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RBA RESEARCH CENTRE
ANNUAL PUBLICATION

State of the Banking Industry Report 2026

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About this Report

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.

The SBIR is aimed at contributing to the understanding of the banking industry in Rwanda. This is the third 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 3rd edition 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.

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FOREWORD

"Behind every statistic lies a story of resilience, innovation, partnership, and opportunity."

TONY FRANCIS NTORE · CHIEF EXECUTIVE OFFICER

It is with great pleasure that I present the 2026 State of the Banking Industry Report, the Rwanda Bankers' Association's flagship publication that provides a comprehensive assessment of the performance, resilience, and future direction of Rwanda's banking sector. As the financial landscape continues to evolve at an unprecedented pace, this report serves not only as a reflection of where the industry stands today, but also as a guide to the opportunities and challenges that will shape its future.

The 3rd edition of the State of the Banking Industry Report demonstrates in detail the remarkable resilience of Rwanda's banking sector against a complex global backdrop marked by geopolitical tensions, trade uncertainties, shifting monetary policies, and growing climate-related risks. Despite these external pressures, Rwanda's economy remained among the fastest growing in Africa, creating a strong foundation for continued banking sector expansion. The industry recorded sustained growth in assets, deposits, lending, profitability, and financial soundness, reaffirming its central role in mobilizing capital, supporting private sector development, and advancing inclusive economic growth.

Beyond these strong financial fundamentals, this edition highlights an industry undergoing profound transformation. Digital innovation is reshaping how financial services are designed, delivered, and experienced. From the rapid growth of mobile and digital banking to the expansion of interoperable payment systems, the rollout of eKash, and increasing collaboration with fintechs, Rwanda's banking sector is steadily transitioning toward a more connected, efficient, and customer-centric financial ecosystem. At the same time, Environmental, Social and Governance (ESG) considerations are becoming increasingly embedded in banking strategy, influencing governance, lending decisions, and risk management. Financial institutions are expanding sustainable finance initiatives in supporting investments in renewable energy, climate-smart agriculture, green infrastructure, and other sectors that contribute to Rwanda's Green Growth and Climate Resilience Strategy and broader sustainable development ambitions.

The banking industry also remains committed to strengthening financial inclusion and financing the real economy. Expanding access to finance for Micro, Small and Medium Enterprises (MSMEs), supporting affordable housing, enhancing agricultural value chains, and accelerating digital financial inclusion continue to be key priorities. Through close collaboration with the National Bank of Rwanda, Government institutions, and development partners, the sector is fostering responsible innovation, strengthening financial resilience, and supporting Rwanda's Vision 2050 and ambition to become a leading regional financial hub.

The State of the Banking Industry Report is more than an annual publication; it is a strategic knowledge resource that informs policy dialogue, supports evidence-based decision-making, and provides valuable insights for financial institutions, investors, researchers, development partners, and the wider public. As you read this edition, I invite you to look beyond the numbers. Behind every statistic lies a story of resilience, innovation, partnership, and opportunity. Together, we are building a banking sector that is not only financially strong, but also digitally enabled, environmentally responsible, and well positioned to support Rwanda's long-term economic transformation.

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Abbreviations & List of Figures

ABBREVIATIONS

AFR	Access to Finance Rwanda
BNR / NBR	National Bank of Rwanda
CBR	Central Bank Rate
CR3	Combined market share of the three largest banks
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management Systems
GDP	Gross Domestic Product
HHI	Herfindahl-Hirschman Index
IMF	International Monetary Fund
LCR	Liquidity Coverage Ratio
MPFSS	Monetary Policy and Financial Stability Statement
MSME	Micro, Small and Medium Enterprises
NIM	Net Interest Margin
NPL	Non-Performing Loan
ROA	Return on Assets
ROE	Return on Equity
RWF	Rwandan Franc
SBIR	State of the Banking Industry Report
WEO	World Economic Outlook

LIST OF FIGURES

Data sources: IMF World Economic Outlook, World Bank, National Bank of Rwanda (BNR), MINECOFIN, National Institute of Statistics Rwanda, and commercial bank financial statements analysed at industry level.

CHAPTER ZERO

Executive Summary

Against a backdrop of persistent geopolitical tensions, moderating global growth, evolving monetary policy, and increasing climate-related risks, Rwanda's banking industry demonstrated remarkable resilience, recording broad-based growth while maintaining strong financial soundness and reinforcing its role as a catalyst for national economic transformation.

The key highlights of the report include:

01 Global economic conditions remained challenging, with geopolitical conflicts, supply chain disruptions, and inflationary pressures continuing to influence global financial markets. Despite these headwinds, the global economy proved more resilient than anticipated, while Sub-Saharan Africa maintained steady growth supported by resilient domestic demand, easing inflation, and improving macroeconomic fundamentals.

02 Rwanda sustained one of the strongest economic performances in the region, with real GDP expanding by 9.4%, supported by robust growth in services, agriculture, construction, tourism, and private sector investment. Stable macroeconomic conditions, declining inflationary pressures, and a sound policy environment continued to provide a favourable foundation for banking sector growth.

03 The banking sector reached another historic milestone, with total assets surpassing RWF 10.7 trillion, reflecting continued expansion in financial intermediation and increasing confidence in the financial system. Customer deposits and gross loans grew by 23.8 percent and 26.7 percent, respectively, demonstrating banks' growing capacity to mobilize domestic savings and finance productive sectors of the economy.

04 Financial soundness indicators remained robust. The Non-Performing Loan (NPL) ratio declined to 2.5 percent, the lowest level in more than a decade, while capital adequacy and liquidity ratios remained comfortably above regulatory requirements. These indicators reflect prudent risk management, strong balance sheets, and the sector's continued resilience to both domestic and external shocks.

05 Profitability remained strong, supported by sustained growth in interest income, improved operational efficiency, and lower impairment charges. Banks continued to generate healthy returns while strengthening their capital base and maintaining adequate liquidity to support future lending and economic activity.

06 Increased adoption of digital banking platforms, mobile financial services, interoperable payment infrastructure, automation, and data-driven decision-making is reshaping service delivery, improving customer experience, enhancing operational efficiency, and expanding financial inclusion. As digitalisation accelerates, cybersecurity and operational resilience are becoming increasingly important strategic priorities.

07 Banks are progressively integrating Environmental, Social and Governance (ESG) principles into governance, risk management, and lending decisions, while growing opportunities in climate finance, green investment, and sustainable banking are positioning the industry to support Rwanda's transition toward a resilient and low-carbon economy.

2025 Banking Sector at a Glance

RWF 10.7 tn
TOTAL BANKING ASSETS · UP FROM 8.7 TN

9.4%
REAL GDP GROWTH · FROM 8.9% IN 2024

+26.7%
NET LOAN GROWTH · HIGHEST IN RECENT YEARS

2.5%
NPL RATIO · LOWEST IN OVER A DECADE

INDICATOR	2025	2024	TREND
Net Loans	RWF 5.3 tn	RWF 4.2 tn	▲
Customer Deposits	RWF 6.8 tn	RWF 5.5 tn	▲
Loan Growth	26.7%	11.8%	▲
Deposit Growth	23.8%	14.8%	▲
Return on Assets (ROA)	4.8%	4.9%	–
Return on Equity (ROE)	19.1%	20.8%	–
Total Capital Ratio	21.9%	20.5%	▲
Liquidity Coverage Ratio	358.8%	333.8%	▲
Loan-to-Deposit Ratio	94.5%	99.5%	▼

CHAPTER ONE

01

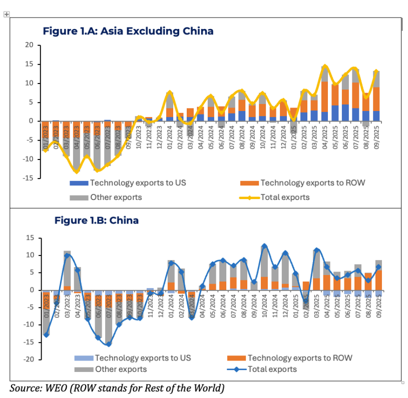
Global and Domestic Macroeconomic Developments

3.4%	4.1%	3.1%	9.4%
GLOBAL GROWTH, 2025	GLOBAL INFLATION, 2025	2026 FORECAST, REVISED DOWN	RWANDA REAL GDP GROWTH

1.1 Global Economic Growth

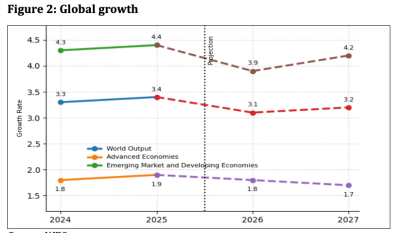
In 2025, the global economy demonstrated notable resilience despite significant headwinds from trade policy disruptions and geopolitical uncertainty. The world economy weathered challenges stemming from trade tariffs and an exceptional increase in policy uncertainty, supported by robust technology-related investment including AI, adaptive corporate responses, and fiscal and monetary policy support ***(Figure 1)***. Global growth is estimated at 3.4% in 2025, with advanced economies growing around 1.9% and emerging market and developing economies just above 4.4% ***(Figure 2)***. Regional performance remained divergent, with the United States showing relative strength, the eurozone held back by structural headwinds, and China supported by domestic stimulus despite weak consumer demand[1].

Global inflation declined to an estimated 4.1% in 2025, reflecting the cumulative effects of monetary tightening and stabilizing commodity prices, though progress remained uneven across regions, with the United States still above target while the eurozone moved closer to its objective ***(Figure 3)***. The IMF's January 2026 WEO Update projected global growth at 3.3% for 2026 and 3.2% for 2027, with technology investment, fiscal support, and private sector adaptability continuing to offset trade policy headwinds. The outlook was however formulated before the outbreak of war in the Middle East in late February 2026, which the IMF's April 2026 WEO identified as a significant new downside risk, revising global growth down to 3.1% for 2026.



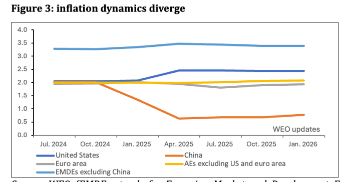
Source: WEO (ROW stands for Rest of the World)

Figure 2: Global growth



Source: WEO

Figure 3: inflation dynamics diverge



Source: WEO (EMDEs stands for Emerging Market and Development Economies) (AEs stands for Advanced Economies)

> Although global inflation continued to moderate during 2025, inflationary pressures remained elevated in several economies due to geopolitical developments and energy market volatility. According to the IMF World Economic Outlook (WEO) April 2026, the global financial system was forced to confront the direct consequences of an expanding conflict, which triggered renewed inflationary pressures and heightened the risk of a "hard landing" for several major economies. The IMF warned that the suddenness of the geopolitical shock had disrupted the fragile recovery of the previous year, prompting a downward revision of global growth forecasts. The WEO analysis specifically highlights that the intersection of persistent conflict and rising commodity costs has created a high-uncertainty environment, where the potential for further tightening in financial conditions remains a central threat to both near-term expansion and long-term fiscal sustainability.

[1] https://www.imf.org/en/publications/weo/issues/2026/04/14/world-economic-outlook-april-2026

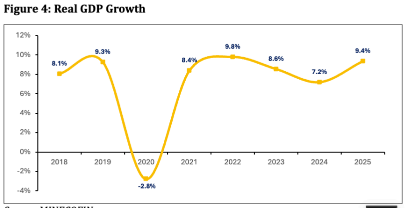
1.2 Domestic Economic Developments

During 2025, the Rwandan economy sustained a robust growth trajectory, consistently outperforming regional averages with a GDP expansion of approximately 9.4% up from 8.9% recorded in 2024 ***(Figure 4)***. This is a result of a continuous growth through the year where GDP expanded by 6.5% in the first quarter, 7.8% in the second quarter, 11.8% in the third quarter and 11.2% in the fourth quarter. According to the BNR Monetary Policy and Financial Stability Statement (MPFSS), this resilience was primarily underpinned by the recovery in the agricultural sector and the continued expansion of the services industry, particularly in tourism and financial intermediation. However, as the global "polycrisis" intensified in early 2026, marked by the Middle East conflict and the subsequent spike in global fuel prices, the domestic economy faced renewed pressure. Despite these external headwinds, Rwanda's macroeconomic fundamentals remained stable.

Rwanda's strong economic performance created favourable conditions for banking sector expansion during 2025. Increased economic activity stimulated demand for credit from households and business, particularly in productive sectors such as agriculture, manufacturing, construction, trade, and tourism. Stronger business confidence also contributed to higher investment activity, improved repayment capacity among borrowers, increased savings mobilisation, and greater utilization of banking services. These developments reinforced the banking sector's role in supporting private sector growth and economic transformation.

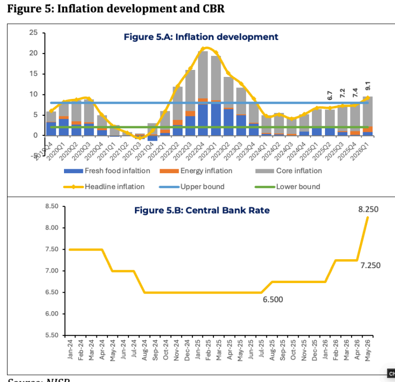
After maintaining headline inflation within the BNR's 2–8% target range throughout 2024 and 2025 ***(Figure 5.A)***, the domestic price environment faced a dual challenge from the November 2025 energy price adjustments and the February 2026 Middle East conflict, which triggered a severe spike in global oil prices. These external shocks translated into higher domestic fuel and diesel costs, generating significant second-round pressures on fresh food and core inflation through increased production and logistics expenses. To anchor inflation expectations and mitigate these "cost-push" pressures, the National Bank of Rwanda (BNR) tightened monetary policy decisively, raising the Central Bank Rate (CBR) to 7.25% in Q1 2026 (a 50-bps hike) and further to 8.25% in Q2 2026 (a 100-bps hike), effectively curbing the risk of medium and long-term inflationary entrenchment ***(Figure 5.B)***.

Figure 4: Real GDP Growth



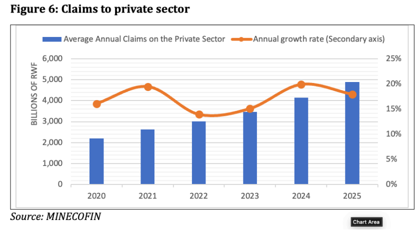
Source: MINECOFIN

Figure 5: Inflation development and CBR



Source: NISR

Figure 6: Claims to private sector



Source: MINECOFIN

The Rwandan Franc (RWF) remained relatively stable against the US Dollar throughout 2025, reflecting strong macroeconomic fundamentals and prudent policy management. This stability extended into the first half of 2026, during which the RWF demonstrated notable resilience despite heightened global economic uncertainty and external shocks that put pressure on many emerging market currencies. The currency's performance was supported by improvements in the current account balance, a weaker US Dollar, and proactive measures aimed at maintaining exchange rate stability.

The credit environment in Rwanda remained robust in 2025, with average annual claims on the private sector increasing to RWF 4,897.9 billion from RWF 4,153.1 billion in 2024. This represents a growth rate of 17.9%, which is above the average growth rate recorded over the previous five years ***(Figure 6)***. This strong expansion reflects continued confidence in the economy and the banking sector's capacity to support productive investment and business activity. The growth in private sector credit occurred alongside a slight decline in the average annual lending rate to 15.84% from 16.02% in 2024, while the average interbank rate remained stable at 6.45%. These developments suggest a supportive financing environment, underpinned by stable liquidity conditions and sustained demand for credit.

Overall, Rwanda's macroeconomic environment remained supportive of banking sector growth throughout 2025. Strong economic expansion, moderating inflation, prudent monetary policy, and improving business confidence created favourable conditions for financial intermediation, credit growth, and deposit mobilisation. At the same time, continued global uncertainty, evolving geopolitical developments, climate-related risks, and changing financial market conditions underscore the importance of maintaining sound risk management and operational resilience. Against this backdrop, Rwanda's banking sector entered 2025 from a position of strength, providing a solid foundation for the strong financial performance presented in the subsequent chapters of this report.

02 CHAPTER TWO Industry Developments

2.1 Banking Sector Total Assets

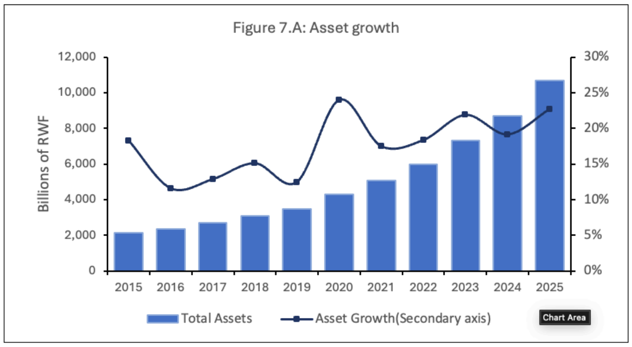
×5

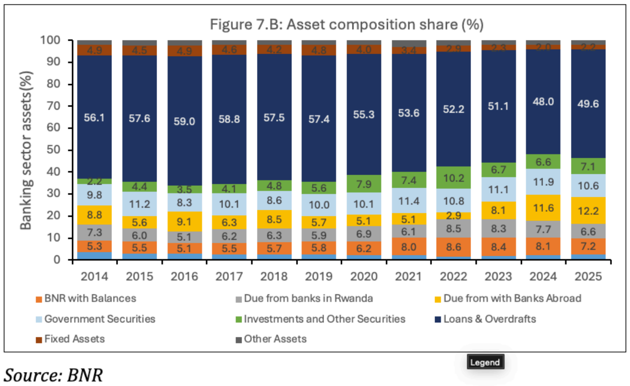
The banking sector has demonstrated a robust and accelerating growth trajectory over the last decade, with total assets of the **RWF 10,678.4 billion** milestone by 2025; effectively quintupling in size since 2015 ***(Figure 7.A)***.

