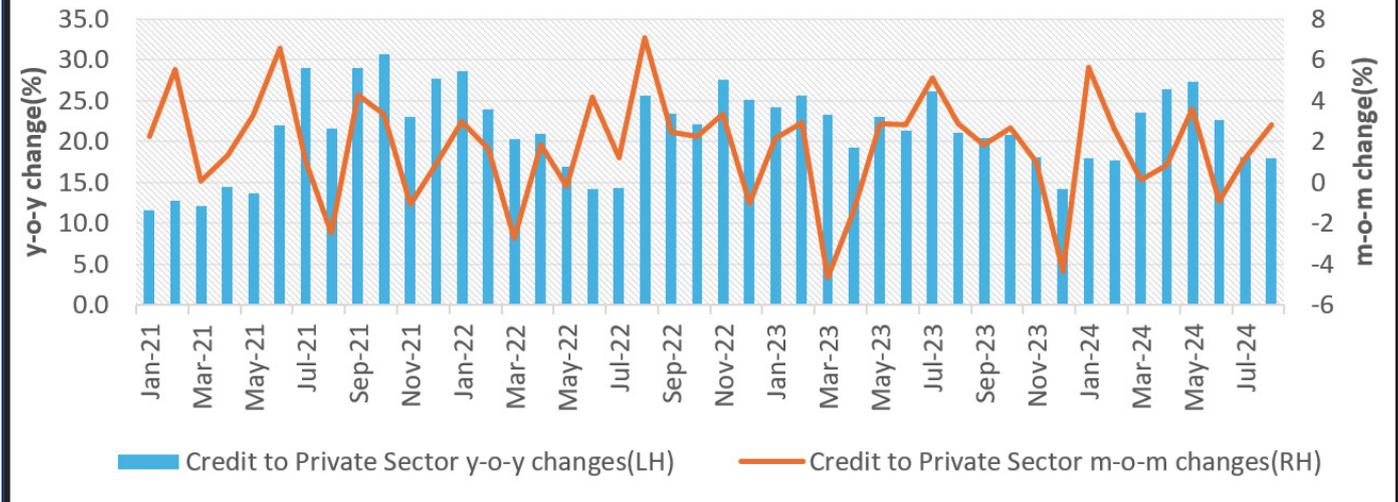
Within the total domestic credit, both private and public sector credit registered upward trends, amounting to RWF 4,162.5 billion and RWF 1,213.9 billion, respectively, in August 2024. The ratio of private to public sector credit stood at 3.4 in August 2024, unchanged from the same period last year but slightly lower than the 3.9 recorded in July 2024, indicating a relatively faster growth in public sector credit during the month. (Figure 3: A).



Source: MINECOFIN

<sup>2</sup> Credit to the public sector comprises net claims on the central government, claims on autonomous agencies, and claims on public enterprises.

**Figure 3: B - Domestic credit y-o-y and m-o-m changes(%)**

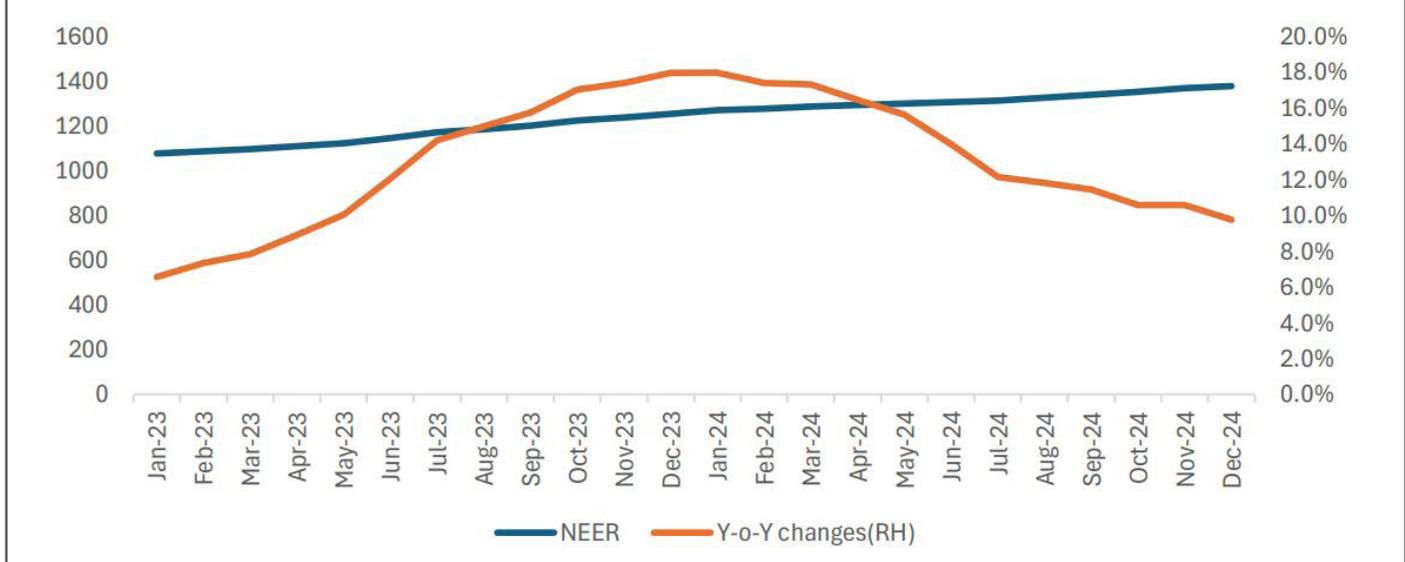


Source: MINECOFIN

The exchange rate movements reveal notable easing of pressure in 2024, with the year-on-year depreciation of the RWF against USD declining to 9.4% in December 2024, down from 18.0% in December 2023 (Figure 4). This stabilization is expected to persist, particularly following the introduction of Regulation No. 89/2025 of 23/05/2025, which amends Regulation No. 42/2022 of 13/04/2022 governing foreign exchange operations (NBR). The updated regulation introduces key revisions,

including clearer definitions of terms, revised provisions on sanctions, streamlined procedures for import and export payments, and enhanced whistleblowing mechanisms. These changes are designed to prioritize legitimate foreign currency needs while discouraging unnecessary transactions. As a result, the reform is anticipated to ease depreciation pressures on the Rwandan franc and create a more favourable environment for investment.

**Figure 4: Nominal Exchange Rate (FRW/USD) and Y-o-Y % Changes**



Source: NBR



The macroeconomic landscape and banking sector are closely interconnected. GDP growth, inflation, interest rates, and sectoral performance shape banking dynamics, while banks support economic activity through credit provision and financial intermediation. The following points reflect how this dynamic has played out in Rwanda's recent context.

