



Rwanda's Remarkable Transformation

Socioeconomic change positions Rwanda for a prosperous future.

November 2019

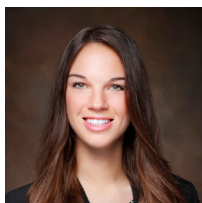
Rwanda will always be associated with Africa's largest genocide in modern times. In 1994, an estimated 800,000 Rwandans were killed in the space of 100 days, and millions more were displaced. The country's institutions, systems of government, and trust among its people were destroyed.

Very few expected Rwanda to be able to leave behind the ethnic divisions that caused the genocide and to successfully embark on a process of post-conflict nation building. However, a remarkable transformation is underway. Rwandans are increasingly united, and progress has been made in rebuilding trust in the country's leadership, while the economy is improving across a range of metrics.

We witnessed this transformation firsthand on our recent research trip to the country.

Meeting Development Aspirations Through High Growth

Rapid economic growth has been Rwanda's overarching development goal. With this vision, Rwanda has aligned itself with the successful east Asian economies



NOTES FROM THE ROAD

Traveling the Frontier Markets

Iona Dent

Analyst, Frontier Markets Equity

that began their development journey with a similar quest for high growth. In the decades after the genocide, Rwanda has achieved its place among the world's fastest-growing economies—and has seen a three-and-a-half-fold increase in per capita income¹ for its population of 12.3 million since 1994.¹ Moreover, growth has been broadly inclusive, and extensive investment in social safety nets has reduced poverty significantly.

Future aspirations in this regard have been set extremely high—specifically, reaching upper-middle-income status by 2035.¹ Any future high-growth strategy will require a multi-sectoral approach, and services and industry now account for about half of all economic activity. Rwanda's gross domestic product (GDP) growth is expected to remain

Rapid economic growth has been Rwanda's overarching development goal.

¹Source: World Bank, 2019. "Future Drivers of Growth in Rwanda: Innovation, Integration, Agglomeration, and Competition." Overview booklet. World Bank, Washington, DC.

Current Conditions in Rwanda

Improvement across a range of metrics

As of October 31, 2019



* Source: Inter-Parliamentary Union, 2018.



Population

12.3 M



Expected GDP growth in 2019

8%



Growth in per capita income

3.5x



Target year for global middle-income status

2035



Global ranking of proportion of women in Parliament*

1st

Companies like Bank of Kigali are benefiting from favorable growth dynamics and the trend toward increasing digitalization.

around 8% in 2019², supported by public investment spending, private investment, and interventions aimed at promoting diversified and higher value-added economic activity.²

Improvement on a Broader Range of Metrics

Metrics other than just GDP growth can also be used to demonstrate Rwanda's rapid progress. The country has the highest share of women in the lower house of Parliament globally. Inbound tourism is boosting the economy and having a trickle-down effect on other areas of activity, such as the supply of fruit. Steps in transforming into a knowledge-led service economy are aided by the fact that most Rwandans are bilingual, speaking English and French, and that there is good connectivity stemming from the high penetration of 4G networks.

Banking Sector Trends

Rwanda's banking sector has been shaped by new innovations such as electronic payment technologies. Mobile phone penetration is high at around 90% of the population, and there is good interoperability in retail payment systems. Against this backdrop, Rwanda's central bank has stipulated action to strengthen oversight of the financial technology sector while encouraging innovation. This has included signing memorandums of understanding with domestic telecommunications regulators.

Bank of Kigali—Expanding in the Digital Space

During our recent research trip, we met with the management of Bank of Kigali, a leading bank in Rwanda. Rare for an African bank, Bank of Kigali has both a female chief executive officer and chief financial officer. While being a top player, Bank of Kigali does face competitive pressures—notably from the merger of Banque Populaire

² Source: IMF. July 2019. "Rwanda: Staff Report for the 2019 Article IV Consultation and Request for a Three-Year Policy Coordination Instrument"—Press Release. Country Report No. 19/211.

du Rwanda (BPR) and Equity Bank, which, as a joint entity, will have a 25% market share.

Bank of Kigali has made progress with digital projects. The bank launched digital wallets three and a half years ago and already registered 170,000 people of a total of 300,000 clients. The bank has been targeting farmers in particular, as well as seeking to attract people not yet reliant on banking services. It is also building systems internally to ensure it has ownership of all aspects of the client journey.