While 'Loans and Overdrafts' remain the cornerstone of the industry's balance sheet, representing nearly half of all assets, there is a discernible strategic shift toward portfolio. This is evidenced by the increasing allocation toward 'Investments and Other Securities' and a recent, sharp expansion in 'Due from Banks Abroad,' which reached a decade-high of 12.2% in 2025 ***(Figure 7.B)***.

This evolving asset composition reflects a more sophisticated balance sheet strategy in which banks are balancing traditional lending activities with increased investment in securities and foreign placements to enhance liquidity management, diversify income sources, optimize returns, and strengthen resilience against evolving market conditions. Such diversification also improves banks' capacity to withstand economic shocks while maintaining adequate funding for continued credit expansion.

Figure7: Banking sector Assets





Source: BNR

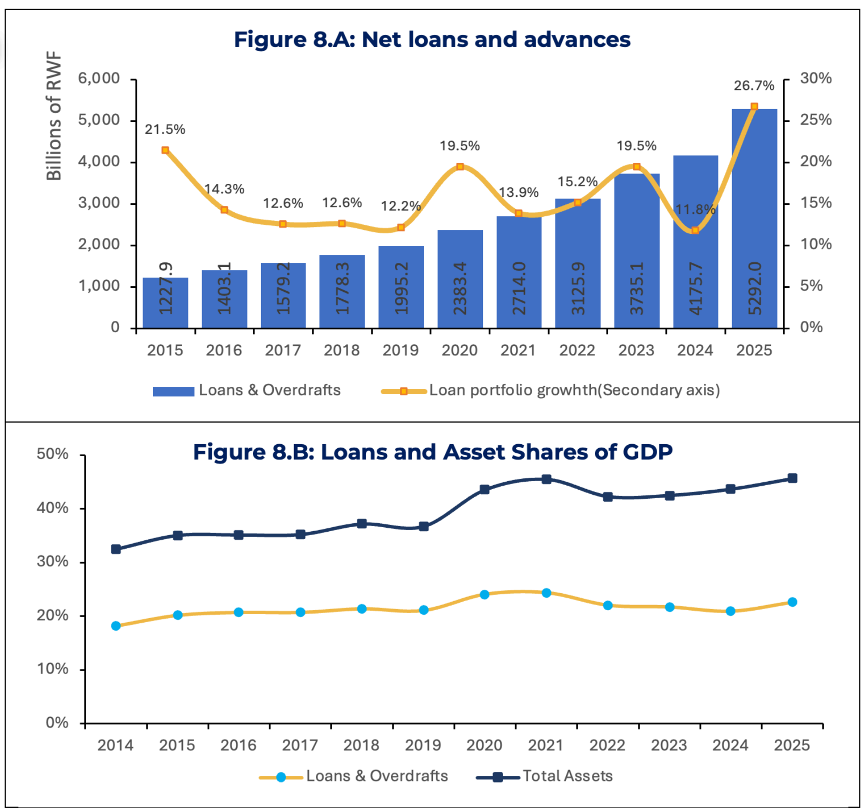
The sustained expansion of banking sector assets demonstrates the growing depth and maturity of Rwanda's financial system. A larger balance sheet enhances banks' ability to intermediate savings into productive investment, finance large-scale economic projects, absorb potential financial shocks, and support the country's long-term economic transformation. Continued asset growth also reinforces the banking sector's contribution to financial stability and economic development.

2.2 Loans and Advances

The banking sector's credit portfolio achieved a record valuation of 5,292 billion RWF in 2025, representing a more than four-fold increase over the ten-year period starting in 2015. Following a temporary moderation in 2024 when growth slowed to 11.8%, the industry entered a high-velocity phase marked by a substantial 26.7% expansion in 2025 ***(Figure 8.A)***. This sharp acceleration reflects stronger private sector demand for financing, improving business confidence, favourable macroeconomic conditions, and enhanced lending capacity across the banking industry. The acceleration also indicates increased confidence among financial institutions in extending credit while maintaining prudent risk management practices.

From a macroeconomic perspective, financial deepening is now a primary driver of national resilience, with total banking assets reaching 45.7% of nominal GDP in 2025. Crucially, loans and advances, which consistently represent approximately half of these total assets, serve as the vital conduit between financial capital and real-sector productivity. The expansion of the loan-to-GDP ratio to 22.6% reflects the industry's indispensable role in mobilizing credit to fund capital expenditure, infrastructure, and consumer demand ***(Figure 8.B)***.

The rapid expansion in private sector credit is particularly significant because it reflects the banking sector's growing role in financing productive economic activities. As banks expand lending to businesses and households, they facilitate investment, employment creation, enterprise growth, and household consumption, thereby strengthening the link between financial sector development and broader economic transformation.



This deep integration of credit into the broader economy signifies that the banking sector has evolved into a fundamental pillar of structural transformation, where the steady supply of credit acts as a catalyst for sustainable economic growth.

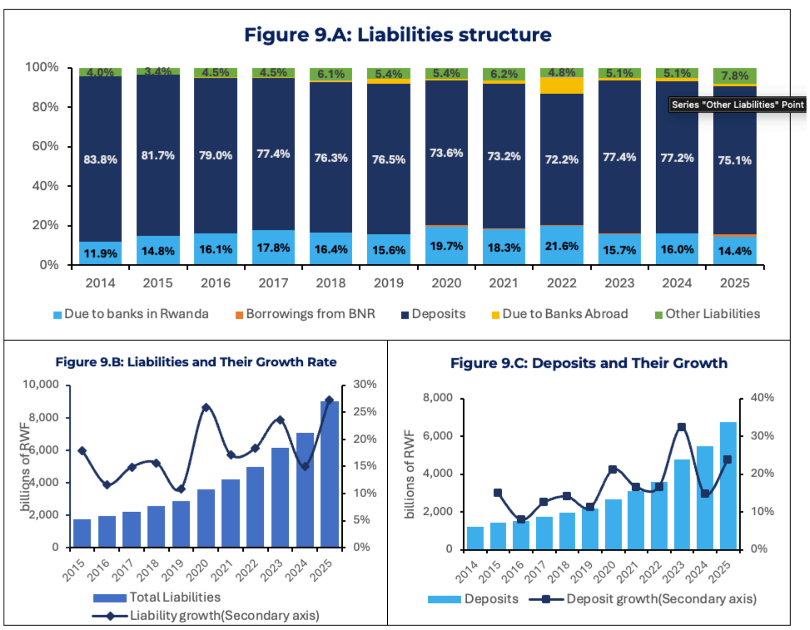
2.3 Liabilities

The banking sector has entered a sustained expansion, with total liabilities reaching a record RWF 9,022.5 billion in 2025. This represents a sharp momentum shift, as liability growth surged to 27.2%, nearly doubling the 15.0% growth rate recorded in the previous year ***(Figure 9.B)***. While customer deposits remain the primary anchor of the industry's funding base, accounting for 75.1% of the total liability mix in 2025, their relative share has gradually moderated to allow for more diversified funding streams ***(Figure 9.A)***. The continued growth in liabilities strengthened banks' funding capacity, enabling institutions to support the expanding private sector while maintaining prudent liquidity and regulatory buffers.

Recent data reveals a sophisticated evolution in how banks are managing short-term liquidity and regulatory requirements. Borrowing from the National Bank of Rwanda increased during the year, rising to 1.4% of total liabilities, up from just 0.1% in 2024 ***(Figure 9.A)***; suggesting greater utilization of central bank liquidity facilities to support short-term liquidity management.

Additionally, interbank activity remains a vital component of the sector's resilience, with 'Due to banks in Rwanda' maintaining a significant 14.4% share ***(Figure 9.A)***. This diversified funding approach, balancing core retail deposits with interbank markets and central bank windows, demonstrates an enhanced institutional capacity to manage liquidity risks and sustain credit growth even as fiscal and monetary policies undergo significant reform.

The banking sector's deposit base achieved a record valuation of RWF 6,776 billion in 2025, building on the exceptional 32.5% growth momentum initiated in 2023 ***(Figure 9.C)***. This sustained acceleration highlights successful financial inclusion and effective monetary policy transmission, providing a resilient, domestic-led funding base for the industry. By anchoring approximately 75% of total liabilities, these deposits ensure that aggressive credit expansion remains sustainably backed by domestic savings, allowing banks to balance high growth targets with the liquidity demands of the current regulatory environment.



RWF 9,022.5 bn
TOTAL LIABILITIES, 2025

+27.2%
LIABILITY GROWTH, FROM 15.0%

RWF 6,776 bn
RECORD DEPOSIT BASE

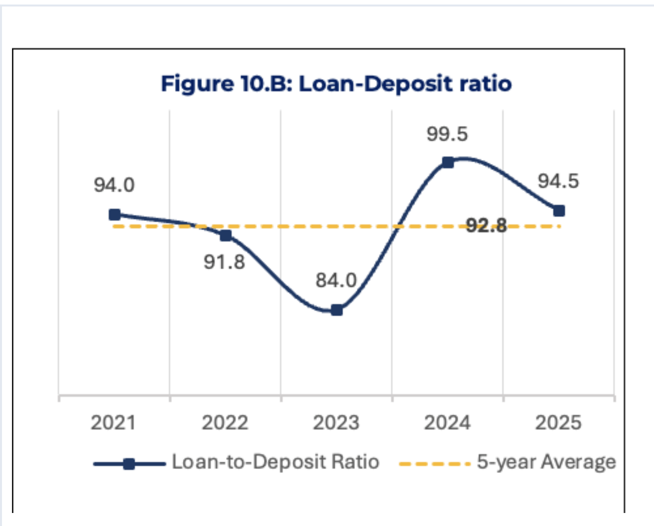
+23.8%
DEPOSIT GROWTH

2.4 Liquidity and Funding

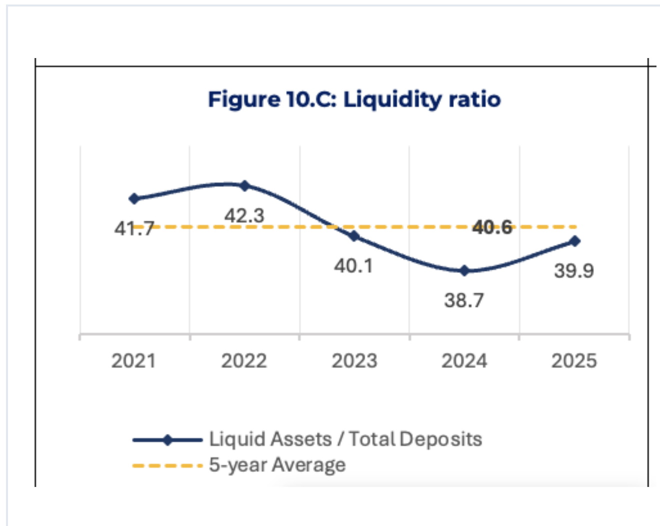
In 2025, the banking sector demonstrated exceptional short-term resilience as the Liquidity Coverage Ratio (LCR) surged to a record 358.8%, significantly outperforming its 5-year average of 282.3% ***(Figure 10.A)***. This fortified position provided the essential backing for the industry's significant increase in credit, where the loan portfolio scaled to RWF 5,292 billion, a record-high annual growth of 26.7%.

While the gross loans-to-deposits ratio moderated to 94.5% from its 2024 peak, it remains notably above the 92.8% average, signalling a strong but prudent lending activity for private sector risk ***(Figure 10.B)***. Complementing this, the liquid assets-to-deposits ratio stabilized at 39.9%, nearly aligning with the 40.6% historical benchmark ***(Figure 10.C)***.

These metrics collectively reveal a strategic pivot toward enhancing regulatory buffers; by ensuring that rapid credit expansion is sustainably anchored by high-quality liquid asset coverage and stable deposit growth, the sector has successfully balanced its systemic role as an economic engine with the rigorous liquidity discipline required to navigate a volatile macroeconomic landscape.



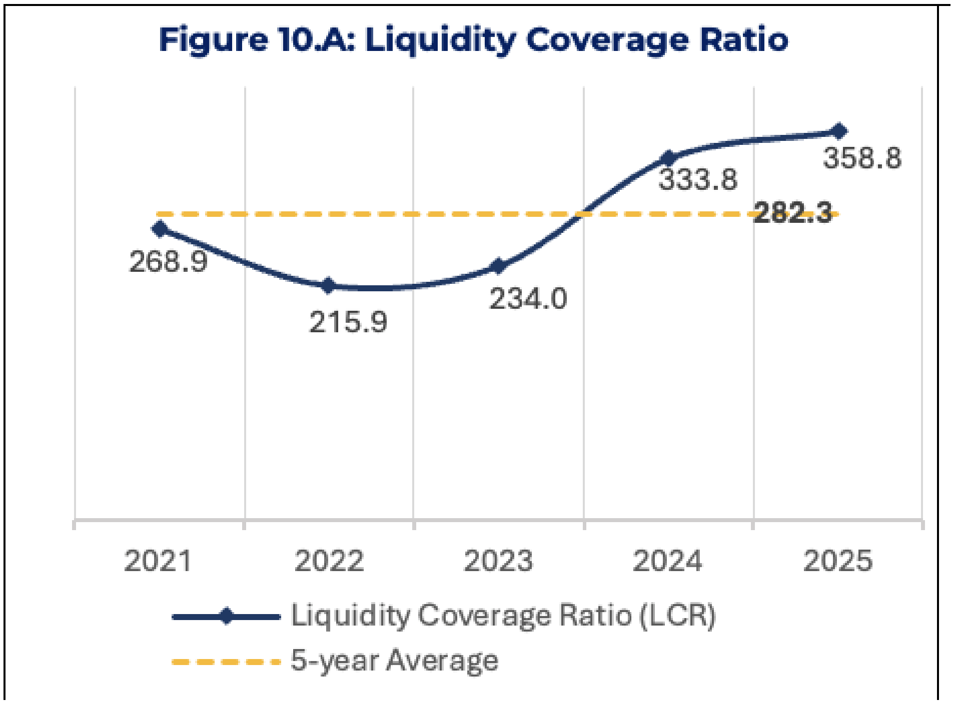
Dashed line: 5-year average, 92.8%



Dashed line: 5-year average, 40.6%

358.8% RECORD LIQUIDITY COVERAGE RATIO	**94.5%** LOAN-TO-DEPOSIT RATIO, FROM 99.5%	**39.9%** LIQUID ASSETS / DEPOSITS	**282.3%** 5-YEAR AVERAGE LCR

The sector's strong liquidity position demonstrates its capacity to meet short-term obligations while continuing to finance economic activity.



Maintaining liquidity levels substantially above regulatory requirements enhances depositor confidence, strengthens financial stability, and provides banks with greater flexibility to respond to unexpected market disruptions or shifts in monetary policy.

BANKING SECTOR HIGHLIGHTS

- Assets exceeded RWF 10.7 trillion for the first time.
- Loans grew by 26.7%, the highest annual increase in recent years.
- Customer deposits increased to RWF 6.8 trillion, strengthening domestic funding.
- NPL ratio declined to 2.5%, the lowest in over a decade.
- Liquidity Coverage Ratio reached 358.8%, well above regulatory requirements.
- Banks maintained strong capital buffers while supporting economic growth.
- Continued investment in digital banking and interoperable payment infrastructure accelerated financial inclusion and customer convenience.

03

CHAPTER THREE

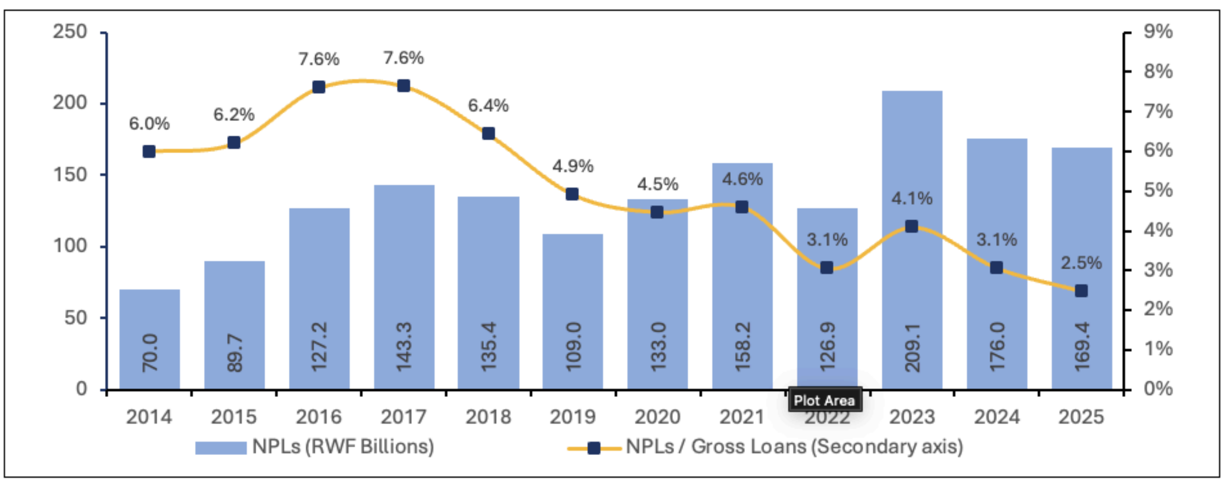
Asset Quality

3.1 Credit Quality

The banking sector recorded a significant improvement in asset quality in 2025, with the Non-Performing Loan (NPL) ratio declining to 2.5%, its lowest level in more than a decade. This improvement occurred despite strong growth in credit, indicating that the expansion in lending was accompanied by prudent underwriting standards, effective credit monitoring, and improved borrower performance. As illustrated in the NPL trajectory, this represents a decisive successful clean-up of the industry's balance sheet from the 7.6% peaks recorded in 2017. Notably, absolute NPL volume contracted by 3.7%, falling to RWF 169.4 billion from RWF 176.0 billion in 2024 ***(Figure 11)***, despite an aggressive 26.7% expansion in the total credit engine.