- ◇ The ratio of banking sector assets to GDP stood at 68.4%, underscoring the sector's significant role in supporting economic activity. Commercial banks accounted for 67.5% of these assets, highlighting their dominant position within the financial system and their central role in financial intermediation<sup>3</sup>.
  - ◇ Evidence indicates that the progression of financial development in Rwanda has exerted a notable stabilizing influence on economic output, effectively reducing its volatility, a conclusion reinforced by the trajectory of the Financial Development Index. By enabling more stable and predictable investment capital flows, the developed financial infrastructure has proven instrumental in smoothing business cycle amplitudes and enhancing overall macroeconomic resilience<sup>4</sup>.
  - ◇ The level of non-performing loans (NPLs) is closely linked to macroeconomic conditions,
- particularly credit growth, real GDP growth, and the real effective exchange rate. In turn, NPLs transmit feedback effects to the real economy, reinforcing the dynamic interaction between the macroeconomic environment and banking sector stability<sup>5</sup>.
- ◇ The operational landscape of Rwanda's banking sector is significantly modulated by monetary and fiscal policy levers, which transmit their effects through channels impacting systemic liquidity, prevailing interest rate structures, and patterns of credit distribution. Notably, the Central Bank Rate, held constant at 6.5% from August 2024 onwards, serves as a pivotal instrument to anchor inflation expectations. Its level and trajectory have direct repercussions for interbank funding costs, commercial lending parameters, and eventually, the aggregate credit supply.

Ultimately, banking sector performance is endogenously shaped by internal efficiency metrics – such as return on assets, cost-to-income ratios, and non-performing loan levels – and macroeconomic fundamentals, including output volatility, inflation dynamics, and policy-induced interest rate shifts. These interdependencies affect banks' risk-weighted asset composition, net interest margins, and capital buffers, thereby influencing systemic stability and the sector's ability to support sustainable economic activity.

<sup>3</sup> [https://www.bnr.rw/documents/MPFSS\\_Report\\_March\\_2025.pdf](https://www.bnr.rw/documents/MPFSS_Report_March_2025.pdf)

<sup>4</sup> [https://www.bnr.rw/documents/BNR\\_Economic\\_Review\\_Vol\\_19\\_LcO217W.pdf](https://www.bnr.rw/documents/BNR_Economic_Review_Vol_19_LcO217W.pdf)

<sup>5</sup> [https://www.bnr.rw/documents/BNR\\_Economic\\_Review\\_Vol\\_20\\_V3\\_1.pdf](https://www.bnr.rw/documents/BNR_Economic_Review_Vol_20_V3_1.pdf) agencies, and claims on public enterprises.



## Chapter 2: Overview of Banking Sector

In 2024, the banking sector of Rwanda remained broadly stable, exhibiting resilience in the face of evolving macroeconomic conditions. The sector recorded modest growth in total assets, while strong growth in deposit mobilization adequately supported the increasing demand for loans and advances. Asset quality remained sound, reflecting prudent credit risk management practices. Furthermore, the sector sustained compliance with all key regulatory benchmarks, including capital adequacy ratios, leverage ratios, and liquidity coverage ratios, thereby affirming the overall robustness of the banking system. Notably, the sector remained profitable during the review year, with sustained earnings performance contributing to the strengthening of capital buffers and overall financial stability.

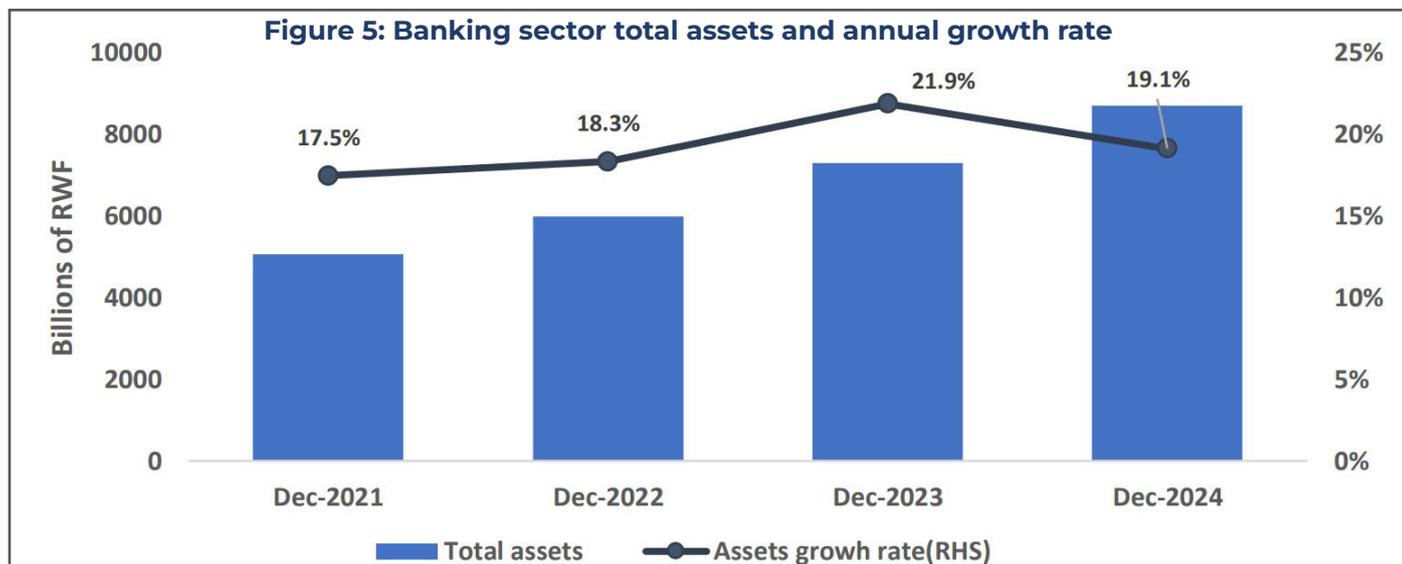
### 2.1. Banking system structure of Rwanda

In Rwanda, the banking sector is composed of eleven banks\*, including commercial banks, development banks, and cooperative banks<sup>6</sup>. Commercial banks hold a dominant position within the sector. The sector is regulated by the National Bank of Rwanda, which is responsible for ensuring the safety, soundness, and compliance of these financial institutions with relevant laws and regulations.

### 2.2. Assets Structure

While the banking sector's total assets continued to expand in 2024, the rate of asset expansion experienced a deceleration compared to the period of accelerated growth observed in the preceding year.

In 2024, the banking sector continued to expand in terms of asset size, although at a slightly slower pace than in 2023. The total assets of the sector grew by 19.1% (Figure 5), reflecting a moderate deceleration in growth compared to the previous year. The banking industry's total assets reached RWF 8,702.40 billion by the end of 2024, underscoring the sector's ongoing expansion and resilience.



