The National Bank of Rwanda (BNR) has reported that the country’s banking sector remains resilient, with non-performing loans (NPLs) for the 2023/2024 fiscal year increasing slightly to 5%, totaling 267 billion Rwandan francs. Despite this uptick, BNR officials emphasized that the situation is under control and does not pose a risk to the overall stability and profitability of the banking sector.

In the same period, new loans approved by banks saw a significant surge, rising by 33% to reach a total of 2.16 trillion Rwandan francs. This robust increase reflects continued demand for credit, despite the challenges posed by a small rise in loan defaults.

In a report presented to the Rwandan Parliament on November 18, BNR Governor John Rwangombwa reassured lawmakers that the rise in NPLs is manageable. “Even with the 5% non-performing loans rate, banks are still profitable,” he said. “Banks have set aside provisions for potential loan defaults and are able to manage these situations without jeopardizing their financial health.”

Rwangombwa explained that the increase in NPLs is largely due to some large companies facing difficulties in repaying loans. However, he stressed that the overall impact on the banking sector’s performance is minimal, as these loans are being closely monitored and managed.

The banking sector has continued to show strong profitability, with net profits rising by an impressive 36.7% in the first half of 2024, reaching 132.5 billion Rwandan francs. This growth reflects the sector’s ability to adapt and thrive, even amid challenges such as non-performing loans.

Additionally, BNR noted a rise in interest rates on long-term deposits, which increased by an average of 10%, while interest rates on short-term loans decreased by 15.97%. This shift indicates a growing preference for long-term savings among Rwandan depositors, which in turn supports the banking sector’s stability.

BNR also highlighted that the liquidity of Rwandan banks remains healthy. As of June 2024, the Net Stable Funding Ratio (NSFR) was 135.6%, well above the required minimum of 100%. This strong liquidity ratio indicates that banks are well-positioned to meet their long-term funding needs.

Furthermore, the composition of customer deposits continues to be favorable, with demand deposits accounting for 67% of total deposits. This high level of liquid funds ensures that banks have the flexibility to meet customer withdrawals and support ongoing lending activities.

Continued Confidence in Rwanda’s Banking Sector

Despite the challenges posed by a small increase in non-performing loans, the overall outlook for Rwanda’s banking sector remains positive. The sector’s growth in assets, profitability, and liquidity, combined with BNR’s ongoing oversight, suggests that the industry is well-positioned to continue supporting the country’s economic growth.

In conclusion, while the rise in non-performing loans is a challenge, it is being effectively managed, and the banking sector’s strong fundamentals continue to ensure its overall stability and resilience. With a 23.1% increase in customer deposits, which now account for 78.5% of total bank liabilities, Rwanda’s banking sector continues to be a pillar of economic strength.