The simultaneous expansion in credit and decline in impaired assets demonstrates that lending growth was supported by strengthened credit appraisals processes, enhanced portfolio monitoring, and improving macroeconomic conditions. This trend reflects a banking sector that is increasingly balancing growth objectives with prudent risk management.

Figure 11: Trends in Non-Performing Loans



2.5%
NPL RATIO · DECADE LOW

RWF 169.4 bn
NPL VOLUME, DOWN FROM 176.0 BN

–3.7%
CHANGE IN NPL VOLUME, YEAR ON YEAR

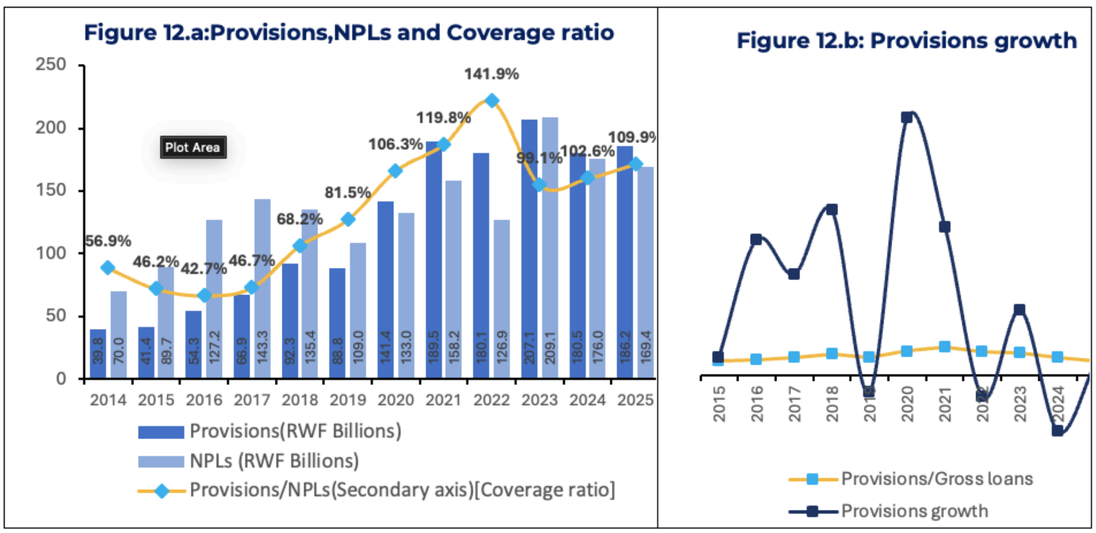
Improving asset quality strengthens banks' financial resilience by reducing credit losses, lowering provisioning requirements over time, and preserving capital available for future lending. Strong asset quality also enhances investor confidence, supports financial stability, and enables banks to continue financing productive sectors of the economy without compromising balance sheet strength. A further argument can be made that sufficient liquidity, high quality assets and a stable macroeconomic environment bolster the banking industry's ability to take risks on the private sector without compromising systemic stability ***(RBA Working Paper Series, Optimal Credit Growth Path for Rwanda, Page 72)***[2].

[2] RBA Working Paper Series, Optimal Credit Growth Path for Rwanda: https://rba.rw/wp-content/uploads/2025/07/Working-Paper-Series-final-min-1.pdf

3.2 Non-Performing Loans and Provisions

The banking sector strengthened its credit risk buffers in 2025, with total expected credit loss provisions increasing by 3.2% to RWF 186.2 billion from RWF 180.5 billion in 2024, while non-performing loans declined by 3.7% to RWF 169.4 billion ***(Figure 12.a, b)***. Consequently, the provision coverage ratio rose to 109.9%, indicating that provisions exceeded the stock of non-performing loans ***(Figure 12.a)***. This level of coverage reflects the sector's prudent approach to absorb potential credit losses and reflects a prudent approach to credit risk management.

The increase in provisions despite the decline in non-performing loans highlights a forward-looking risk management strategy, with banks maintaining adequate buffers against potential future credit risks. Although the ratio of provisions to gross loans moderated to 3.4% ***(Figure 12.b)***, maintaining coverage above the 100% threshold underscores the resilience of the banking sector and its commitment to preserving financial stability through adequate provisioning and capital protection.



109.9% PROVISION COVERAGE OF NPLS	**RWF 186.2 bn** CREDIT LOSS PROVISIONS, +3.2%	**3.4%** PROVISIONS / GROSS LOANS

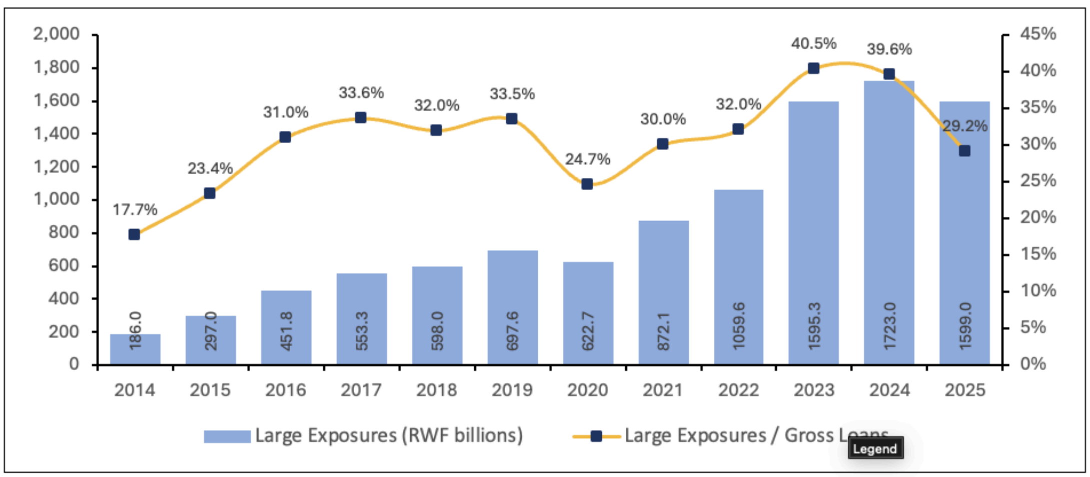
Maintaining provision coverage above 100 percent places the banking sector in a strong position to absorb potential credit losses should economic conditions deteriorate. Such buffers enhance confidence in the resilience of the financial system while reducing the likelihood that unexpected loan impairments would significantly weaken banks' capacity positions.

3.3 Credit Concentration Risk in the Loan Portfolio

The banking sector achieved a significant reduction in credit concentration risk in 2025 as the Large Exposures to Gross Loans ratio declined sharply to 29.2%. This represents a decisive moderation from the 39.6% recorded in 2024 and the decade peak of 40.5% in 2023 ***(Figure 13)***.

Given the record 26.7% expansion in total credit volume during the same year, this downward trend in concentration is highly insightful. It reveals that the industry is successfully diversifying its portfolio by allocating credit across a broader base of borrowers rather than relying on a few large ticket exposures. The decline in concentration risk suggests that banks are increasingly diversifying lending across a broader customer base rather than relying heavily on a limited number of large borrowers. Greater portfolio diversification reduces vulnerability to single-obligor defaults and contributes to improved financial system resilience.

Figure 13: Large Exposures as a Share of Gross Loans



29.2%
LARGE EXPOSURES / GROSS LOANS, 2025

40.5%
DECADE PEAK, 2023

RWF 1,599 bn
LARGE EXPOSURES, FROM 1,723 BN

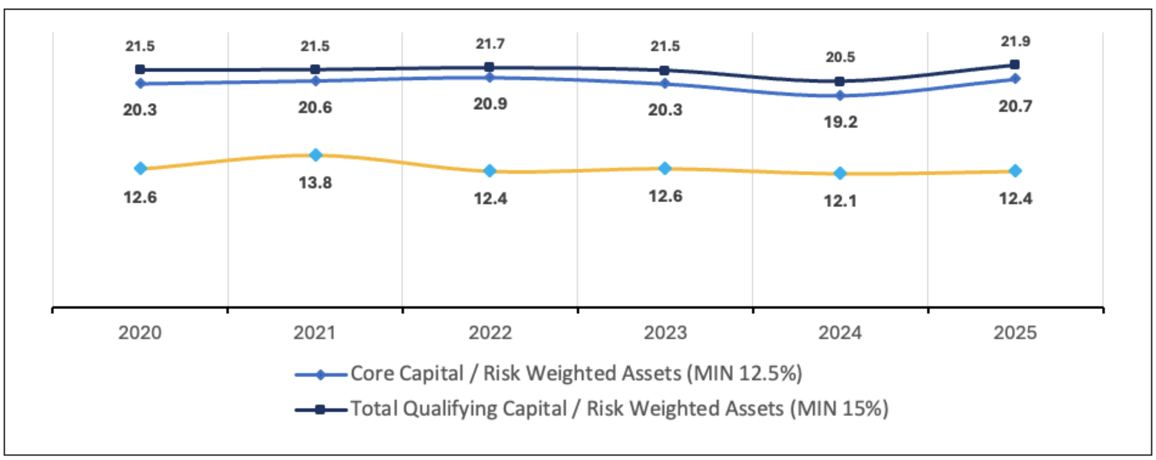
The banking sector's asset quality has shown a clear structural improvement, supported by stronger credit risk management and improved portfolio diversification. Overall credit risk has eased, reflecting healthier loan performance, reduced concentration risk, and strengthened provisioning buffers. This combination indicates a more resilient, well-capitalized banking system capable of sustaining credit growth while maintaining stability and safeguarding against potential shocks.

3.4 Banking Sector Capital Resilience

The banking industry exhibited strong capital resilience in 2025. Core Capital to Risk Weighted Assets and Total Qualifying Capital ratios rebounded to 20.7% and 21.9% respectively ***(Figure 14)***. The latter maintained a robust buffer of 690 basis points above the 15% statutory minimum. This recovery was further supported by a stable leverage ratio of 12.4% ***(Figure 14)***, which represents more than double the regulatory floor (6%). These results confirm that lending to the private sector is supported by strong internal capital generation rather than increased debt. Ultimately, these metrics establish the sector as a well-capitalized sector of economic development. The industry is capable of navigating structural fiscal reforms to prioritize private sector credit while simultaneously fortifying its long-term capacity to absorb losses.

Strong capital buffers remain particularly important as the banking sector continues to expand lending, invest in digital transformation, and respond to emerging risks such as cybersecurity, climate change, and global economic uncertainty. Maintaining capital comfortably above regulatory minimums provides banks with sufficient capacity to absorb unexpected losses while continuing to support economic growth.

Figure 14: Trends in Capital Adequacy and Leverage Ratio



21.9%	20.7%	12.4%
TOTAL QUALIFYING CAPITAL RATIO · MIN 15%	CORE CAPITAL RATIO · MIN 12.5%	LEVERAGE RATIO · FLOOR 6%

Overall, the banking sector entered 2025 with its strongest asset quality position in more than a decade. Declining non-performing loans, robust provisioning levels, reduced credit concentration, and strong capital adequacy collectively demonstrate a resilient banking system capable of supporting sustained credit expansion while preserving financial stability. As lending continues to grow, maintaining prudent underwriting standards, strengthening portfolio monitoring, and proactively managing emerging risks will remain essential to safeguarding the sector's resilience and supporting Rwanda's long-term economic development.

> *"Rapid credit growth has not compromised financial stability."*

04 CHAPTER FOUR
Industry Profitability

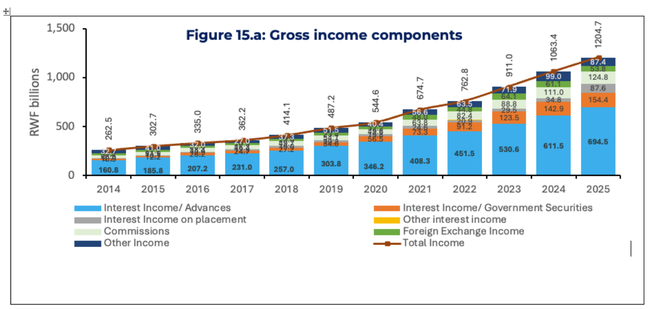
4.1 Gross Income

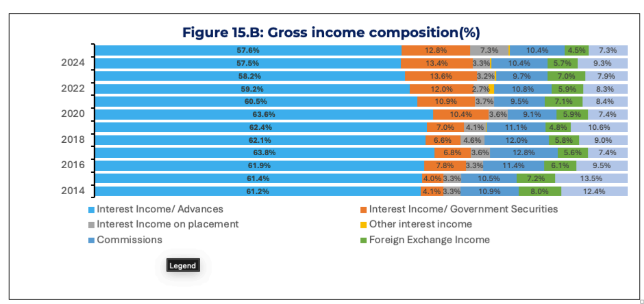
RWF 1,204.7 bn

Record gross income in 2025, up **13.3%** year on year.

The banking sector recorded another year of strong revenue growth in 2025, with total gross income reaching a record RWF 1,204.7 billion. This performance was primarily anchored by interest income on loans and advances, which contributed RWF 694.5 billion (57.6%), effectively translating the recent 26.7% credit expansion into core earnings. A critical recent development is the sharp surge in income from placements, which rose to RWF 87.6 billion, more than doubling its structural share to 7.3% in 2025 from just 3.3% in the previous year. Simultaneously, the industry maintained a diversified secondary revenue base, with interest income on government securities providing a stable RWF 154.4 billion (12.8%), while commissions and foreign exchange income contributed 10.4% and 4.5% respectively ***(Figure 15.a, b)***.

The evolving composition of gross income reflects a more diversified earnings structure, where traditional lending continues to generate the largest share of income while investment securities, liquidity placements, fee-based services, and foreign exchange operations provide additional sources of revenue. Greater revenue diversification enhances the sector's resilience by reducing reliance on a single income stream and supporting more stable earnings across different market conditions.





A diversified revenue base enhances banks' financial resilience by reducing earnings volatility and strengthening their capacity to absorb fluctuations in credit demand, interest rates, and financial market conditions.

4.2 Growth Trends in Gross Income and Its Components

The banking sector maintained strong earnings momentum in 2025, with total income increasing by 13.3%, supported by a significant shift in the composition of revenue sources. The most notable development was the sharp acceleration in interest income from placements, which grew by 152.1% compared to 17.7% in 2024, reflecting enhanced liquidity deployment and more effective utilization of excess funds. Meanwhile, interest income from advances remained the primary earnings driver, growing by 13.6% and reinforcing the sector's core intermediation function ***(Figure 16)***.

The exceptional growth in placement income likely reflects increased deployment of surplus liquidity into higher-yielding money market instruments and interbank placements during the year. This suggests that banks actively optimized liquidity management while taking advantage of prevailing market interest rates to strengthen non-lending sources of income.

At the same time, growth in interest income from government securities moderated to 8.0% in 2025 from 35.5% two years earlier, indicating a gradual reallocation of resources. Despite declines of 12.0% in both foreign exchange income and other income, the industry sustained double-digit earnings growth ***(Figure 16)***, demonstrating the resilience of its diversified revenue base and its ability to generate stable profitability through a balanced mix of lending, liquidity management, and market-based income streams.

4.3 Trends in Interest Income/Advances

Interest income from loans and advances achieved a record valuation of RWF 694.5 billion in 2025, continuing its steady expansion from the RWF 611.5 billion recorded in 2024. While the absolute volume of funded income is at a decade-high, the annual growth rate moderated to 13.6%, representing a tactical deceleration from the 17.5% peak observed in 2023 ***(Figure 17)***.

Although the annual growth rate moderated compared to 2023, the continued increase in interest income reflects the sustained expansion of the loan portfolio and the banking sector's ability to generate stable earnings from its core intermediation activities. The moderation in growth may also indicate a gradual normalization following exceptionally strong lending growth in previous years.

Figure 16: Year-on-Year Growth in Gross Income and Revenue Components

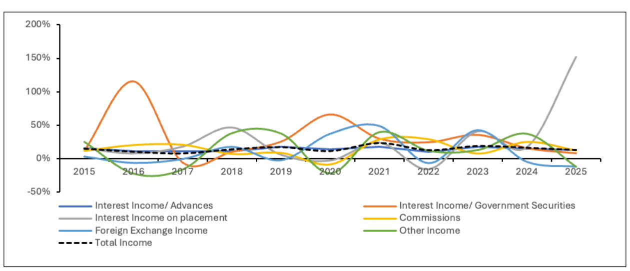
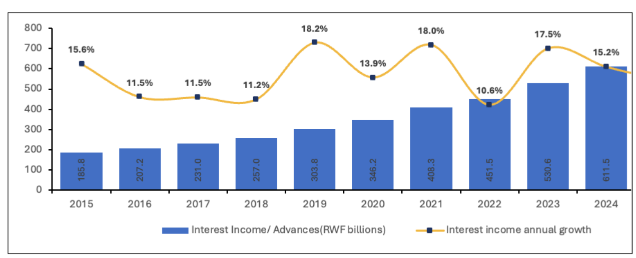


Figure 17: Interest on Advances and Annual Growth



+13.6%
GROWTH IN INTEREST ON ADVANCES

+152.1%
GROWTH IN PLACEMENT INCOME

+8.0%
GOVERNMENT SECURITIES INCOME

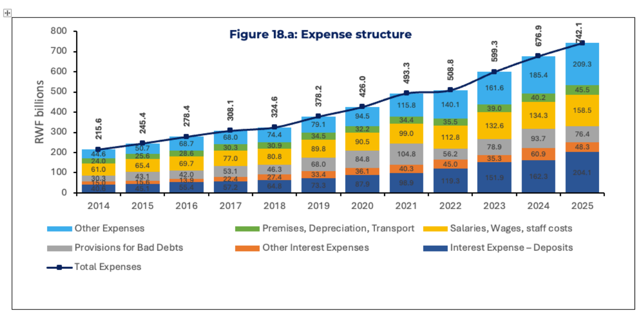
+13.3%
TOTAL INCOME GROWTH

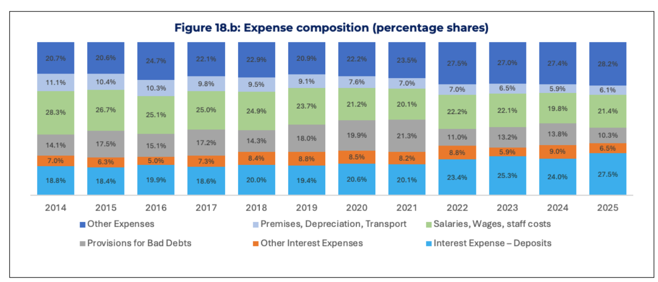
Interest income from loans remains the primary sources of earnings for Rwanda's banking sector, highlighting the continued importance of credit intermediation in supporting both bank profitability and economic growth.