Source: RBA Data from commercial banks

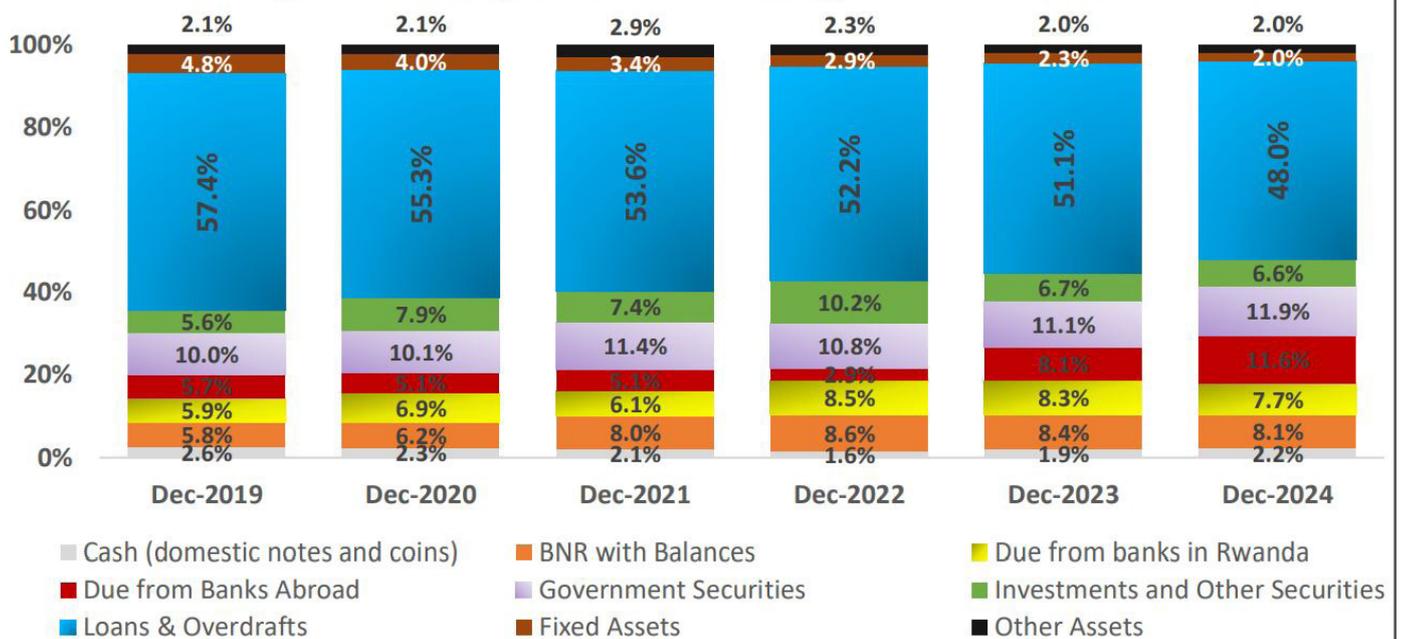
\* Last updated on 08/08/2024

<sup>6</sup> [https://www.bnr.rw/documents/LIST\\_OF\\_SUPERVISED\\_BANKS.pdf](https://www.bnr.rw/documents/LIST_OF_SUPERVISED_BANKS.pdf) agencies, and claims on public enterprises.



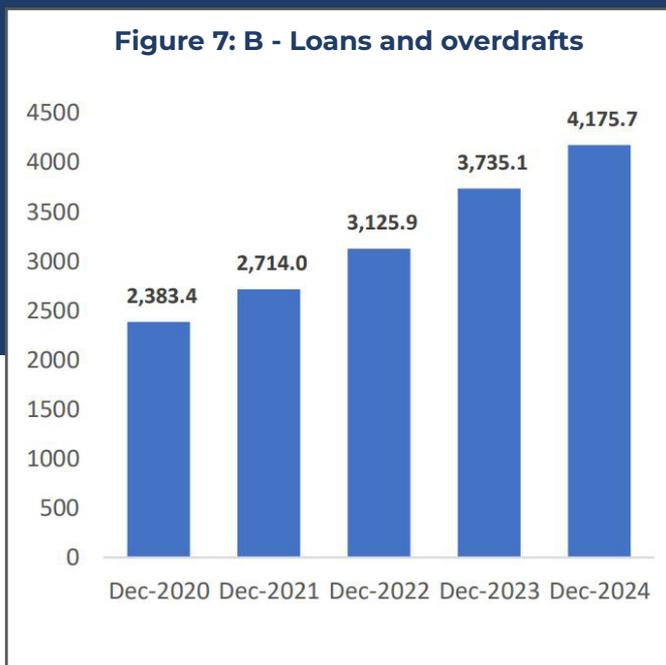
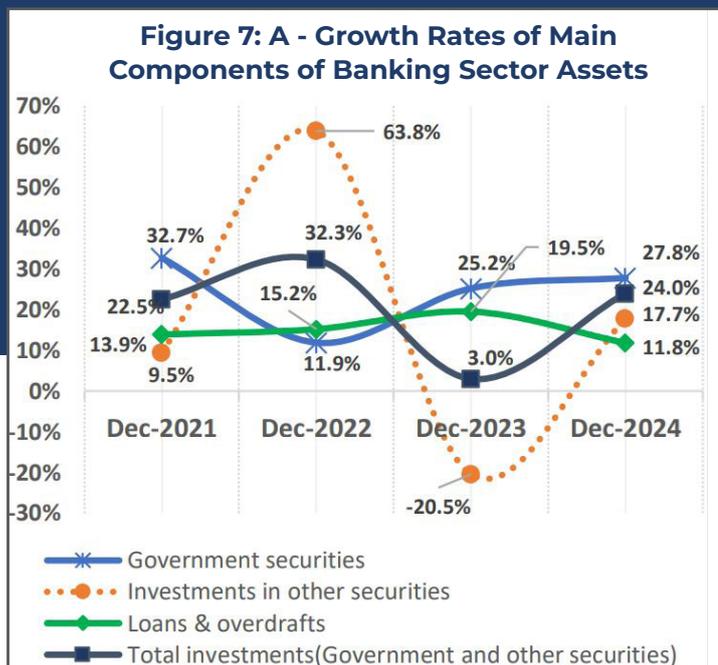
In December 2024, the asset structure of the banking sector experienced notable shifts. While loans and overdrafts remained the dominant asset class, its share declined from 51.1% to 48.0% (Figure 6), indicating a portfolio reallocation. Investments in government securities and foreign bank deposits increased, while balances with the central bank and domestic banks declined, reflecting changes in liquidity management strategies.

**Figure 6: Composition of banking assets over time**



Source: RBA Data from commercial banks

Although the growth of total loans and overdrafts slowed, the growth of total investments (Government securities plus other securities) was elevated in 2024. Investment in government securities and other securities experienced a growth rate of 27.8% and 17.7% respectively compared to the same period of the preceding year (**Figure 7: A**). The growth of total loans and overdrafts was 11.8% in 2024, compared to 19.5% in the preceding year (**Figure 7: B**).

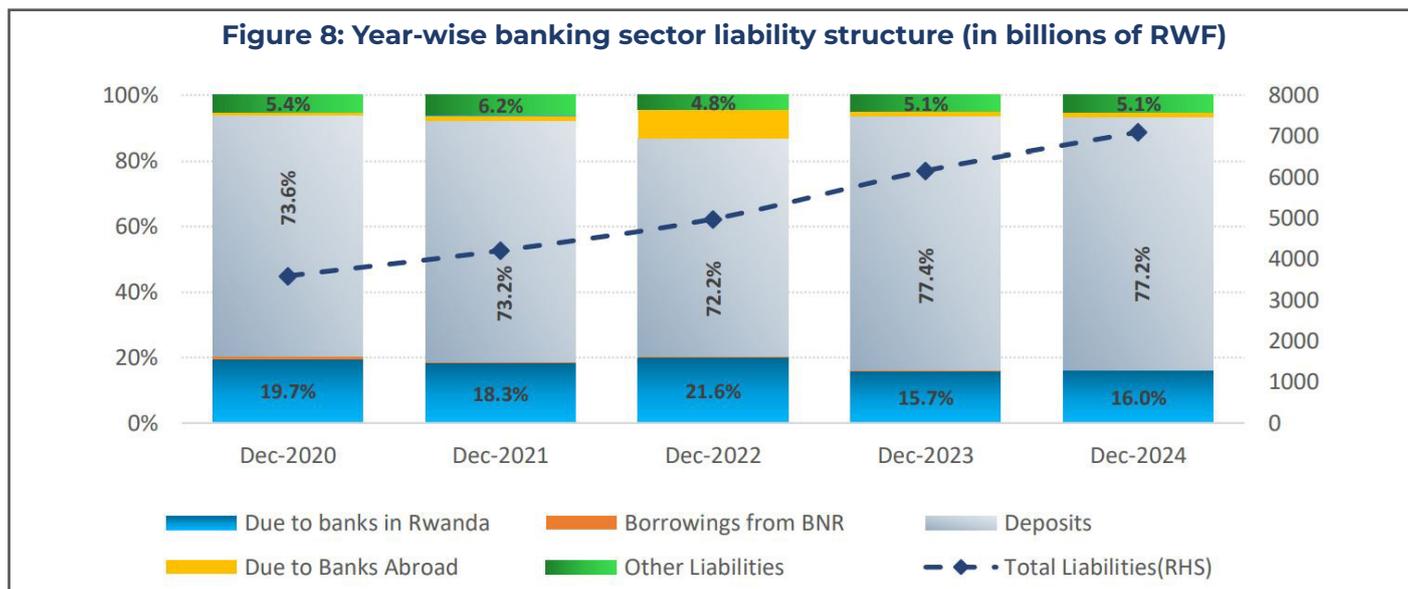


Source: RBA Data from commercial banks

### 2.3. Liability's structure

Deposits remained the dominant component of the liability structure, as is typically the case. Although deposit growth decelerated by the end of 2024, it remained sufficient to support the increased demand for loans and overdrafts.

At the end of 2024, the total liabilities of the banking sector increased to RWF 7,091.4 billion (**Figure 8**). Deposits remained the dominant component of the liability structure, underscoring their continued importance as the primary funding source for banks. Liabilities due to other banks in Rwanda also represented a notable share of the sector's overall obligations.

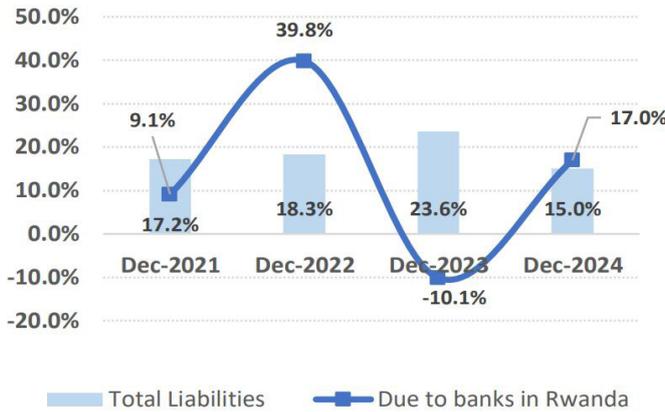


Source: RBA Data from commercial banks

**Figure 9: A - Deposit growth**



**Figure 9: B - Due to domestic banks and liabilities growth**



Source: RBA Data from all Commercial Banks

In 2024, the year-on-year expansion of total liabilities decelerated, a trend primarily influenced by a moderation in deposit growth. Although liabilities to domestic banking institutions recorded a comparatively stronger annual increase, the reduced growth rate of deposits—which constitute the principal share of total liabilities—exerted a more significant dampening effect on the overall momentum of liability expansion. To illustrate, total deposits ascended to RWF 5,475.0 billion by December 2024, an increase from RWF 4,769.8 billion in the corresponding period of the prior year, indicative of a more tempered growth trajectory compared to forerunner periods.

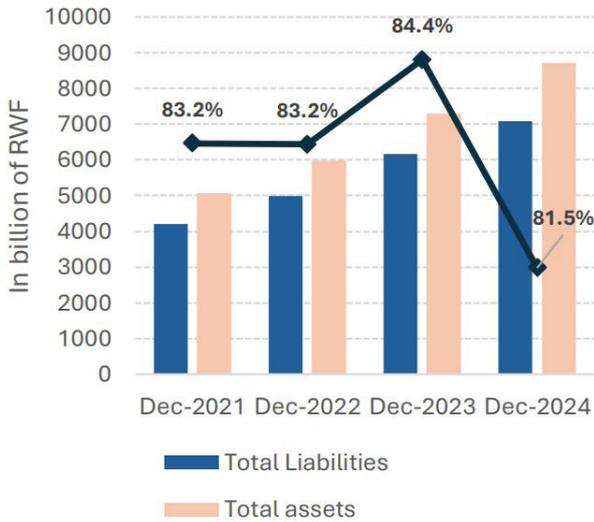
“  
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 ”

## 2.4. Liability to Asset Ratio and Loan to Deposit Ratio

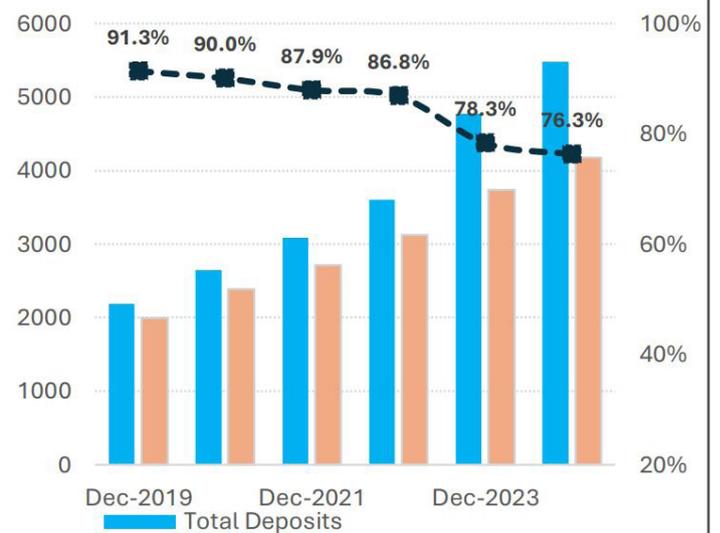
As of December 2024, the liability-to-asset ratio registered a decline to 81.5%, a notable improvement from the 84.4% recorded in the corresponding period of the preceding year (**Figure 10: A**). This reduction indicates a shift towards a less leveraged financial structure.

A continued moderation in the loan-to-deposit ratio (LDR) was observed, with the metric decreasing to 76.3% by December 2024 from 78.3% in the preceding year (**Figure 10: B**),

**Figure 10: A - Liability-asset ratio**



**Figure 10: B - Loan-deposit ratio**



Source: RBA Data from commercial banks

## 2.5. Cash Reserve Ratio

**Figure 11: Cash Reserve Ratio**



Source: RBA computation

As of December 2024, the banking sectors Cash Reserve Ratio (CRR)\* was 12.6%, demonstrating stability by remaining unchanged from the level observed at yearend December 2023 (Figure 11). Over the 2023–2024 period, the actual CRR was consistently maintained at a level comfortably surpassing the prescribed minimum. This persistent position of the CRR substantially above its regulatory floor signifies a robust liquidity buffer held by the banking sector, primarily in the form of central bank balances relative to its eligible deposit liabilities.

\* CRR is obtained by = BNR balances / (Deposits + Due to banks abroad) \* 100



# Chapter 3: Banking Sector Profitability

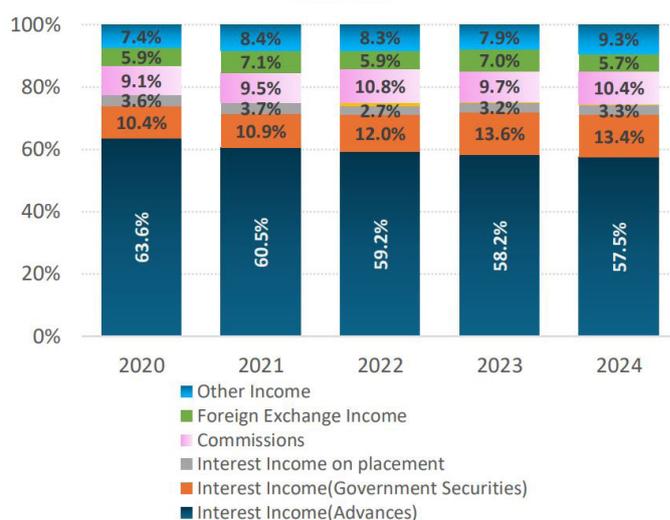
By December 2024, the Rwandan banking sector recorded a net profit\* of RWF 282.5 billion, representing a 29.0% increase from RWF 219.0 billion in 2023 (Figure 12: A). This notable rise in profitability was largely underpinned by a strong income dominated by interest-related earnings. Interest income from loans and advances remained the primary contributor,

accounting for 57.5% of total income, followed by interest income from government securities at 13.4% (Figure 12: B). Additionally, commissions generated from banking services contributed 10.4%. The remaining 18.7% was derived from other income sources, highlighting a relatively diversified revenue structure that supported overall profitability in the sector.

**Figure 12: A - Banking sector net profit and annual profit growth**



**Figure 12: B - Banking sector income by sources**



Source: RBA Data from commercial banks

## 3.1. Trends in key components of income

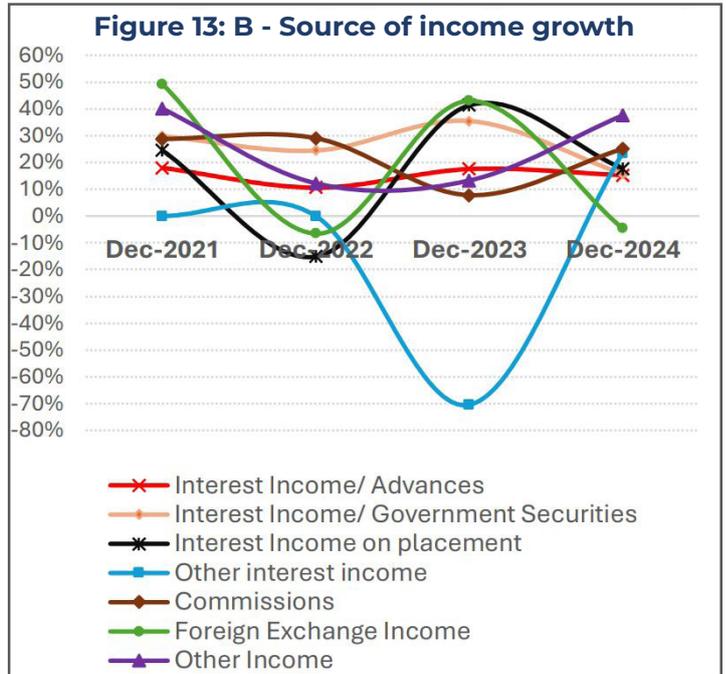
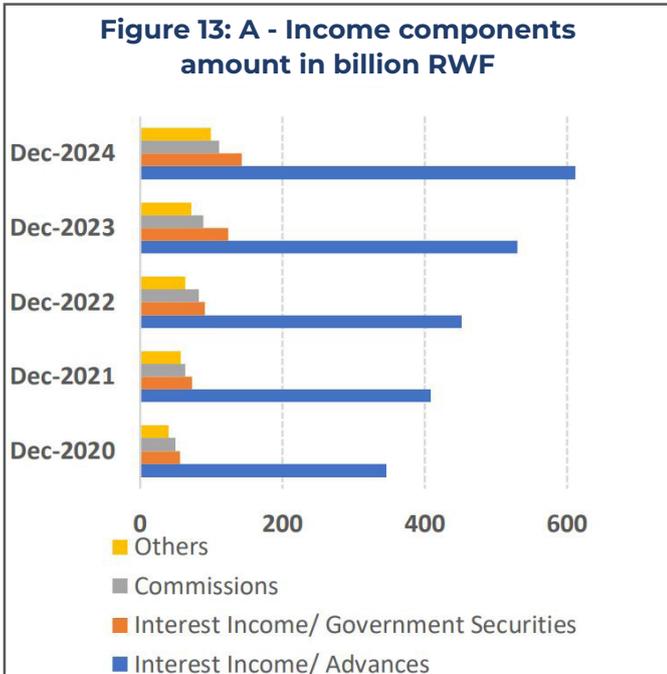
By December 2024, total banking sector income rose to RWF 1,063.4 billion, up from RWF 911.0 billion in the same period of the previous year, marking a 16.7% increase and reflecting continued momentum in the banking sector’s revenue performance. The main components of interest income continued to grow in absolute terms, though their year-on-year growth rates moderated. Interest income from loans and advances, the largest contributor, increased to RWF 611.5 billion from RWF 530.6 billion in December 2023 (Figure 13: A), with its growth rate slowing to 15.2% from 17.5% previously (Figure 13: B). Similarly, income from government securities rose to RWF 142.9 billion, up from RWF 123.5 billion, but its annual growth rate declined more sharply—from 35.5% to 15.7% (Figure 13: B).

Complementing these core revenue streams, “other interest income,” despite its fractional representation of 9.3% within the December 2024 net profit structure (Figure 12: B), displayed a salient

recent appreciating trend. This specific, non-core segment of interest income rose to RWF 3.1 billion in 2024 from RWF 2.5 billion in 2023 (having previously registered RWF 8.4 billion in 2022). The recent period’s growth in this category, notwithstanding its relatively minor proportional impact, signals an evolving composition within the broader interest income portfolio and a potential for developing specialized interest-bearing revenue streams.



\* Net profit after tax

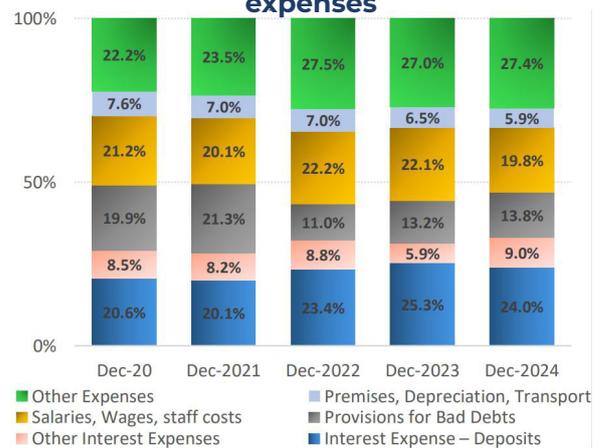


Source: RBA Data from commercial banks

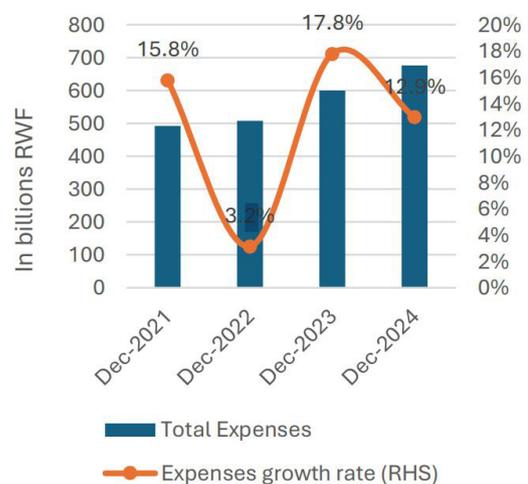
## 3.2. Operating expenses

By December 2024, total banking sector expenses increased to RWF 676.9 billion, up from RWF 599.3 billion in the same period of the previous year, reflecting a 12.9% year-on-year increase. This marks a significant moderation from the 17.8% growth recorded in 2023 (Figure 14: B). The disaggregated expense structure continues to show notable shifts: “Other Expenses” remained the largest component, accounting for 27.4% of total expenses, while “Interest Expense – Deposits” retained a substantial share at 24.0% (Figure 14: A). Interestingly, the share of “Salaries, Wages, and Staff Costs” declined to 19.8% in 2024 from 22.1% in 2023, suggesting the possible implementation of cost containment measures or a shift in operational efficiency and leverage.

### Figure 14: A - Disaggregated banking sector expenses

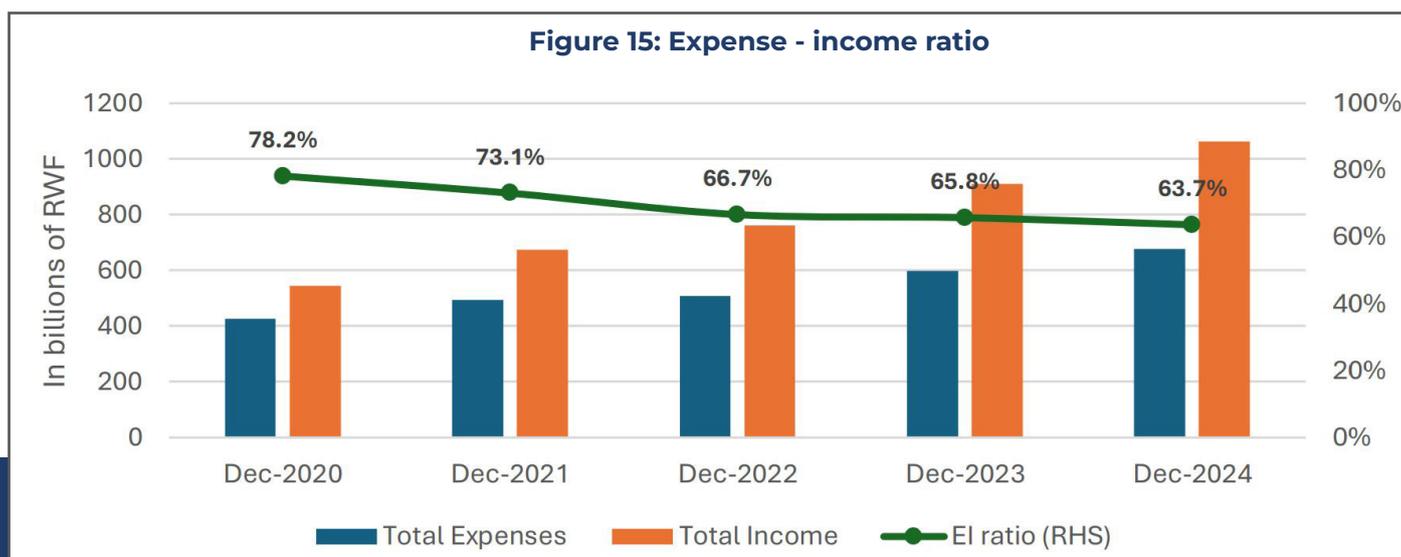


### Figure 14: B - Year wise growth of expenses



Source: RBA Data from commercial banks

### 3.3. Expense to income ratio



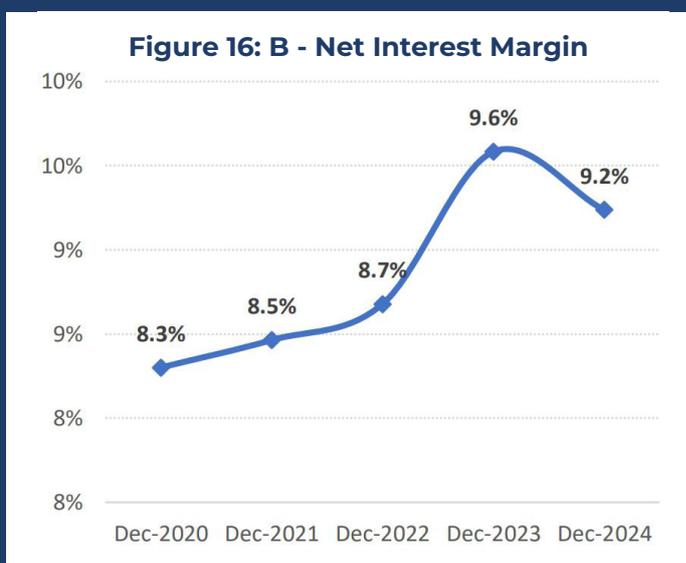
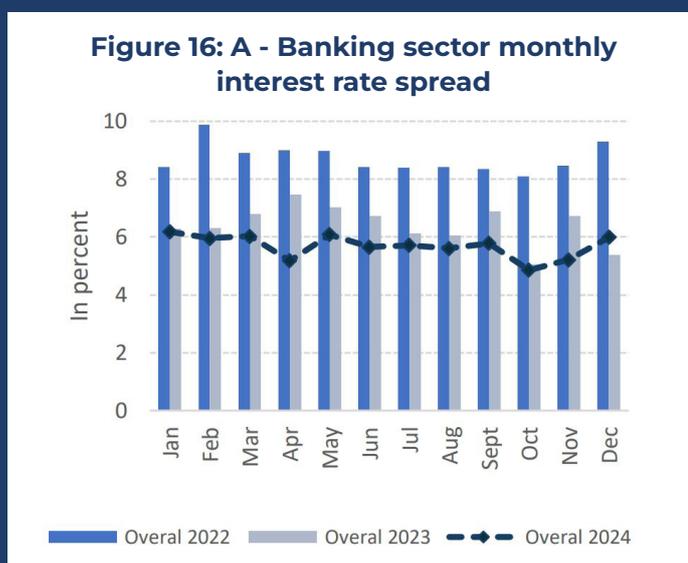
Source: RBA computation

By December 2024, the banking sector demonstrated an improvement in operational efficiency, as evidenced by a decline in the Expense-to-Income (EI) ratio to 63.7%, down from 65.8% in the preceding year (Figure 15). This recent enhancement in efficiency occurred despite a concurrent rise in both total income (RWF 1,063.4 billion) and total expenses (RWF 676.9 billion) in absolute terms. The continued downward trajectory of the EI ratio, part of a multi-year trend, signals a strengthening capacity within the sector to generate income more effectively relative to its operational expenditures.

### 3.4. Interest rate spread

The weighted average lending rate experienced a marginal decrease from 15.80% at end-December 2023 to 15.75% at end-December 2024. Similarly, over the same period, the weighted average deposit rate also declined, moving from 10.41% to 9.76% (Figure 16: A). Consequently, the weighted average interest rate spread for banks widened from 5.39% in December 2023 to 5.99% in December 2024. Subsequent to attaining a multi-year peak of 9.6%

in December 2023, the Net Interest Margin\* (NIM) experienced a marginal contraction to 9.2% by December 2024 (Figure 16: B); nevertheless, this level remains elevated relative to the figures observed in the preceding years.

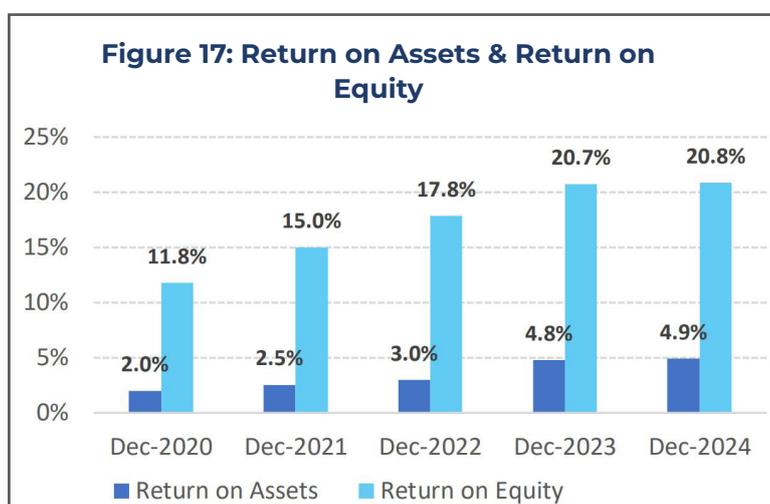


Source: NBR and RBA Data from commercial banks



### 3.5. Return on Equity and Return on Assets

By December 2024, key profitability indicators, Return on Assets (ROA) and Return on Equity (ROE), largely stabilized at the elevated levels achieved in December 2023, registering 4.9% and 20.8% respectively (**Figure 17**). This represents a marginal 10-basis-point accretion in both metrics' year-on-year. The consistent ROA indicates sustained asset utilization efficiency, while the robust ROE reflects effective generation of returns for equity holders, amplified by the prevailing financial leverage structure.



Source: RBA Data from commercial banks

\* Net interest margin is a measure of the difference between the interest income generated and the amount of interest paid out to their depositors and lenders, relative to the amount of interest earning assets.



# Chapter 4: Asset Quality and Market Structure

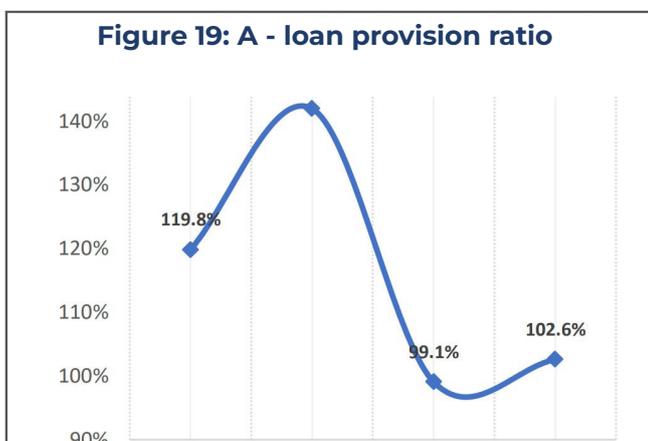
## 4.1. Loan quality

The banking sector demonstrated a notable improvement in loan quality. Aggregate Non-Performing Loans (NPLs) registered a significant decline, contracting from FRW 209 billion at year-end 2023 to FRW 176 billion by December 2024. This reduction translated to a 100-basis points reduction in the NPL ratio from as at the end of 2023 4.1% to 3.1% by the end of 2024 (**Figure 18**).



Source: NBR and RBA Data from commercial banks

## 4.2. Loan provisions and Earning Assets



Source: NBR and RBA Data from commercial banks

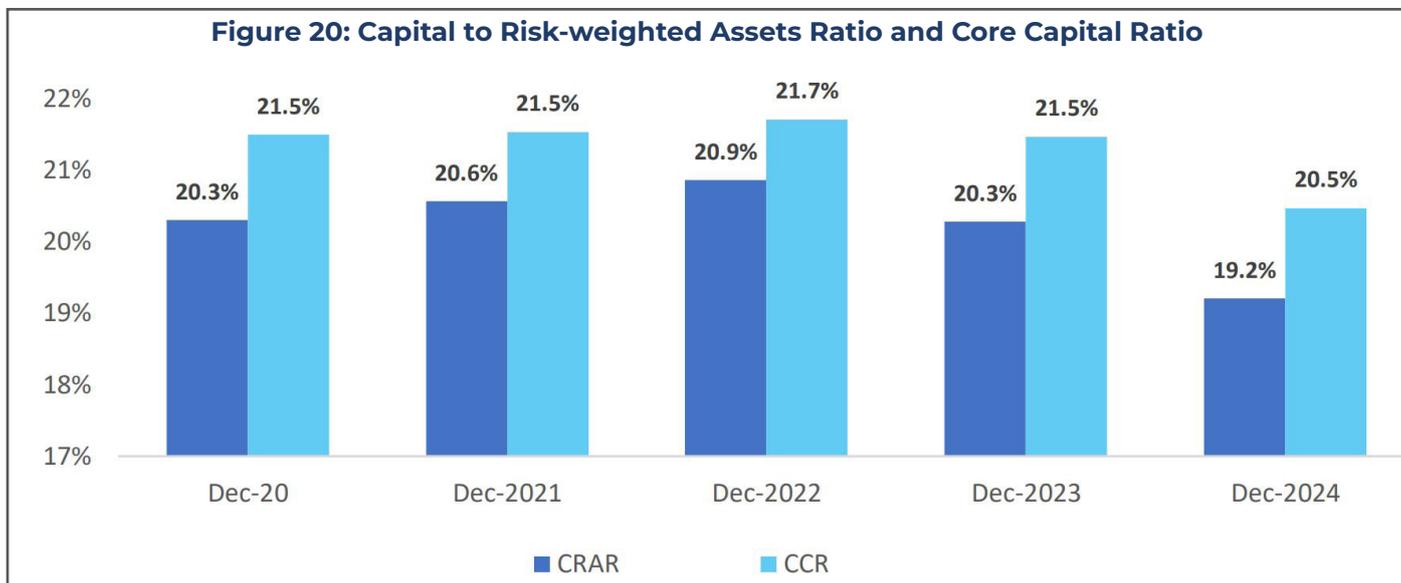
The loan loss provision coverage ratio (Provisions/NPLs) demonstrated a notable recovery by December 2024, (**figure 19: A**); increasing to 102.6% from its trough of 99.1% in December 2023. This recent uptick, following a significant decline from the peak of 141.9% in December 2022.

As of December 2024, earning assets constituted 74.6% of the banking sector's total asset base, marking a notable year-on-year decline of 4.3 percentage points from 78.9% in December 2023 (**Figure 19: B**). This recent contraction underscores an acceleration in the trend of diminishing earning asset concentration observed over the past several years. The decreasing proportion of assets actively generating income warrants further analysis into the drivers, such as changes in asset allocation strategies or growth in nonproductive asset categories.



### 4.3. Capital adequacy

As of December 2024, the banking sector’s Capital to Risk-weighted Assets Ratio (CRAR) contracted to 19.2%, a significant decrease from 20.3% in the previous year (Figure 20) and marking its lowest level over the observed five-year period. As shown in figure 20, the Core Capital Ratio (CCR) concurrently declined to 20.5% from 21.5%. While these ratios remain substantially above the regulatory thresholds of 12.5% (CRAR) and 15.0%(CCR).

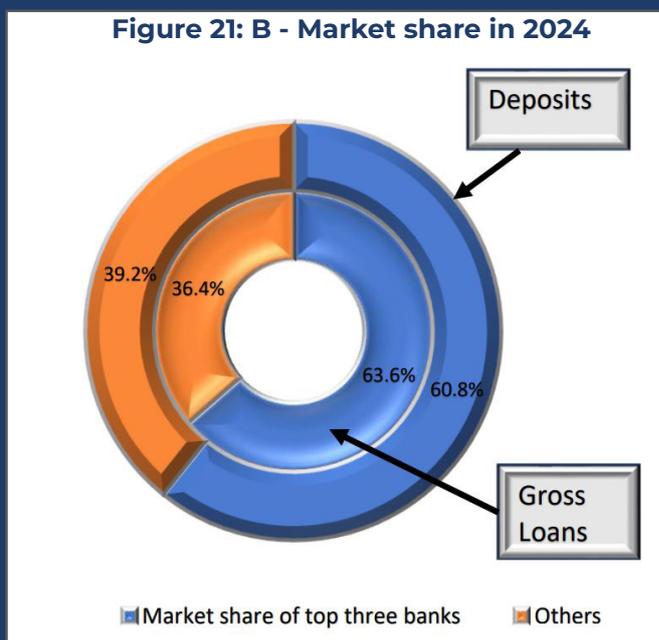
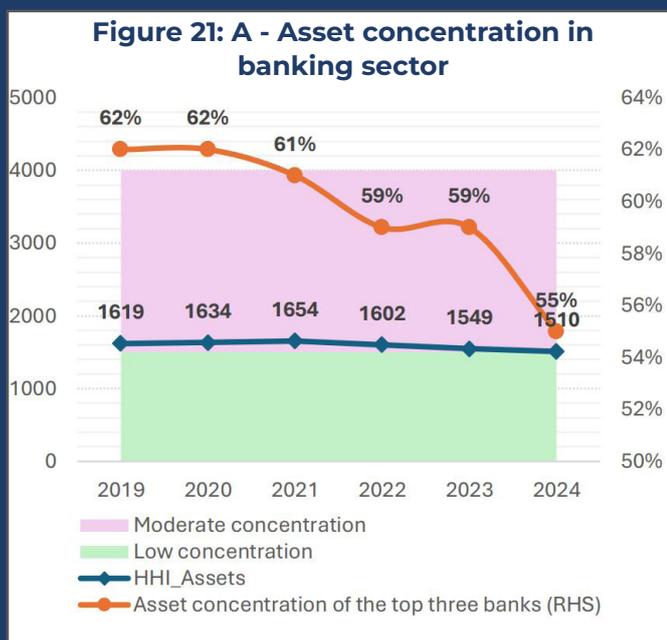


Source: NBR

### 4.4. Structure of the Banking Market

By 2024, the banking sector's overall asset concentration as measured by the Herfindahl-Hirschman Index, registered 1510, indicative of a low to moderate concentration environment and exhibiting relative stability over the preceding years. Conversely, the asset concentration of the top three banks (RHS) demonstrated a significant

deconcentrating trend, declining to 55% in 2024 from a peak of 61% in 2021 and 59% in both 2022 and 2023 (Figure 21: A). This divergence suggests that while the broader market structure maintained a consistent level of competitiveness, the dominance of the largest institutions has been declining.



Source: RBA computation

This trend of declining aggregate asset dominance among the largest players, however, did not fully translate to a proportional reduction in their control over core banking products. In 2024, these same top three institutions collectively held 63.6% of gross loans and 60.8% of total deposits (**Figure 21 B**). This concentration suggests that these institutions play a pivotal role in shaping market dynamics for both funding and lending activities.

Granular scrutiny of the banking sector's Non-Performing Loan (NPL) landscape in 2024 revealed a significant concentration ratio. Specifically, the three leading institutions accounted for a predominant 74.1% of the total volume of impaired assets at that time, indicating that the preponderance of credit quality vulnerabilities during 2024 resided within this cohort of major market participants.





## Chapter 5: Outlook

The global economy is navigating a pivotal moment, marked by mounting internal and external imbalances and a wave of major policy transitions. These shifts are amplifying uncertainty and posing new challenges to the functioning and stability of the global economic system. The outlook for growth remains subdued, with risks increasingly skewed to the downside. Escalating protectionism and persistent policy uncertainty threaten to further delay recovery in a world already weighed down by sluggish growth and high debt levels<sup>7</sup>. Sub-Saharan Africa, in particular, faces heightened challenges, as its recovery has been unsettled by tighter global financing conditions, falling commodity prices, and weaker external demand. Strengthening resilience through credible, consistent, and cautious policymaking is now essential to safeguard progress and navigate future shocks<sup>8</sup>.

Rwanda's banking sector, as this report highlights, has remained resilient despite global and domestic challenges. The sector has sustained profitability, maintained strong capital buffers, and improved asset quality. Its outlook is cautiously optimistic, supported by a prudent regulatory environment, growing digitalization, financial inclusion efforts, and proactive risk management. The central bank's monetary policy has contributed to inflation moderation and exchange rate stability, laying a strong foundation for future growth. With continued macroeconomic stabilization, private sector credit is expected to rebound – particularly as banks adapt to tighter liquidity while preserving loan quality.

Looking ahead, the focus is not just on growing credit but on optimizing its direction. Recent insights – including those discussed at the 2025 RBA Banking Research Conference – underscore

the need for targeted credit toward productive sectors such as manufacturing, agribusiness, and renewable energy<sup>9</sup>. This shift aligns with Rwanda's long-term development goals and the drive to deepen domestic capital formation.

Digital finance continues to redefine access to credit, particularly for underserved groups. While this presents an opportunity for greater financial inclusion and operational efficiency, it also demands stronger oversight in areas such as consumer protection, risk management, and digital lending transparency. Balancing innovation with stability will require close collaboration between regulators and market actors.

Structural changes within the banking industry – including mergers, acquisitions, and fintech partnerships – are reshaping competition and market power dynamics. While consolidation has improved capital efficiency and created synergies, it also calls for renewed focus on maintaining a level playing field that encourages innovation and fair pricing.

Finally, insights from recent research reinforce the importance of adaptive credit scoring, SME-focused risk models, and a nuanced understanding of the interplay between competition and financial stability. The Rwanda Bankers' Association, through its Research Centre, remains committed to advancing knowledge based policy and industry practice. The industry's ability to adapt, innovate, and collaborate will define its continued role in supporting Rwanda's economic transformation.

<sup>7</sup> <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>

<sup>8</sup> <https://www.imf.org/en/Publications/REO/SSA/Issues/2025/04/25/regional-economic-outlook-for-sub-Saharan-africa-april-2025>

<sup>9</sup> <https://rba.rw/wp-content/uploads/2025/07/Working-Paper-Series-final-min-1.pdf>

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Guaranty Trust Bank (Rwanda) plc



RWANDA BANKERS' ASSOCIATION

"Together for a better banking environment"

The Rwanda Bankers' Association (RBA), established in 2009, is an organization representing licensed banks in Rwanda. Its main objectives include being the voice for non-competitive banking issues and promoting professional standards. The National Bank of Rwanda, though not a member, is often invited to RBA meetings and activities.



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