Bank of Kigali also has the most sizable market share in point-of-sale systems, which allow customers to make payments for products or services at stores. It has also showed promise in the mobile payments sphere but needs to recruit more merchants to transact via phones and QR codes (machine-readable optical labels that contain information about the items to which they're attached). The bank's approach has been to offer payment services and then help with working capital facilities, essentially bundling their offerings. The approach has worked well in schools, where Bank of Kigali offers systems to manage

payments and ensure that fee tranches are paid on time.

The bank has an impressive loan book, with several deals in the pipeline. These involve Maraphone, a smartphone manufacturer owned by the pan-African conglomerate Mara Group; a manufacturing facility for edible oil; and the extension of a cement plant. There is very limited competition in the corporate sphere, although this may change with the BPR/Equity Bank merger.

Growing Optimism in the Future

Rwanda has taken great strides to leave behind the socioeconomic traumas of the past. After the 1994 genocide, the country's GDP collapsed, falling by half from an already low base, while life expectancy at birth for Rwandans was the lowest in the world. Today, on a platform of strong economic growth, the focus of authorities is on providing productive economic opportunities and higher-quality living standards to all Rwandan citizens. Companies like Bank of Kigali are benefiting from favorable growth dynamics and the trend toward increasing digitalization. We believe that, over time, we may be able to uncover attractive investment opportunities in rapidly developing Rwanda.

WHAT WE'RE WATCHING NEXT

As Rwanda continues to transition toward higher-middle-income status, we anticipate that industry competitive pressures will increase. This is particularly the case in banking, where there have been new entrants at roughly the rate of one a year in the past decade. There is vast scope for growth; however, more than 75% of the Rwandan population earn their living directly or indirectly through the agricultural sector, and formal financing is less than 2%.

The specific securities identified and described are for informational purposes only and do not represent recommendations.

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

T.RowePrice®

Important Information

This material is being furnished for general informational purposes only. The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice, and prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services. **Past performance is not a reliable indicator of future performance.** The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass. The views contained herein are as of the date written and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price.

The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request. It is not intended for distribution to retail investors in any jurisdiction.

Australia—Issued in Australia by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 50, Governor Phillip Tower, 1 Farrer Place, Suite 50B, Sydney, NSW 2000, Australia. For Wholesale Clients only.

Brunei—This material can only be delivered to certain specific institutional investors for informational purpose upon request only. The strategy and/or any products associated with the strategy has not been authorised for distribution in Brunei. No distribution of this material to any member of the public in Brunei is permitted.

Canada—Issued in Canada by T. Rowe Price (Canada), Inc. T. Rowe Price (Canada), Inc.'s investment management services are only available to Accredited Investors as defined under National Instrument 45-106. T. Rowe Price (Canada), Inc. enters into written delegation agreements with affiliates to provide investment management services.

China—This material is provided to specific qualified domestic institutional investor or sovereign wealth fund on a one-on-one basis. No invitation to offer, or offer for, or sale of, the shares will be made in the People's Republic of China ("PRC") (which, for such purpose, does not include the Hong Kong or Macau Special Administrative Regions or Taiwan) or by any means that would be deemed public under the laws of the PRC. The information relating to the strategy contained in this material has not been submitted to or approved by the China Securities Regulatory Commission or any other relevant governmental authority in the PRC. The strategy and/or any product associated with the strategy may only be offered or sold to investors in the PRC that are expressly authorized under the laws and regulations of the PRC to buy and sell securities denominated in a currency other than the Renminbi (or RMB), which is the official currency of the PRC. Potential investors who are resident in the PRC are responsible for obtaining the required approvals from all relevant government authorities in the PRC, including, but not limited to, the State Administration of Foreign Exchange, before purchasing the shares. This document further does not constitute any securities or investment advice to citizens of the PRC, or nationals with permanent residence in the PRC, or to any corporation, partnership, or other entity incorporated or established in the PRC.

DIFC—Issued in the Dubai International Financial Centre by T. Rowe Price International Ltd. This material is communicated on behalf of T. Rowe Price International Ltd. by its representative office which is regulated by the Dubai Financial Services Authority. For Professional Clients only.