4.4 Operational Cost Dynamics and Structural Efficiency

The banking sector's total operating expenses increased by 9.6% to RWF 742.1 billion in 2025, compared to RWF 676.9 billion in 2024 ***(Figure 18.A)***. However, expense growth remained below the 13.0% growth in gross income, indicating improved operational efficiency and positive operating leverage as revenues expanded faster than costs. Interest expense on deposits recorded the largest contribution to expense growth, rising by 25.7% to RWF 204.1 billion and increasing its share of total expenses from 24.0% in 2024 to 27.5% in 2025 ***(Figure 18.B)***. Rising interest expenses on deposits indicate increased competition among banks for stable customer funding as institutions sought to support expanding loan portfolios while maintaining prudent liquidity positions.

Conversely, provisions for bad debts declined by 18.4% to RWF 76.4 billion from RWF 93.7 billion in 2024, reducing their share of total expenses from 13.8% to 10.3% ***(Figure 18.A, B)***. The decline in provisioning costs reflects improved asset quality and lower credit risk pressures across the sector. Staff costs increased by 18.0% to RWF 158.5 billion, while other expenses grew by 12.9% to RWF 209.3 billion, remaining the largest expense category with a 28.2% share of total expenses ***(Figure 18.A, B)***. Overall, the 2025 expense profile demonstrates stronger cost efficiency, with lower credit risk costs helping offset rising funding expenses and supporting the sector's profitability and resilience.

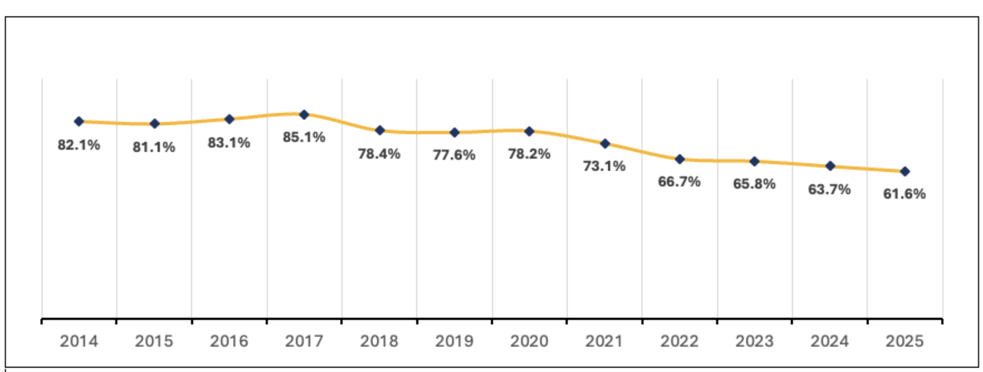




4.5 Cost-to-Income Ratio

The cost-to-income ratio shows a strong and consistent improvement in recent years, declining from 78.2% in 2020 to 61.6% in 2025 ***(Figure 19)***. This downward trend reflects enhanced operational efficiency, driven by stronger income growth relative to costs and improved cost discipline. The most notable improvement occurred after 2021, indicating a structural shift toward a more efficient operating model. Continued investment in digital technologies, process automation, and operational optimization is likely to further improve efficiency over the medium term while enhancing customer service delivery.

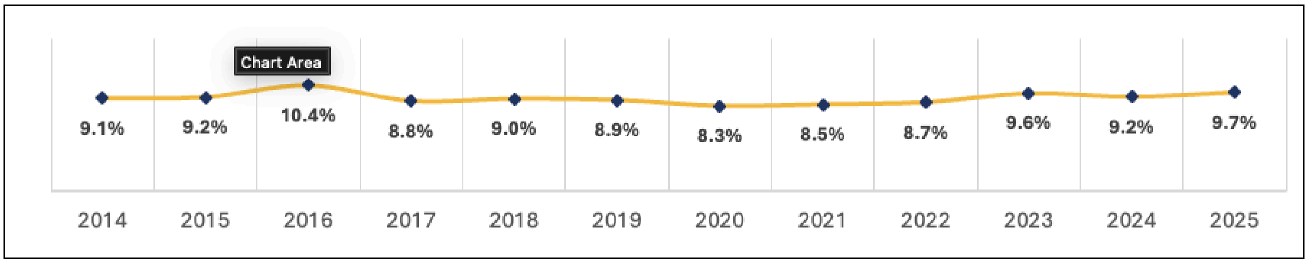
Figure 19: Cost-to-Income Ratio



4.6 Net Interest Margin (NIM)

The Net Interest Margin (NIM), which reflects the spread between interest income from earning assets and interest expenses relative to those assets, has shown a recent improvement in the banking sector. It rose from 9.6% in 2023 to 9.7% in 2025, signalling stronger interest income performance and more effective asset-liability management ***(Figure 20)***. This upward movement suggests that banks have been able to improve returns on earning assets while keeping funding costs relatively stable. Maintaining a stable NIM despite rising funding costs reflects effective pricing strategies and prudent asset-liability management. A healthy margin remains essential for sustaining profitability while supporting continued lending to productive sectors of the economy.

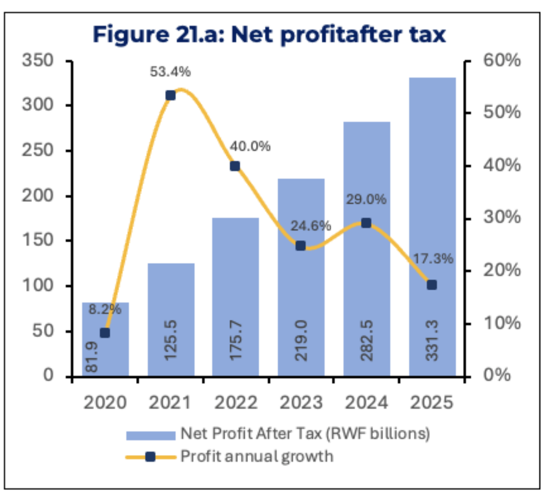
Figure 20: Net Interest Margin

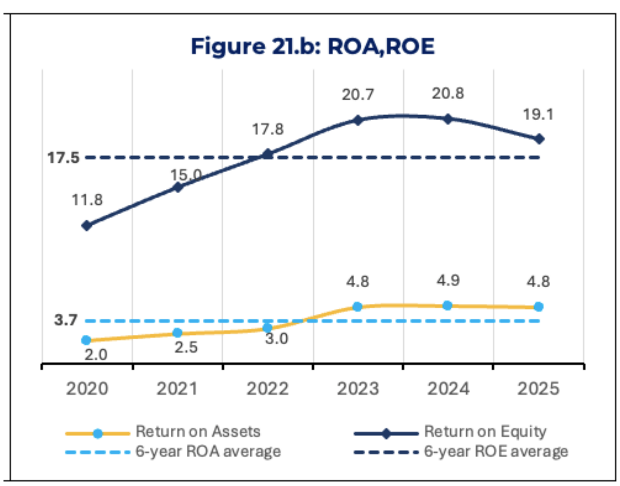


4.7 Profitability

Profitability shows a strong upward trajectory in recent years, with Net Profit After Tax increasing to RWF 331.3 billion in 2025. Growth momentum, however, has moderated recently, declining from 29.0% in 2024 to 17.3% in 2025, following earlier rapid expansion ***(Figure 21.A)***. Despite this slowdown, profitability remains on a solid upward path, reflecting sustained earnings generation and improved operating performance.

Return on Assets (ROA) and Return on Equity (ROE) remain at strong levels, reaching 4.8% and 19.1% in 2025, respectively. Although ROA slightly eased from its 2024 peak of 4.9% and ROE declined marginally from 20.8%, both indicators remain above their 2020–2025 average levels of 3.7% and 17.5% ***(Figure 21.B)***. This confirms that profitability remains robust, despite a mild normalization in the most recent period.





05

CHAPTER FIVE

Market Structure

5.1 Composition of the Rwandan Banking Sector

The banking sector of Rwanda is composed of 11 licensed banking institutions, as updated on 08 August 2024, and is regulated by the National Bank of Rwanda (BNR). These institutions are structured into three main categories: commercial banks, a development bank, and a cooperative bank. Commercial banks dominate the sector, accounting for 9 institutions (81.8%), while the development bank and the cooperative banking segment each represent 1 institution (9.1%), respectively.

This chapter examines the market structure of the banking sector by focusing on key indicators, including market shares of total assets, deposits, and loans. It further analyses concentration measures to assess the degree of competition and structural dynamics within the sector. Understanding market structure is important because the degree of competition influences pricing, innovation, financial inclusion, and the overall efficiency of the banking sector.

9
COMMERCIAL BANKS · 81.8%

1
DEVELOPMENT BANK · 9.1%

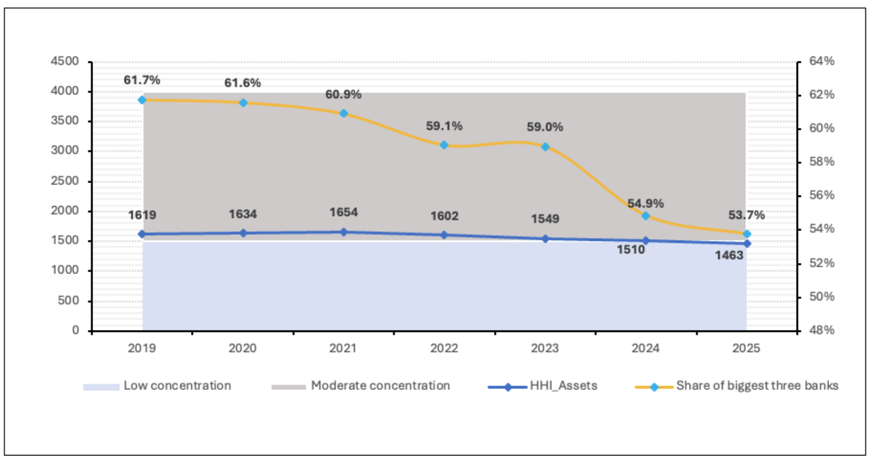
1
COOPERATIVE BANK · 9.1%

5.2 Asset Market Concentration

The asset market remained moderately concentrated with HHI values ranging between 1,463 and 1,654. The HHI increased slightly from 1,619 in 2019 to a peak of 1,654 in 2021, before declining steadily to 1,463 in 2025, indicating that growth is becoming more evenly distributed across the banking industry ***(Figure 22)***. This suggests that medium-sized and smaller banks are expanding their market presence, contributing to a more balanced competitive landscape while reducing reliance on a limited number of dominant institutions.

A similar pattern is observed in the market share of the three largest banks. Their combined asset share declined from 61.7% in 2019 to 53.7% in 2025, representing an eight percentage-point reduction over the period. The sharpest decline occurred between 2023 and 2024, when the CR3 (Top Three Concentration Ratio) fell from 59.0% to 54.9% ***(Figure 22)***. This suggests that smaller and medium-sized banks expanded their asset base at a faster pace than the largest institutions, contributing to a more balanced market structure by the end of the review period.

Figure 22: Assets HHI and Top Three Banks' Market Share



A more balanced distribution of assets enhances competition, encourages innovation, and provides customer with greater choice. Increased competition may also improve service quality, promote product diversification, and strengthen the resilience of the financial system by reducing concentration risk.

5.3 Loan Market Concentration

The loan market exhibited the highest concentration. The HHI increased from 1,980 in 2019 to 2,075 in 2021, approaching the upper bound of the moderately concentrated range, before declining consistently to 1,801 in 2025 ***(Figure 23)***. Although concentration remained moderate throughout the period, the downward trend indicates a gradual broadening of lending activity across the banking sector.

The combined market share of the three largest lenders followed a similar trajectory. After reaching 68.9% in 2021, the CR3 declined steadily to 60.7% in 2025. The decline between 2022 and 2023, from 67.6% to 64.5%, marked the beginning of a sustained reduction in concentration ***(Figure 23)***. These developments suggest that credit growth increasingly originated from a wider group of banks, indicating that lending activity is becoming increasingly broad-based across the banking sector.

5.4 Deposit Market Concentration

The deposit market also remained moderately concentrated, although concentration was generally lower than in the loan market. The HHI rose from 1,844 in 2019 to 2,085 in 2021, reflecting stronger deposit mobilization by the largest banks during that period. From 2022 onwards, however, the index declined continuously, reaching 1,606 in 2025, indicating that deposit growth became increasingly dispersed across the banking industry ***(Figure 24)***.

The market share of the three largest banks displayed a comparable trend. Their combined share increased from 63.0% in 2019 to 66.3% in 2020, remained relatively high through 2023, and subsequently declined to 58.4% in 2025. The gradual decline in deposit concentration suggests that customers are increasingly distributing their savings across a wider range of financial institutions. This trend reflects growing confidence in the banking system as a whole while encouraging healthy competition for deposits through improved customer experience, digital banking services, and innovative savings products.

Figure 23: Loans HHI and Top Three Banks' Market Share

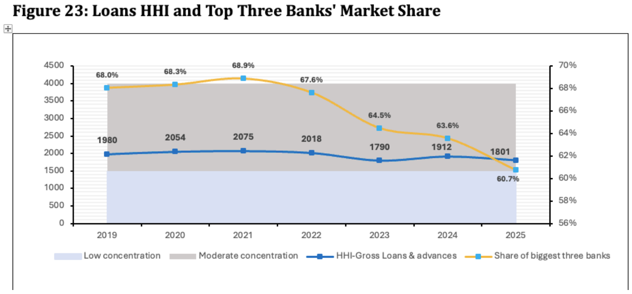
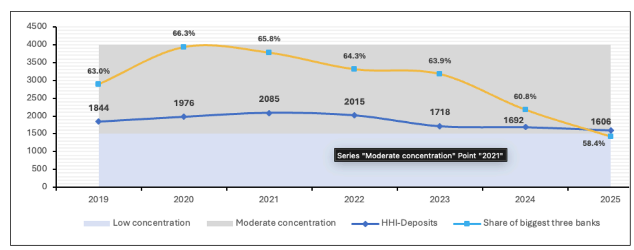


Figure 24: Deposits HHI and Top Three Banks' Market Share



5.4.1 Digital Competition

Competition within Rwanda's banking sector is increasingly extending beyond traditional branch networks to digital service delivery. Banks are investing in mobile and internet banking platforms, interoperable payment systems, digital wallets, and partnerships with fintech companies to improve customer experience and expand financial inclusion. Initiatives such as eKash, interoperable payment infrastructure, API-enabled services, and collaboration between banks and fintechs are redefining competitive advantage. Going forward, success will depend not only on market share but also on institutions' ability to innovate, respond to evolving customer expectations, and deliver secure, efficient, and inclusive financial services.

MARKET	HHI (2025)	CR3	ASSESSMENT
Assets	1,463	53.7%	Moderately concentrated
Loans	1,801	60.7%	Moderately concentrated
Deposits	1,606	58.4%	Moderately concentrated

The Rwandan banking sector remains stable while becoming progressively more competitive, creating an environment that encourages innovation, financial inclusion, and improved customer value.

CHAPTER SIX

06 Outlook

The outlook for Rwanda's banking sector remains positive, underpinned by strong macroeconomic fundamentals, a resilient financial system, prudent regulation, and continued financial sector reforms.

Although global uncertainties; including geopolitical tensions, trade fragmentation, commodity price volatility, and evolving monetary conditions, are expected to persist, Rwanda's stable economic environment and well-capitalized banking sector provide a solid foundation for sustained growth and financial stability.

Credit demand is expected to remain robust, driven by continued investment in infrastructure, manufacturing, agriculture, tourism, affordable housing, and Micro, Small and Medium Enterprises (MSMEs). As the economy expands, banks will continue playing a pivotal role in mobilizing savings, financing productive sectors, and supporting private sector-led growth while maintaining prudent credit underwriting and sound risk management practices.

Digital transformation will continue to redefine the competitive landscape of Rwanda's banking industry. Increasing adoption of mobile and internet banking, artificial intelligence, data analytics, cloud computing, digital onboarding, and interoperable payment systems, including the continued expansion of eKash and RSwitch, will improve customer experience, enhance operational efficiency, and deepen financial inclusion. As digital financial services become more pervasive, strengthening cybersecurity, operational resilience, and data governance will remain critical priorities for maintaining public confidence and safeguarding the integrity of the financial system.

At the same time, sustainability is expected to become a core pillar of banking strategy. Financial institutions are progressively integrating Environmental, Social and Governance (ESG) principles into governance, lending, and risk management while expanding financing for renewable energy, climate-smart agriculture, green buildings, sustainable transport, and other climate-resilient investments. The continued implementation of Environmental and Social Management Systems (ESMS), climate risk management frameworks, and sustainable finance initiatives will strengthen the sector's resilience and support Rwanda's transition toward a green and inclusive economy.

Looking ahead, collaboration among the National Bank of Rwanda, the Rwanda Bankers Association, financial institutions, fintechs, and development partners will remain essential in fostering innovation, strengthening regulatory capacity, and promoting responsible finance. As banks embrace emerging technologies, manage evolving risks, and accelerate sustainable financing, Rwanda's banking sector is well positioned to become more competitive, inclusive, and resilient, reinforcing its contribution to the country's Vision 2050 and long-term economic transformation.

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ACCESS TO FINANCE RWANDA

RBA

RWANDA BANKERS' ASSOCIATION

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