EEA ex-UK—Unless indicated otherwise this material is issued and approved by T. Rowe Price (Luxembourg) Management S.à r.l. 35 Boulevard du Prince Henri L-1724 Luxembourg which is authorised and regulated by the Luxembourg Commission de Surveillance du Secteur Financier. For Professional Clients only.

Hong Kong—Issued in Hong Kong by T. Rowe Price Hong Kong Limited, 6/F, Chater House, 8 Connaught Road Central, Hong Kong. T. Rowe Price Hong Kong Limited is licensed and regulated by the Securities & Futures Commission. For Professional Investors only.

Indonesia—This material is intended to be used only by the designated recipient to whom T. Rowe Price delivered; it is for institutional use only. Under no circumstances should the material, in whole or in part, be copied, redistributed or shared, in any medium, without prior written consent from T. Rowe Price. No distribution of this material to members of the public in any jurisdiction is permitted.

Korea—This material is intended only to Qualified Professional Investors upon specific and unsolicited request and may not be reproduced in whole or in part nor can they be transmitted to any other person in the Republic of Korea.

Malaysia—This material can only be delivered to specific institutional investor upon specific and unsolicited request. The strategy and/or any products associated with the strategy has not been authorised for distribution in Malaysia. This material is solely for institutional use and for informational purposes only. This material does not provide investment advice or an offering to make, or an inducement or attempted inducement of any person to enter into or to offer to enter into, an agreement for or with a view to acquiring, disposing of, subscribing for or underwriting securities. Nothing in this material shall be considered a making available of, solicitation to buy, an offering for subscription or purchase or an invitation to subscribe for or purchase any securities, or any other product or service, to any person in any jurisdiction where such offer, solicitation, purchase or sale would be unlawful under the laws of Malaysia.

New Zealand—Issued in New Zealand by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 50, Governor Phillip Tower, 1 Farrer Place, Suite 50B, Sydney, NSW 2000, Australia. No Interests are offered to the public. Accordingly, the Interests may not, directly or indirectly, be offered, sold or delivered in New Zealand, nor may any offering document or advertisement in relation to any offer of the Interests be distributed in New Zealand, other than in circumstances where there is no contravention of the Financial Markets Conduct Act 2013.

Philippines—THE STRATEGY AND/ OR ANY SECURITIES ASSOCIATED WITH THE STRATEGY BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE OF THE STRATEGY AND/ OR ANY SECURITIES IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE, UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

Singapore—Issued in Singapore by T. Rowe Price Singapore Private Ltd., No. 501 Orchard Rd, #10-02 Wheelock Place, Singapore 238880. T. Rowe Price Singapore Private Ltd. is licensed and regulated by the Monetary Authority of Singapore. For Institutional and Accredited Investors only.

South Africa—T. Rowe Price International Ltd ("TRPIL") is an authorised financial services provider under the Financial Advisory and Intermediary Services Act, 2002 (FSP Licence Number 31935), authorised to provide "intermediary services" to South African investors.

Switzerland—Issued in Switzerland by T. Rowe Price (Switzerland) GmbH, Talstrasse 65, 6th Floor, 8001 Zurich, Switzerland. For Qualified Investors only.

Taiwan—This does not provide investment advice or recommendations. Nothing in this material shall be considered a solicitation to buy, or an offer to sell, a security, or any other product or service, to any person in the Republic of China.

Thailand—This material has not been and will not be filed with or approved by the Securities Exchange Commission of Thailand or any other regulatory authority in Thailand. The material is provided solely to "institutional investors" as defined under relevant Thai laws and regulations. No distribution of this material to any member of the public in Thailand is permitted. Nothing in this material shall be considered a provision of service, or a solicitation to buy, or an offer to sell, a security, or any other product or service, to any person where such provision, offer, solicitation, purchase or sale would be unlawful under relevant Thai laws and regulations.

UK—This material is issued and approved by T. Rowe Price International Ltd, 60 Queen Victoria Street, London, EC4N 4TZ which is authorised and regulated by the UK Financial Conduct Authority. For Professional Clients only.

USA—Issued in the USA by T. Rowe Price Associates, Inc., 100 East Pratt Street, Baltimore, MD, 21202, which is regulated by the U.S. Securities and Exchange Commission. For Institutional Investors only.

© 2019 T. Rowe Price. All rights reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc.