I&M BANK (RWANDA) PLC
INTERGRATED ANNUAL REPORT
AND FINANCIAL STATEMENTS - 2022

INNOVATION
FOR A BETTER FUTURE

"Money never starts an idea; it is the idea that starts the money."

William J. Cameron

1) Financial Performance

NET PROFIT

FRW 13.4 Bn

+22%

- December 2021 **10.9 Bn**
- December 2020 **7.8 Bn**

TOTAL ASSETS

FRW 491.3 Bn

+5%

- December 2021 **466.9 Bn**
- December 2020 **417.2 Bn**

2) Shareholder Value

EARNINGS PER SHARE

FRW 6.13

- December 2021 **6.61**
- December 2020 **4.72**

DIVIDEND PER SHARE

FRW 1.84

+55%

- December 2021 **1.19**
- December 2020 **0**

3) Market Positioning

CUSTOMER LOANS

FRW 231.7 Bn

+4%

- December 2021 **222.4 Bn**
- December 2020 **205.2 Bn**

CUSTOMER DEPOSITS

FRW 357.4 Bn

+9%

- December 2021 **326.9 Bn**
- December 2020 **298.2 Bn**

4) Asset Quality & Capitalization

GROSS NPL RATIO

4.20%

- December 2021 **3.45%**
- December 2020 **3.51%**

CAPITAL ADEQUACY RATIO

Tier 1 Capital Ratio

19.26% +6.5%

- December 2021 **18.08%**
- December 2020 **16.45%**

Total Capital Ratio

20.65%

- December 2021 **20.75%**
- December 2020 **19.65%**

5) Efficiency & Return Ratios

RETURN OF ASSETS

1.92%

- December 2021 **2.04%**
- December 2020 **1.39%**

RETURN ON EQUITY

13.03%

- December 2021 **15.69%**
- December 2020 **10.99%**

COST TO INCOME

60.41%

- December 2021 **62.06%**
- December 2020 **57.12%**

NON-INTEREST INCOME TO TOTAL INCOME

28.77%

+6.5%

- December 2021 **27.55%**
- December 2020 **35.65%**

SHAREHOLDERS AND INVESTORS

FRW 68.2 Bn
Market capitalisation on Rwanda Stock Exchange

↑5%
Share price FRW 45 per share,

Credit ratings (Long Term / Short Term) A(RW)/A1(RW) with a Positive Outlook

CUSTOMERS

67,245
Total customers

78%
Transaction done on digital channel vs OTC

79%
Customer Satisfaction Score

EMPLOYEES

425
Total workforce

47.2%-52.8%
Workforce Gender Ratio (Female - Male)

78
Employee Engagement Score Index

SOCIETIES AND COMMUNITIES

FRW 62 Mn
Amount spent on Donations and CSR

CONSUMER EMPOWERMENT

20
Empowerment Campaigns

560
Total MSME customers trained

CONTENTS

OUR BUSINESS

ABOUT THIS REPORT

This Integrated Annual Report was produced to provide a balanced, transparent, and holistic description of I&M Bank (Rwanda) PLC.'s financial and non-financial activities and performance.

We endeavor to provide the Bank's stakeholders with adequate and reliable information that would help them assess the Bank's ability to create value in the short, medium, and long term.

The report hence features information on I&M Bank (Rwanda) PLC.'s

1. Business model
2. Strategy
3. Governance
4. Financial performance.

REPORTING SCOPE AND BOUNDARY

Reporting period

The report is published annually and covers the period spanning 1 January 2022 to 31 December 2022. It presents developments relating to the operations of I&M Bank (Rwanda) PLC. and provides an update on recent important events taking place after this date and until approval of the report by the Board of Directors.

Reporting requirements

The contents of the report comply with the obligations and requirements falling under relevant laws and regulations as well as local and international codes and standards of good practices. The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and relevant regulatory requirements.

Operating business

The report sheds light on activities undertaken by the Bank in the period under review. The nature and extent of information delivered depend on their materiality and relative significance to the Bank and its stakeholders.

Financial and non-financial reporting

The report extends beyond financial reporting and provides insights on the Bank's non-financial performance and positioning in relation to its key stakeholders, which have a significant influence on its ability to create value.

Specific areas of reporting

The report contains information on the overall strategic progress achieved by the Bank during the period under review while providing insights on our operating environment, business model and strategy, business performance, support to stakeholders, management of risk, and adherence to corporate governance principles.

Assurance and independent assessment

Our external auditors provide independent assurance on the financial statements of I&M Bank (Rwanda) PLC., alongside confirming that the corporate governance report is consistent with Article 123 and Article 125 of Law No. 007/2021 of 05/02/2021 Governing Companies.

The Board of Directors is ultimately responsible for ensuring the integrity and completeness of this integrated report. It is the Board's opinion that this report presents a fair and balanced view of I&M's performance. The Board approved this Report on 29 March 2023.

Forward looking statements

This report contains certain statements and projections relating to I&M Bank (Rwanda) PLC.'s operating context, strategy, financials results and future demand for our products and services. While these forecasts and judgments are based on information available at the time of preparing this report and the opinions of the Bank's leadership, unexpected risks, uncertainties, and other factors could cause actual results to differ from those described in our statements. Readers are therefore advised to use caution when interpreting these forward-looking statements.

Feedback

We recognize that stakeholder information requirements continue to evolve. We are committed to improving the quality of our report and welcome any feedback to this end.

Contact for inquiries and feedback on this report: invest@imbank.co.rw

OUR CORPORATE PROFILE

WHO WE ARE

I&M Bank (Rwanda) PLC. has a long-standing presence in the Rwandan market as a provider of a wide range of financial services. The Bank was incorporated on 25th May 1963 as the first commercial bank in Rwanda as Banque Commerciale du Rwanda (BCR). In December 2004, BCR was privatized and acquired by Actis – a pan-emerging markets private equity firm – and the Government of Rwanda after recapitalization of the Bank's equity, giving ACTIS an 80% shareholding.

On the 17th of July 2012, an 80% equity buy out of Actis by a consortium comprising of I&M Group, and two European developmental financial institutions (DEG and Proparco) led to a re-brand of the Bank to I&M Bank (Rwanda) Limited.

In March 2017, the Bank was listed on the Rwanda Stock Exchange (RSE) by way of an Initial Public Offering (IPO) following the sale of shares previously owned by the Government of Rwanda.

I&M Bank (Rwanda) PLC. offers the full range of personal, business, institutional and corporate banking products throughout its locations. The Bank is a leader in innovation and is the Bank of choice for Coffee, Tea, Minerals, Power, Telecoms, Construction, Hotels, NGOs, Educational Institutions, UN Agencies, Diplomatic representations, and SACCOs/MFIs.

This is largely attributed to our hallmark focus on sustaining excellent customer relationships. Steady and positive returns to investors have been a direct result of our customer-focused strategy.

OUR VISION

To become a company where the best people want to work, the first choice where customers want to do business, and where shareholders are happy with their investment.

OUR MISSION

To be partners of growth for all our stakeholders.

OUR STRATEGIC ASPIRATION

Rwanda's Leading Financial Partner for Growth.

OUR CULTURE

To "nurture a culture of fairness to our partners" with respect to three key relationships: Employee » Employer | Customer » Bank | Shareholder » Bank

The Bank provides the following services:
1. Commercial Banking (Retail, SME, Corporate & Institutional)
2. Treasury (Custody and investment services)
3. Bancassurance

Commercial banking represents the largest portion of the Bank's assets. Our products and services are segmented to meet the needs of each customer base and which in turn stems from our strategic goals of being the best bank for our customers. This now includes increased convenience through the digitization of our services.

SERVICES

1 COMMERCIAL BANKING (RETAIL, SME, CORPORATE & INSTITUTIONAL)

a) **Payments Solutions**
i) Electronic points of sale & cards acquiring services
ii) Corporate credit cards
iii) E-commerce
iv) International transfers
v) SWIFT services
vi) Transfers & remittances
vii) Internet banking
viii) Mobile banking solutions

b) **Transactional Banking**
i) International Trade Finance: Bank Guarantees & L/C Issuance, re-issuance/confirmation
ii) Cash Management Solutions
iii) Supply Chain Financing
iv) ERP Integration Services
v) Brisk & EAC Pay
vi) Pitch Deck
vii) Financial Institution Relations

c) **Financing Solutions**
i) Short- & long-term loans
ii) Syndicated loans
iii) Asset-based lending
iv) Overdrafts, temporary overdrafts, & working capital loans

d) **Business Services**
i) Payroll services
ii) Online business account opening
iii) Bulk payment

e) **Diaspora Banking**

f) **Select Banking**

2 TREASURY

Custodial services and Investment services

Foreign Exchange trading

Spot & forward deals

3 BANCASSURANCE

Insurance intermediary / brokerage services

Professional insurance advisory services

Claims handling services

CUSTOMER SEGMENTS

CORPORATE BANKING

Providing an array of financial solutions for large corporates and institutions.

RETAIL BANKING

Delivering the highest level of personal financial services.

BUSINESS BANKING

Providing financial solutions across medium, small and micro-businesses.

HOW WE CREATE VALUE

As a financial services provider, I&M Bank (Rwanda) PLC. plays a crucial role in facilitating the required economic activity to enable sustainable growth and development by moving the capital from where it is to where it is required. We are intrinsically connected to society at large as we are to our individual customers and employees. As a result, our decisionmaking is based upon the desire for not only short-term results but also long-term value creation. I&M's focus on customer centricity, long-term thinking, and financial strength enables it to create shared value.

Our value creation process

Value creation is the result of how we apply and leverage our resources and maintain our relationships in delivering financial performance and optimizing value for all stakeholders. Our value creation process is embedded in our purpose, described as part of our business model, and integrated into the way we think and make decisions.

Our capitals and relationships

All organizations depend on various forms of capital for their success. These capitals are stores of value that, in one form or another, become inputs to the organization's business model. Not all capitals are equally relevant or applicable to all organizations and the Integrated Reporting Framework allows for a tailored approach to fit the business context if the concept of how value is created for society is conveyed. For our report, we have chosen to adopt a framework to describe our value creation through the lens of our stakeholder relationships.

I&M Bank (Rwanda) PLC. strategy at a glance

As the Bank continues to grow in an increasingly competitive environment and industry, we are presented with unique challenges as well as exciting and valuable opportunities. In 2021, on the back of a successful phase one of our iMara strategy implementations, considering our market context, and the material dynamic changes within the environment, the Bank's strategy was refreshed, dubbed iMara 2.0 which identifies three distinct growth opportunities supported by four key enablers to propel our growth.

DRIVING BUSINESS GROWTH	The Bank will focus on growing its business through geographical expansion, diversification into new segments, the entrenchment of its sales processes, and improving its digital platforms to provide clients with the right solutions.
BUILDING A RESILIENT ORGANIZATION	The year 2022 highlighted the need for resilience for business growth considering the ever-changing operating environment. The Bank will seek to ensure it is resilient in its liquidity and funding, against emergent operational, cyber, and credit risk, whilst also ensuring it remains a good corporate citizen by embracing its environmental, social, and governance responsibility.
OPTIMIZING THE OPERATING MODEL	The iMara 2.0 strategy is focused on improving core IT infrastructure resilience, process efficiency through business process reengineering and standardization, as well as leveraging Group synergies for growth.

Underpinning these goals are four key enablers:

DELIVERING EXCEPTIONAL CUSTOMER EXPERIENCE	We seek to ensure at the core of all our solutions.
CULTURAL TRANSFORMATION	We seek to entrench the appropriate culture to enhance employee engagement driving execution and maintaining an employee value proposition that makes the Bank the employer of choice.
LEVERAGING STRATEGIC PARTNERSHIP	We will collaborate with the right partners to deliver the solutions efficiently to our customers of choice.
DATA ANALYTICS	Our decisions will be informed with the right sets of data whilst entrenching a data-driven decision culture.

CORPORATE INFORMATION
OUR STRATEGY

I&M Bank (Rwanda) PLC. recognizes and appreciates that engagement with, and active cooperation of, its stakeholders is essential not only for the Bank's strong business performance on a sustainable basis but for achieving and maintaining public trust and confidence as well. Our stakeholder management policy is founded on the principles of transparency, active listening and equitable treatment that favors a consultative and collaborative engagement with all stakeholders.

Mode and Purpose of Our Stakeholder Engagement

We are guided by the Stakeholder Engagement Policy which has been developed to ensure the policy is applied consistently across all Bank operations. We engage both formally and informally throughout the year to:

- Develop and promote a firm understanding of stakeholder needs, interests and expectations.
- Provide guidance on how the Bank should engage with its stakeholders to strengthen and maintain relationships with them.
- Identify the opportunities and threats arising from stakeholders' material issues; and
- Assist with strategic, sustainable decision-making.

Stakeholder engagement is decentralized within the Bank. All I&M Bank(Rwanda) PLC. employees are accountable for managing relationships and meeting the expectations of stakeholders within their areas of responsibility. Should a stakeholder not be satisfied with the service or assistance they receive, there are a number of channels to ensure they can voice their concerns. These include our client call centre, our social media pages or our Bank email addresses. All available channels are clearly indicated on the "Contact us page" available on the corporate website. Concerns raised by stakeholders are monitored annually for risk and compliance purposes.

I&M Bank (Rwanda) PLC. has identified the following stakeholders and methods of engagement, including the various channels and means of communications reliant on each specific stakeholder group.

STAKEHOLDER	PURPOSE OF ENGAGEMENT	METHODS OF ENGAGEMENT
CUSTOMERS	• To understand their aspirations, businesses and financial service needs better • To provide appropriate advice, proactive financial solutions and value-adding services • To ensure the Bank maintains high service levels that they expect and deserve • To inform product development and prioritization • To develop products that embody customer-centric innovation • To ensure accuracy of customers' personal and/or business information	• Interactions through branch outlets, relationship managers, senior management, call centres, and other alternate banking channels • Customer events, face-to-face meetings and other surveys, as well as marketing and advertising activities • Formal written correspondence, emailers, newsletters and messages disseminated through social media
EMPLOYEES	• To provide staff with strategic direction and keep them informed about the Bank's activities • To ensure that we remain an employer of choice that provides a safe, positive and inspiring working environment • To understand and respond to the needs and concerns of staff members	• Regular, direct communication between managers, teams and individuals • Robust combination of face-to-face, written, digital and broadcast communications, culture and engagement surveys that include emails and intranet communications • CEO's town hall meetings, cluster and group recognition functions
REGULATORS	• To maintain open, honest, and transparent relationships and ensure compliance with all legal and regulatory requirements • To retain our various operating licenses and minimize operational risk	• Various industry and regulatory forums, meetings between regulators and our board and management • This includes one-on-one discussions with various executive officials at prudential meetings as well as onsite meetings
SHAREHOLDERS	• To provide current and future shareholders with relevant and timely information • To manage shareholder expectations and reputational risk • To maintain strong relationships and keep abreast of market developments • To ensure good governance and deepen the trust placed in us and our brand • To get feedback that informs our strategy, business operations and, how we govern	• Annual General Meetings, Extraordinary General Meetings (as and when called for) • Investor briefings (Quarterly) and /or financial results announcements and roadshows • Various investor group meetings • Individual meetings with financial media, shareholders, and analysts

STAKEHOLDER	PURPOSE OF ENGAGEMENT	METHODS OF ENGAGEMENT
GOVERNMENT AGENCIES, LOCAL AUTHORITY AND INDUSTRY FORUMS	• To build and strengthen relationships with government, both as a partner in the development of the country and as a key client • To provide input into legislative development processes that will affect the economy and our activities and operations • To participate visibly in and be a partner to, the transformation of the Rwandan economy • To continue learning through interaction with the industry and cross-sectoral organizations. • To use business associations as a forum through which we can promote our viewpoints on key industry issues • To influence and/or promote common agendas	• Various engagements with officials, participation in consultative industry and sector forums
MEDIA	• To leverage the reach and influence of media channels to share our business and value creation story with stakeholders • To empower their audiences to make informed financial decisions	• Launches of various products and services • Interviews with key business media on relevant matters • Ongoing telephone and email interaction regarding media inquiries
SERVICE PROVIDERS AND SUPPLIERS	• As required or dictated by performance contracts and/or agreements. • To obtain products or services required for conducting Group business • To maintain an ideal and timely supply of goods and services for operations • To encourage responsible practices across our supply chain, local procurement, supplier conduct and environmental considerations • To include critical suppliers in cross-functional teams to contribute expertise and advice before specifications are developed for products or services	• One-on-one negotiations and meetings for finalization follow up and after sales service
OTHERS – THE COMMUNITY AT LARGE, ENVIRONMENT	• To create partnerships that serve to facilitate our integrated sustainability activities • To obtain input from environmental experts, communities and non-governmental organizations regarding key focus areas • To create awareness of our "shared growth" commitment and initiatives	• Website, Annual report, social media handles, press releases and media statements

FOREWORD

Welcome to our Annual Report for 2022.

As I reflect on what was a very volatile year, I am happy to report that the Bank has delivered a good performance and continues on a path of sustainable growth.

Rwanda's economy has exceeded its initial performance expectations, largely due to the services sector partially bouncing back to pre-pandemic levels. The country's inflation rate peaked at a record rate level in 2022 amid a sharp increase in commodities' prices mainly due to the lingering impacts of Covid-19, and the ongoing Russia-Ukraine war which has caused supply chain disruptions. Global growth is projected to experience a sharper than expected decline, and a continued rise in inflation.

To counter the impact of supply-driven inflationary pressures, the Central Bank increased its base rate by 250 basis points from February 2022 to February 2023, peaking at 7%. Despite this, the Bank has managed to withstand inflationary pressures and maintain interest rates, indicating its resilience.

Furthermore, the Central Bank has revealed its plan to raise the reserve requirement ratio back to its pre-Covid level of 5% in order to manage inflationary pressures. Although the ratio had been temporarily reduced to 4 percent since April 2020 as a response to the global economic shocks induced by the Covid-19 pandemic, this adjustment is anticipated. The Bank possesses adequate liquidity to handle the change, and no significant impact on interest rates is foreseen.

Our Profit Before Tax increased by 22% to

FRW 13.4 billion

due to a 19% increase in net interest income and a

25% increase

In net foreign exchange income.

Bonavanture Niyibizi
Chairman of the board of directors

FINANCIAL PERFORMANCE

Investors can take satisfaction in our solid financial performance in 2022, which was driven by significant revenue growth. Despite a challenging environment, the Bank maintained its liquidity, profitability, and capitalization, thanks to the resilience and agility of our employees, a customer-centric approach, and diligent execution of our revenue diversification strategy.

Our Profit Before Tax increased by 22% to FRW 13.4 billion due to a 19% increase in net interest income and a 25% increase in net foreign exchange income. We grew our total assets by 5% year on year, with our bonds and T-bills portfolio increasing by 50% year on year to reach FRW 137 billion. The Bank led the rest of the market in non-financial assets with assets worth FRW 49 billion.

We also maintained healthy funding and liquidity positions while our asset quality metrics remained relatively stable despite volatile economic and market conditions. Our management team has been at the forefront of the delivery of these results, which gives me confidence that we have the right people in place to lead the Bank to sustainable growth.

Going forward, the board will continue to monitor the operating environment for its effects on the economy, we are hopeful that the geopolitical situation will become more stable and Rwanda's growth trajectory will not be significantly lowered.

THE BANKING SECTOR

The Banking sector has proven resilient to the socio-economic shock and continued to grow in the period under review, reaching 18.3%.

The sector showed steady revenue growth in 2022, with net interest income growing on average by 16.5% year on year which was below the Bank's growth of 19%, on the back of higher loan volumes and improved interest rate margins. Non-interest income, such as fees and commissions, also showed growth (15% year on year against 20% recorded by the bank).

Total assets of the sector grew by 15% year on year, adding FRW 641Bn, of which 47% are loans. The growth in assets was mainly driven by increased loans and advances to customers (15%), including individuals and businesses, as well as investments in securities and other financial instruments (30%). The market noted significant recoveries from long-standing NPLs and write-offs and in line with business growth and shifts in macroeconomic conditions, the Bank took extra provisions to ensure there were adequate reserves, we recorded a gross NPL ratio of 4.2% which is within the internal and regulatory limits.

DELIVERING FOR OUR SHAREHOLDERS

During the year, we maintained our focus on creating value for our shareholders with the overall return to shareholders standing at 13.92%. The Bank paid the dividend that was declared in the 2021 financial year and approved in 2022.

We continue to drive the growth and profitability of the business, as well as ensure that a significant portion of our profit is set aside for you. To demonstrate this unwavering commitment, the Board has recommended a dividend payment of FRW 1.84 dividend per share, a 55% increase over the prior year, subject to the shareholders' approval at the upcoming Annual General Meeting.

STRATEGY

We are pleased to report that we have made significant progress in delivering on our three-year strategy plan. Our focus on innovation, digital transformation, and customer-centricity has resulted in the successful launch of several new products and services, as well as enhancements to our existing offerings.

Our commitment to risk management and operational efficiency has helped us maintain a strong financial position, with solid revenue and profit growth. We remain focused on sustainable growth and are continually exploring opportunities to further strengthen our business and enhance our competitive position in the market.

Opening new channels, improving customer experience, and serving new customer segments are key enablers of our strategy. The strong sense of purpose continues to guide our vision to become "Rwanda's leading financial partner for growth" through remaining competitive and strengthening our market leadership to contribute to the country's economic growth.

BOARD MATTERS AND EXECUTIVE CHANGES

The Bank places great importance on good corporate governance as it believes that strong governance practices, processes, and culture are essential to inspiring investor confidence, ensuring long-term shareholder value, and protecting stakeholders' interests.

To underscore our commitment to inclusion and skills development, the Board has implemented various changes within the executive team. This includes expanding the team and making strategic appointments to ensure that we have a diverse and talented group of individuals driving the business forward. These measures are integral to our ongoing endeavors to fortify our leadership team and position the company for sustained growth and prosperity, while prioritizing inclusion and skills enhancement.

We are pleased to announce that Mr. Christopher Kihara Maina has been appointed as the new I&M Regional CEO, effective January 2023, subject to approval from the Central Bank and shareholders. Mr. Kihara will replace Mr. Christopher Michael Low, who has been assigned to other responsibilities Mr. Kihara was the former Managing Director and Chief Executive Officer of Barclays Bank of Tanzania for 7 years until 2016 when he joined I&M Bank Kenya as the Chief Executive Officer and Board member, the position he occupied for over 6 years. He brings extensive banking experience, having served in senior leadership positions in different countries.

Moving forward, the Board will continue to focus on enhancing board policies and practices, while also placing emphasis on prudent risk-taking. This includes strengthening oversight of Environmental, Social, and Governance risks by integrating sustainability goals with business strategy and operations.

THE WAY FORWARD

Moving forward, the operational landscape remains susceptible to socio-economic shocks with the war in Ukraine causing inflationary pressures which leads to further tightening of monetary policies and rising interest rates likely to worsen over the short term as the war evolves. Nonetheless, I remain confident in Rwanda maintaining its growth momentum with the economy projected to grow by 6.2% in 2023 compared to 6.8% in the previous year and our ability to push ahead with the execution of our sustainable growth strategy towards achieving diversity, inclusivity, and excellence in all our operations.

Recently Rwanda recorded a historic achievement of becoming the first African country to access financing under the IMF's Resilience and Sustainability Trust (RST). A new program that actively supports member countries to build long-term resilience in their economies, with a focus on

pandemic preparedness and response to climate change. The agreement will see Rwanda access up to $319 million in highly concessional financing to advance efforts in building resilience against climate change.

The Board supports the transition to a sustainable model. We will have to support all our customers by activating our credit, market, and savings levers. A deep transformation of the entire finance sector is underway. We were among the pioneers to consider the climate challenge, and this is an incentive to do more about sustainability and green funding. I am delighted to inform you that the Bank has received the initial installment of funding through the FMO green funding initiative.

The Bank is well-positioned to write a new chapter in its development. With a solid and increasingly virtuous model, a strategy focused on the long-term, while remaining cautious and conservative in our approach, our objective is to strengthen our performance across all three business lines, namely corporate, business, and retail banking. Additionally, we aim to diversify our revenue streams by expanding our product offerings.

Within the banking industry, we expect competitive pressures to intensify as market players pitch new value propositions, leveraging the latest technologies in the process. The demanding regulatory and compliance requirements will also demand scrutiny.

Driving business growth will remain our foremost overarching strategic objective, to enable us to reach our goal of tripling our customer base by 2023. In this context, we will maintain our customer engagement across segments in our banking operations while deeply increasing digitization of the Bank to improve the experience of our clients and the efficiency of our activities, the Bank shall, on an ongoing basis, ensure that part of the extensive use of technology and information management within its banking operations, it systematically and effectively manages emerging risks linked to the protection of information at large.

Lastly, we will continue to invest in making sure the Bank is a great place to work for our staff and we will continue to embed our values and further strengthen our people's capabilities while aiming at building the workforce of the future.

CONCLUDING REMARKS

On behalf of the Board of Directors, I would like to express my gratitude to our clients, business partners, suppliers, government authorities and regulators for their steadfast cooperation and trust in the Bank. My appreciation to my esteemed colleagues on the Board for their perceptive insights and wise counsel which truly helped the Bank steer through the challenges while paving the way for our further growth and success. Finally, a big thank you to our dedicated and hardworking Management team and employees for their resilience in the face of adversity and their tireless commitment to excellence.

We are fortunate to operate in an enabling environment supported by the Government of Rwanda through forward-looking policy implementation promoting investment in the country. And this was greatly highlighted in the tackling and handling of the inflation rise in 2022.

Ladies and gentlemen, I welcome you to the 2023 financial year, with the unwavering assurance of continued improved performance by our Bank and I have no doubt that we shall continue creating long-term value for all our stakeholders.

My best wishes to you all once again.

Thank you.

-END-

NAVIGATING A CHALLENGING AND PRECARIOUS YEAR

At the outset of 2022, we believed that the world was returning to normal after two years of pandemic disruptions. Only to be confronted by a series of economic, geopolitical and market disruptions.

We faced up to a spillover of supply-driven inflationary pressures from major advanced economies contributing to a sharp slowdown in global growth, with ramifications on the operating environment across the region where the Bank is present and Rwanda in particular. The war in Ukraine created significant uncertainties across the economies; regional tension and macroeconomic pressure posed a significant challenge to businesses; and weather changes impacted the agriculture sector in Rwanda, which is a major contributor to the country's GDP. The local economy remained resilient on the back of the slowdown in COVID-19 impacts that gave momentum to economic recovery.

The health impact of the pandemic has been well managed in Rwanda with the government outperforming its original 60 percent, two-year goal in 17 months and these efforts continued to pay off, allowing businesses to re-open. Thus, the Rwandan economy sturdily bounced back, with real GDP growing by 8.9 percent in 2022 compared to 4.4 percent recorded in the previous financial year.

Despite the impact of volatile market conditions, the Bank continued its strong fourth quarter momentum and run right into 2022 and we have reported solid performance driven by economic recovery and an increased level of business activities.

Profitability grow by

22 percent

The total revenue reported was FRW

42.4 Billion

Robin C. Bairstow
Managing Director

FINANCIAL PERFORMANCE

The bank delivered better than expected top-line growth across all business segments with a 22 percent increase in profitability closing the period at FRW 13.4 billion. The total revenue reported was FRW 42.4 billion, representing an increase of 27 percent compared with the same period in 2021. Growth in profitability is attributed to an increase in net interest income of 19 percent year-on-year, mainly due to new loans offered across business units, an increase in fees and commissions which increased by 20 percent, an increase in foreign exchange volumes, interest expense management, higher customer activity, and the proper execution of strategic initiatives that contributed to the total Bank revenues.
Our team's relentless focus on improving the way we serve customers helped increase our total assets, which grew by 5 percent year on year. Net loans recorded a growth of 4 percent year on year to reach FRW 232 billion. Total deposits equaled FRW 357 billion, recording 9 percent growth year-on-year.

The Bank's capital position remains strong with Tier I & II capital ratios closing at 19.26 percent and 20.65 percent respectively, the quality of our liquidity pool remains high, with the majority held in cash and deposits with central banks and government instruments – as highlighted by the liquidity coverage ratio of 339 percent despite the challenging global environment that remains uncertain.

We continue to emphasize cost discipline, whilst continuing to invest in the digitization of our services and improving the overall customer experience which has seen continuous growth in digital adoption where 78 percent of all customer-initiated transactions in the Bank are now going through digital channels this helped improve efficiency and customer satisfaction. Our cost-to-income ratio for the year closed at a credible 60.4 percent.

The Return on Equity continues to improve, and we ended the year 13.92 percent which highlights value creation for our shareholders as the key focus of our strategy with a Return on Average Asset of 1.92 percent, the Bank's performance reflects the strength of our diversified portfolio with all business segments making a strong contribution to our bottom-line earnings.

Our performance in 2022 is due in large part to the incredible work of our 424 people across the network, supported by the management team. Every day, I&M

colleagues aim to be at our customers' side, providing tailored products and services to help them grasp the opportunities ahead. Anchored in our purpose, we continue to empower our stakeholders' prosperity in our strategically chosen segments.

A THRIVING BANK

The Bank took several steps to boost its engagement levels with key strategic stakeholders to enable its strategy to strive for and achieve sustainable results. One of the key measures was to identify and prioritize the stakeholders that had the most significant impact on the Bank's operations and performance. With the aim of driving growth in the card business, the Bank signed loyalty program agreements with different stakeholders from different sectors such as tourism, sector, and trade that will see us more than double our card volume and transaction values in the next three years.

To test and affirm our resilience strategy, the Bank ran its operations for two months from a disaster recovery center and managed to rollover to the main data center without any disruptions to our business activities. Thus, reaffirming the reliability and effectiveness of our business continuity plan as part of our resilience strategy. The Bank's resilience strategy ensured that our customers were able to continue accessing their money and carrying out transactions without any hiccups.

Since the Bank's new headquarters, 9 on the Avenue, was opened, it has attracted significant attention from businesses looking for sustainable office spaces. The building's business wing has been fully let, which is a major milestone for us. The building's energy-efficient systems and eco-friendly design are attractive features that have made it a popular choice for businesses looking to reduce their carbon footprint.

FORGING AHEAD WITH IMARA STRATEGY

When we first embarked on our three-year strategy at the start of 2021, we could never have anticipated the outstanding results we noted two years later given the persistent COVID-19 impacts and the global macroeconomic pressures that followed the rollout of our strategy.

Despite those challenges, we remained focused on our objectives, and we invested significant time and resources into implementing the projects and initiatives that kept the iMara strategy relevant. Built on three significant pillars; driving business growth building a resilient organisation and optimising the operating model.

Our performance and results demonstrate the relevance of our strategy and the approach taken as part of our 2021–2023 plan in terms of transformation. We have deeply digitalized the Bank to improve the experience of our clients and the efficiency of our activities. As the business continues to grow along with customer activities on channels, the Bank remains committed to our goal of tripling our customer base by 2023. To this end, the Bank's customer base continued its growth trajectory, with total customers growing at 29 percent. The stand-up performance was business banking where our MSME growth was in excess of 35 percent. The decentralized branch sales strategy, proper execution of the direct sales agent model, and increased customer engagement across segments continue to drive success. 88 percent of newly acquired accounts were registered on digital channels. This led to a 38 percent increase in total bank transactions year on year, out of which digital transactions have grown 46 percent.

Key to building a resilient organization is maintaining and expanding on our compliance credit and risk functions. I am pleased to report that we have made significant progress, where we rolled out our automated operational risk management process. We implemented an upgraded and automated IFRS 9 modeling system. We completed the groundwork for a new Corporate Loan Origination System, which is expected to give us a flexible, process-managed to approach credit application that supports a fully customized loan origination engine, helping us deliver better turnaround time and control for our customers. We continue to invest in technology to enhance our cyber security and data privacy measures, which are critical in today's digital landscape.

Enhancing the customer experience is at the core of optimising our operating model, we have so far overhauled our card offering, we continue to work on our online payments platform and successfully launched merchant acquiring. Internally we have implemented several automation initiatives including reconciliation to reduce manual processes and increase the speed and accuracy of our operations. As a result, we have seen a 25 percent cost saving.

Core to our strategy is ensuring that the Bank has the most appealing corporate culture and employee proposition in our industry sector. We have raised the bar on diversity and inclusion. Our values are embedded throughout the Bank, so that employees are driven to act like owners of the business. Our staff are therefore naturally collaborative, agile, and data-driven.

CONCLUDING NOTE

Looking forward to 2023, the bank has developed a reputation for delivering on strategy, serving customers and enhancing shareholder value. We will continue to diversify our revenue streams, continue the build-out of our MSME product and the digitization of key customer touch points. we are excited about the enhancements we will be making to both call banking system and the online stroke digital banking channel, where Rwanda will be leading the Group rollout as a Centre of Excellence. A deep transformation of the entire finance sector is underway. We were among the pioneers to consider the climate challenge and have accessed tranches of Green Finance for our clients we will be at the forefront of driving sustainability and green funding.

We remain focused on executing our strategy and driving growth. Our focus on small and medium-sized businesses, wealth management, and digital innovation will continue to position us well for success. Remain committed to investing in technology to enhance our customer experience and improve our operational efficiency. I am extremely proud of what we have achieved together in 2022, and I look forward to the opportunities that 2023 will bring.

I would like to take this opportunity to highlight our recent achievements, having been awarded the Gender Equality Seal by UN Women and the Rwanda Gender Monitoring Office and, for the second year in a row, the Best Bank in Rwanda award by Capital Finance International. These recognitions are an acknowledgement of our commitment to promoting diversity, inclusivity, and excellence in all our operations. We will continue investing in our people, technology, and communities to build a better future for all.

I would also like to extend my gratitude to the members of the Board of Directors for their, guidance in navigating these precarious times and assisting with the creation of long-term value for our stakeholders. Furthermore, I would like to extend my appreciation to our customers for continuing to trust us. Looking ahead, I am confident that despite forecasted challenging economic conditions and potential market volatility, we are well positioned as we focus on the core fundamentals of our strategy that has proven to be relevant in our chosen markets and segments.

Thank you.

-END-

Our Board is made up of 9 Directors who possess a range of diverse experiences and industry backgrounds, including Accounting, Banking, Investment Banking, and Technology. They also possess a wealth of accumulated individual experience and knowledge. Of the 9 Directors, 6 are Independent Non-Executive Directors, 2 Nominee are Non-Executive Directors, and 1 is an Executive Director. Below, you will find detailed profiles of each member of the Board.

BONAVENTURE NIYIBIZI - CHAIRMAN

Bonaventure re-joined the Bank's Board of Directors in January 2021. He holds a B.Sc. in Agricultural economics from Kisangani University and an MBA in Finance from SFB. He was the Managing Director of Cogebanque, Head of Privatization Secretariat, Director General of the Rwanda Investment Promotion Agency, Chairman of the Rwanda Utility Regulatory Agency, and Chairman of the Rwanda Public Service Commission. He has vast experience and knowledge having spent a significant part of his career in both public and private sectors in Rwanda where he served as Minister of Commerce,Cooperative and Industries, and Minister of Energy, Water and natural resources.

ROBIN C. BAIRSTOW - MANAGING DIRECTOR

Robin was appointed as a Managing Director in September 2015. He is an experienced Corporate Banker and has a successful track record with over 31 years in the financial services sector with both domestic and international banking organizations. Prior joining I&M Bank, he held senior positions at Standard Chartered Bank, Citibank NA, BOE Bank and Nedbank across Central Africa, East Africa and South-East Asia. Robin is a graduate of the South African Merchant Naval Academy and holds a CIBM (SA) and a Diploma in Business Administration from the University of Leicester.

CRYSTAL RUGEGE - INDEPENDENT DIRECTOR

Crystal has a bachelor's degree in computer science from Grambling State University and a master's degree in information systems and management from Carnegie Mellon University. She is currently working with the Centre for the Fourth Industrial Revolution Rwanda as the Managing Director. Prior to this role, she was the Director of Strategy at Carnegie Mellon University Africa. She started her career as a software engineer at IBM's Silicon Valley Lab.

CHRIS LOW - NON-EXECUTIVE DIRECTOR

Chris joined the Bank's Board of Directors in February 2021. He holds a Masters degree in Arts from Oxford University and is a Fellow of the Institute of Chartered Accountants in England and Wales. A seasoned banker having spent considerable time in the areas of international banking, digital transformation, emerging markets, risk management and financial inclusion for over 30 years, he brought on board a vast wealth of experience having served across several countries including Sub-Saharan Africa in executive roles.

JULIUS TICHELAAR - NON-EXECUTIVE DIRECTOR

Julius is a partner at AfricInvest, one of the leading investment firms in Africa which he joined in 2007. Julius has a vast experience in the Private Equity industry with sourcing, structuring, and execution of transactions across Africa. Julius currently covers the financial services industry in East and Southern Africa and is a member of the Board of various financial institutions across Africa. He holds a Master of Science (MSc) in Business Administration with a specialization in Finance from the Erasmus University in Rotterdam.

PAUL SIMON MORRIS - INDEPENDENT DIRECTOR

Simon is an experienced international banker who has served in various senior positions in Europe, Asia and Africa with Standard Chartered Bank Group and 2 large local banks in Mongolia and Vietnam. He has experience as a Chief executive Officer for 15 years in 6 countries in Asia, Simon also worked in Africa as the Regional head of Consumer Banking Africa for Standard Chartered Bank. Simon holds an MBA from the Henley Business School in the UK.

NIKHIL HIRA - INDEPENDENT DIRECTOR

Nikhil is the Regional Representative of the Eastern Africa Association, a Director at Bowman and former partner of Deloitte East Africa, he joined the board in February 2019. Previously he headed the tax practice for Deloitte in the East Africa region. Nikhil is also a member of the board of I&M Bank (Rwanda) PLC. and Chairman of the board of GA Insurance Ltd in Kenya. He holds a BSc Joint Honours in Accountancy and Process Engineering from University of Salford, England. He is a Fellow of the Institute of Chartered Accountants of England and Wales, Fellow of the Institute of Certified Public Accountants of Kenya and also registered with similar institutes in Uganda and Tanzania.

BOARD OF DIRECTORS

ALICE NKULIKIYINKA - INDEPENDENT DIRECTOR

Alice is the Managing Director of Business Professionals Network Rwanda (BPN Rwanda), a Swiss international non-profit organization that fosters entrepreneurship worldwide. Prior to returning to her home country, she worked close to fifteen years in the banking sector in the renown Swiss firms Telekurs (Six Group) and Avaloq where she held different managerial positions in Europe, America and Asia. Mrs. Alice Nkulikiyinka holds a Master of Science in Economics and Computer Science, University of Applied Sciences Worms, Germany and a Master of Science and Information Management, University of Constance, Germany.

ALAN DODD - INDEPENDENT DIRECTOR

Mr. Dodd has a wealth of experience having served the banking industry in various executive capacities both in Kenya, as well as Asia and the Middle East. The first 28 years of his career were spent with Standard Chartered Group, latterly in East Africa where he rose to the position of Executive Director responsible for Corporate and Service Quality. In 2006 he joined NIC Bank Kenya Ltd currently known as NCBA, as the Executive Director responsible for Corporate, Asset Finance, including Leasing, and Bancassurance until the end of 2020. Following 43 years in the Banking industry, Mr. Dodd was approved by the Central Bank as Independent Non- Executive Director of I&M Bank (Rwanda) PLC. on 8th September 2021,He obtained an Honours degree in Economics from Portsmouth University in the United Kingdom and presently is a member of The London Institute of Banking and Finance.

IDDY RUGAMBA - COMPANY SECRETARY

Iddy has 11 years' experience in the Rwandan Banking Sector with extensive knowledge in Corporate Law, Corporate Governance, Regulatory Environment, Banking Operations and Structured Transactions and was the Bank's Legal Manager before his appointment as the Bank's Company Secretary. Prior to joining the Bank, he worked with KCB Bank as a Legal Manager. Iddy holds a Bachelor's Degree in Law, Master's Degree in Business Law and a Post Graduate Diploma in Legal Practice.

EXECUTIVE COMMITTEE

The Bank has achieved success in attracting and retaining a highly skilled management team with extensive years of experience. This team has been instrumental in establishing strong relationships with stakeholders and facilitating efficient decision-making processes. The core Management Team, comprising 13 members, brings a diverse range of hands-on experience to the Bank. Their expertise spans various areas, including Operations & Management, Accounting, Finance, Audit, and ICT, among others.

ROBIN C. BAIRSTOW - CHIEF EXECUTIVE OFFICER

Robin was appointed as a Managing Director in September 2015. He is an experienced Corporate Banker and has a successful track record with over 31 years in the financial services sector with both domestic and international banking organizations. Prior joining I&M Bank, he held senior positions at Standard Chartered Bank, Citibank NA, BOE Bank and Nedbank across Central Africa, East Africa and South-East Asia. Robin is a graduate of the South African Merchant Naval Academy and holds a CIBM (SA) and a Diploma in Business Administration from the University of Leicester.

PAUL SAGNIA - CHIEF OPERATING OFFICER

Paul joined I&M (Rwanda) PLC. as the Project Consultant in charge of the Core Banking System change in June of 2016. Following a successful migration to the new Finacle 10 system in September of 2018, Paul was appointed Chief Operating Officer effective 1st May 2019. Paul joined the Bank from Standard Chartered Bank where he served in senior positions in several countries across the Standard Chartered Bank footprint in Africa. He is a dedicated banker with a strong flair for innovation and management of banking operations and the use of ICT in banking acquired during a career spanning 39 years.

DEDERI WIMANA - CHIEF FINANCE OFFICER

Dederi is a chartered certified accountant with more than 24 years of experience in the banking industry. Prior to joining the I&M Bank (Rwanda) PLC. in 2005, she worked with Bank of Kigali for 7 years as a Financial Accountant. Throughout her career, Dederi earned immense experience in internal auditing and accounting, planning, international reporting (IFRS), procurement procedures and Bank budgeting processes. She holds a bachelor degree in Economic sciences, Finance major, Association of Chartered Certified Accountants (ACCA) and is currently pursuing the CIA (Certified Internal auditor) Certification.

ALINE MUTAMBUKA - HEAD OF HUMAN RESOURCES

Aline Mutambuka is the Head of Human Resources at I&M Bank (Rwanda) PLC. She is a certified professional coach with over 20 years of experience in Human Resources Management and Corporate Strategy. Having worked in a wide range of industries such as Breweries, Telecom, and Finance sectors; Ms. Aline is known for her tenacity, grit, and passion to drive organizations' growth through human capital development and capacity building. She has worked with several multinationals and is very familiar with Rwanda, Burundi and Belgium business environments. Ms. Aline holds a degree in Management and Economics from Université de Mons- Hainaut, Belgium

CYNTHIA RWAMAMARA - HEAD OF INTERNAL CONTROL AND COMPLIANCE

Cynthia is the Head of Internal Control and Compliance with over 16 years of experience in the Rwandan banking industry, primarily in the fields of Audit, Compliance, and Risk Management. She joined the Bank in 2009 as the Deputy Manager in the Internal Control and Compliance Department, and in June 2016, she was promoted to the position of Head of Internal Control and Compliance. Cynthia is a Certified Anti-Money Laundering Specialist (CAMS) and holds a Master of Business Administration from Oklahoma Christian University.

LISE MUGISHA - CHIEF RISK OFFICER

Lise is the Chief Risk Officer. She is responsible of the implementation of the Enterprise Risk Management in the Bank. Lise has experience of 6 years in the Banking industry and over 8 years' experience in the fields of Risk Management, Audit, and Internal Control. Prior to joining I&M Bank Rwanda, she worked with EY (Ernst & Young) as an Auditor in the Assurance and Advisory services. She holds a bachelor's degree in Business Studies, and she is currently pursuing an Association of Chartered Certified Accountants (ACCA) qualification.

NICOLAS UWIMANA - HEAD OF LEGAL

Nicolas holds a master's and a bachelor's degree in Law, respectively, from the University of Turin, Italy and the University of Rwanda. Nicolas also holds a Post Graduate Diploma in Legal Practice. He joined the Bank in 2009 and served as Deputy Head of Legal. Before joining the Bank, he worked for the Public Sector where he served as Legal Adviser at Rwanda Public Procurement Authority and Legal Expert in the Procurement Reform Task Force within the Ministry of Finance and Economic Planning. Nicolas has more than 18 years of experience (in both public and private sectors) where he has been involved in legal drafting; contract drafting and reviewing; taking part in solving conflicts, and regulatory investigations.

NORBERT MWANANGU - GENERAL MANAGER - RETAIL

Norbert is the General Manager, Retail and has served the Bank for over 18 years. In his role, he develops and maintains the Bank's portfolio, coordinates and supervises the retail department. Prior to his current role, Norbert was the Head of Retail Banking. He also worked as a Retail Sales Manager and Deputy to the Head of Retail Banking. He holds a bachelor's degree in Management from the Kigali Independent University.

YVON ABANE - HEAD OF TREASURY

Yvon is the Head of Treasury of I&M Bank (Rwanda) PLC. and has experience of over 7 years in Treasury management. Prior to the current position, he joined the bank as Treasury dealer and grew to the position of Senior Treasury Dealer. He holds a Bachelors of Economics and Master of Arts in Economics.

PACIFIQUE NKONGOLI - HEAD OF CREDIT

Pacifique is a professional Banker with over 17 years of experience across the risk management field including credit risk management, market risk management as well as operational risk management in the banking industry in Rwanda and Nigeria. Prior to joining I&M Bank, Pacifique worked with 3 other Banks in the industry including Access Bank Rwanda where he previously served as the Chief Risk Officer. Pacifique Holds Master's degree with a Major in Finance from Adventist University of Central Africa (AUCA)

OLIVIER GAKUBA - DIRECTOR - BUSINESS DEVELOPMENT

Olivier is an alumnus of the Prestigious Wharton School -Executive Education of the University of Pennsylvania, USA. He also holds a master's degree in Business Administration (MBA) at Baraton University in Kenya and an MBA in Leadership & Organizational Development from Oklahoma Christian University, USA. Olivier has over 17 years' experience in the banking industry in the East African Region where he worked in different capacities overseeing several departments, including Corporate Banking, Commercial Banking, Personal & Business Banking and Women Banking. He left Access Bank in January 2021 as Senior Manager- Group Head, Strategic Business Units to join I&M Bank (Rwanda) PLC.

STEVE MUTSINZI - HEAD OF AUTOMATION AND ECOMMERCE

Steve is a professional banker with 16 years of experience. He is the current Head of Automation and Ecommerce. He joined the Bank in 2007 as an Internal Auditor and rose through the ranks as Deputy Chief Internal Auditor before moving to the Credit department in 2013 as Deputy Head of Credit. In 2020, he was promoted to Head of Business Intelligence then in 2021 to Head, Credit Analytics overseeing key group credit related projects. Steve has built competence in Audit, Risk Management, Credit Analysis, Portfolio Management and Business analytics. He holds an MBA in Finance from Oklahoma Christian University (USA) and a bachelor's degree in Economics from Kigali Independent University.

CLAUDETTE MUKASHYAKA - CHIEF AUDIT EXECUTIVE

Claudette Mukashyaka is a seasoned Banker & Auditor with 14 years experience in audit of bank operations. Before being appointed as Chief Audit Executive, she was an Assurance Audit Manager and a Consulting Audit Manager. Prior to joining I&M Bank, Claudette Mukashyaka was an external auditor at the Office of the Auditor General for States Finances. She is finalizing Association of Chartered Certified Accountants (ACCA) and she holds a Bachelor's degree in Economics from University of Rwanda. She has built skills in Audit, Accounting, Governance, Risk Management, Leadership, Strategic management and Bank operations.

"We cannot live only for ourselves. A thousand fibers connect us with our fellow men."

Herman Melville

NEWS

UPDATE #2022

BANCASSURANCE LAUNCH

In February 2022, I&M Bank (Rwanda) PLC. launched Bancassurance services. The new offering aiming at providing customers with the convenience of accessing both banking and insurance services under one roof, while also creating a new revenue stream for the Bank. In its first year, the Bank managed to forge partnership with 8 insurers and grew Bancassurance revenues by 122%.

SPENN LOANS

In March 2022, I&M Bank (Rwanda) PLC. launched SPENN Loans, a service which allows customers to access digital loans in less than 60 seconds. The product offers an attractive proposition of 0% interest rate for the first 14 days, making it an appealing option for those in need of short-term financing. With the loan application process being entirely digital, the product offers customers convenience and speed, eliminating the need for physical documentation and long wait times.

MEET THE ENTREPRENEURS

To reaffirm our commitment to building the country's MSME sector, the Bank partnered with BPN Rwanda to organize a #MeetTheEntrepreneurs showroom which was hosted at the Bank's Headquarters. This popup which brought together more than 15 entrepreneurs, was listed among the #CHOGM2022 activities by the Rwanda Development Board and was attended by various senior delegates from the Commonwealth Business Forum 2022.

AWARDS

GENDER EQUALITY SEAL

I&M Bank (Rwanda) PLC. together with 8 other institutions was awarded the Gender Equality Seal by the Gender Monitoring Office an initiative that was pioneered by the UNDP. This was achieved through different initiatives like the Mother's Awareness Center, non-discriminative policies and so many more.

BEST BANK IN RWANDA

I&M Bank (Rwanda) PLC. has once again been recognized as the Best Bank in Rwanda by Capital Finance International (CFI) for the second consecutive year. This prestigious award recognizes the Bank's exceptional performance and commitment to providing world-class banking services to its customers. The Bank's unwavering focus on delivering innovative solutions and outstanding customer service has been integral to its success in retaining this title. This accolade is a testament to the hard work and dedication of the Bank's employees, who have played a significant role in driving its growth and success.

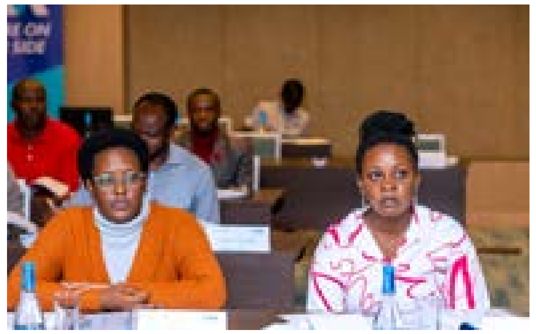
"Best Bank in Rwanda"

FINANCIAL REPORTING AWARD

I&M Bank (Rwanda) PLC. emerged as winners of the Financial Reporting Award organized by ICPAR. The recognition was in the Category of public listed and group companies.

MSME WORKSHOPS

In December 2022, I&M Bank (Rwanda) PLC. in partnership with BPN and the MasterCard Foundation, came together to empower over 500 micro, small, and medium enterprises (MSMEs) through the Hanga Ahazaza program. The program was aimed at providing comprehensive training on financial literacy, MSME banking opportunities, and business recovery, which would enable these entrepreneurs to improve their businesses and drive economic growth in Rwanda.



CSR

UPDATE #2022

AGAHOZO SHALOM

In a bid to raise funds for educating vulnerable children, employees of I&M Bank (Rwanda) PLC. joined Agahozo Shalom Youth Village to hike Mount Karisimbi, which is the highest peak in Rwanda with an altitude of 4,507m. The Karisimbi hike was part of a fundraising campaign in which FRW 62 million was raised and was used to sponsor the education of over 500 vulnerable children at Agahozo Shalom Youth Village.

EDIFIED GENERATION RWANDA

For the 7 consecutive years, the Bank partnered with Edified Generation Rwanda to pay tuition for vulnerable students in Rwanda. In the academic year 2021, 2 of our beneficiaries graduated high school and 3 joined high school. In 2022, the Bank covered school fees, transportation, medical insurance, and holiday camp for 8 new students.

KWIBUKA

On Friday, May 6, 2022, the Bank held a commemoration event to honor the lives of twenty-five former BCR staff members who were killed during the The 1994 Genocide against the Tutsi. The day's events started with the unveiling of the Bank's Kwibuka monolith which was built at the new HQ building 9 on the Avenue in honor of the departed staff. In the afternoon, Bank staff visited the Kigali Genocide Memorial where they visited the memorial site, laid wreaths, and held the official commemoration event. The event included testimony from a Genocide survivor and a commemoration dialogue delivered by a representative from Ibuka the non-government association for survivors.

In addition to this, the Bank also renewed the Memorandum of Understanding with AEGIS Trust in support of their peace and values education, memory preservation, and evidence-based research program. The Bank also sponsored the Our Past Initiative commemoration activities.

SINGITA KWITONDA ORCHIDS PROJECTS

On the environmental protection front, the Bank partnered with the Singita Kwitonda Lodge on an orchids' conservation project as part of their reforestation program designed to expand the size of the Virunga National Park for the benefit of the endangered mountain gorillas who find sanctuary there.

KWITA IZINA

This year, I&M Bank (Rwanda) PLC. partnered with the Rwanda Development Board on the 18th Kwita Izina, conservation event. Kwita Izina is a unique event that celebrates the conservation efforts of Rwanda by naming baby gorillas born in the past year. I&M Bank's partnership with Kwita Izina reflects the Bank's commitment to supporting sustainable initiatives and promoting environmental conservation. The Bank's involvement will contribute to the conservation of Rwanda's mountain gorillas, which are an endangered species.

RWANDA BOOKMOBILE INITIATIVE

Rwanda Bookmobile is a local NGO whose initiative is to develop a reading culture in the next generation of young Rwandans. Rwanda Bookmobile operates a mobile library, to bring more books and storytelling to primary school children. They also have radio and TV programs that air on different radio and TV stations across Rwanda. I&M Bank started sponsoring Rwanda Bookmobile in 2020, with an FRW45 million grant to develop a new storytelling program.

RWANDA CANCER RELIEF

For the eighth consecutive year, the Bank collaborated with Rwanda Cancer Relief (RCR) to raise awareness about cancer in various districts throughout the country. RCR's efforts have centered on educating healthcare providers about childhood cancers and emphasizing the significance of providing psychological support after diagnosis. Moreover, RCR arranged a cancer awareness session for the employees of I&M Bank (Rwanda) PLC. as part of the Customer Service Week.

UMUGANDA AND MEDICAL INSURANCE

In November 2022, the Bank joined Rubavu District officials in their monthly Umuganda activity in Busasamana District a region that was hit by floods due to high levels of altitude. The Bank also used this opportunity to pay for universal health care (Mutuelle de Sante) for eight hundred vulnerable citizens in this district.

ROTARY CLUB

The Rotary Club of Kigali held its annual Gala on March 26th, 2022, in partnership with I&M Bank (Rwanda) PLC. This event brought together influential members of the Rwandan community to support Rotary's mission and actions around the world. The proceeds of the gala will fund humanitarian and social projects, such as medical care, literacy programs for vulnerable communities, environmental protection projects, and many more initiatives aimed at improving the welfare of people around the country. For the 2022-2023 Rotary year, the Club will focus on building handwashing stations in at least 15 schools, eradicating polio through vaccination campaigns, sponsoring Solid Africa in its endeavor to feed vulnerable patients in public hospitals, planting at least 2,000 trees, and sponsoring heart surgeries for rare diseases.

"Ideas won't keep.
Something must be
done about them."

Alfred North Whitehead

BOARD OF DIRECTORS

BOARD OF DIRECTORS

RWANDAN
BONAVENTURE NIYIBIZI
Chairman – Independent Director
ALICE NKULIKIYINKA
Independent Director
CRYSTAL RUGEGE
Independent Director

SOUTH AFRICA
ROBIN C. BAIRSTOW
Chief Executive Officer

KENYAN
NIKHIL HIRA
Independent Director

DUTCH
JULIUS TICHELAAR
Non-executive Director

BRITISH
CHRISTOPHER LOW
Non-executive Director
ALAN DODD
Independent Director
PAUL SIMON MORRIS
Independent Director

COMPANY SECRETARY

Iddy Rugamba
KN 3 AV/9
P O Box 354
Kigali - Rwanda

AUDITOR

KPMG Rwanda Limited
Certified Public Accountants
Grand Pension Plaza
Boulevard de la Révolution

REGISTERED OFFICE

I&M Bank (Rwanda)
KN 3 AV/9
P O Box 354
Kigali - Rwanda

CORRESPONDENT BANKS

AFRICA

NATIONAL BANK OF RWANDA
P.O. Box 531
Kigali, Rwanda

I&M BANK (T) LIMITED
Maktaba Square
Maktaba Street
P.O. Box 1509
Dar es Salaam, Tanzania

I&M BANK LIMITED
I&M Bank House
2nd Ngong Avenue
P.O. Box 30238- 00100 GPO
Nairobi, Kenya

BANK ONE LIMITED
16 Sir William Newton Street
Port Louis, Mauritius

KCB KENYA LTD
Kencom House,
Moi Avenue,
Nairobi, Kenya

FIRSTRAND BANK LIMITED
P. O. Box 650149
Benmore, 2010
Sandton, 2196

EUROPE

ODDO BHF AKTIENGESELLSCHAFT
Bockenheimer Landstrasse 10
60323 Frankfurt/M

CITIBANK N.A LONDON
E14 5LB
25 Canada Square,
Citibank Center
London

COMMERZ BANK
60261 Frankfurt
Germany

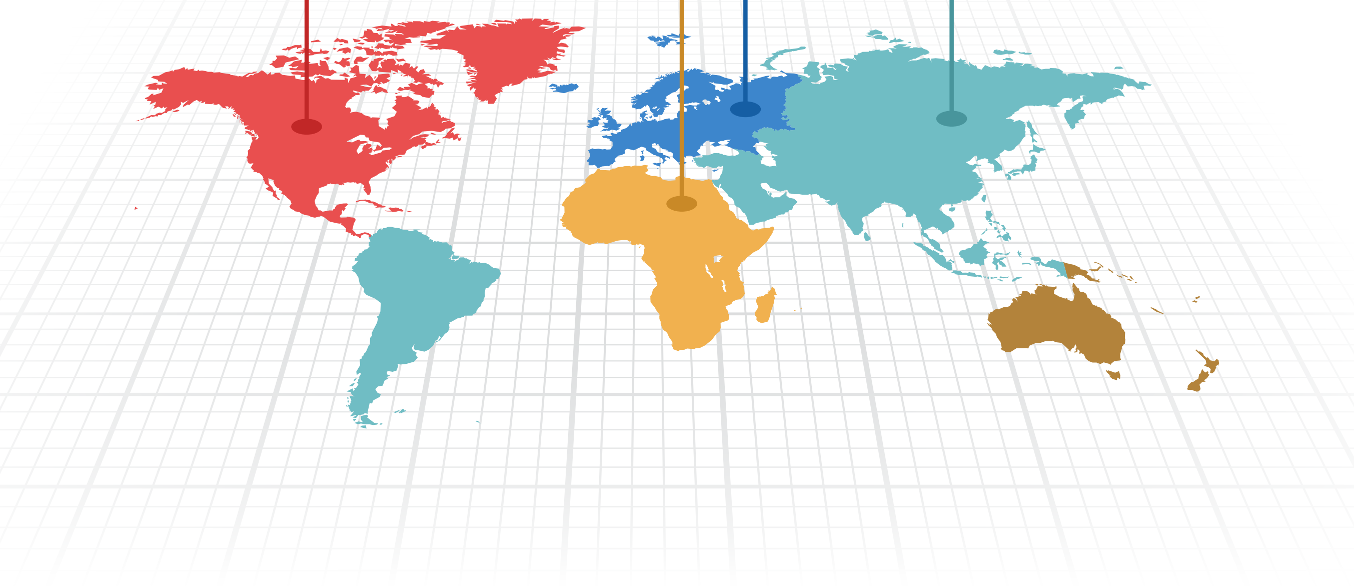
ASIA

YES BANK LIMITED
Nehru Center 9th Floor,
Discovery of India
Dr. A.B. Road
Worli, Mumbai 400018

ICICI BANK LIMITED,
Vadodara, India
Old Padra Road,
Village-Versamedi,
Anjar, Vadodara,
Gujarat, 700013

NORTH AMERICA

CITIBANK, N.A
3800 Citibank Center
Building B,3rd Floor
Tampa, FL 33610



RWANDA

WESTERN

RUSIZI BRANCH
Rusizi District
Tel: +250 788 162 164

RUBAVU BRANCH
Rubavu District
Tel : +250 788 162 197

KARONGI BRANCH
Karongi District
Tel: +250 788 162 181

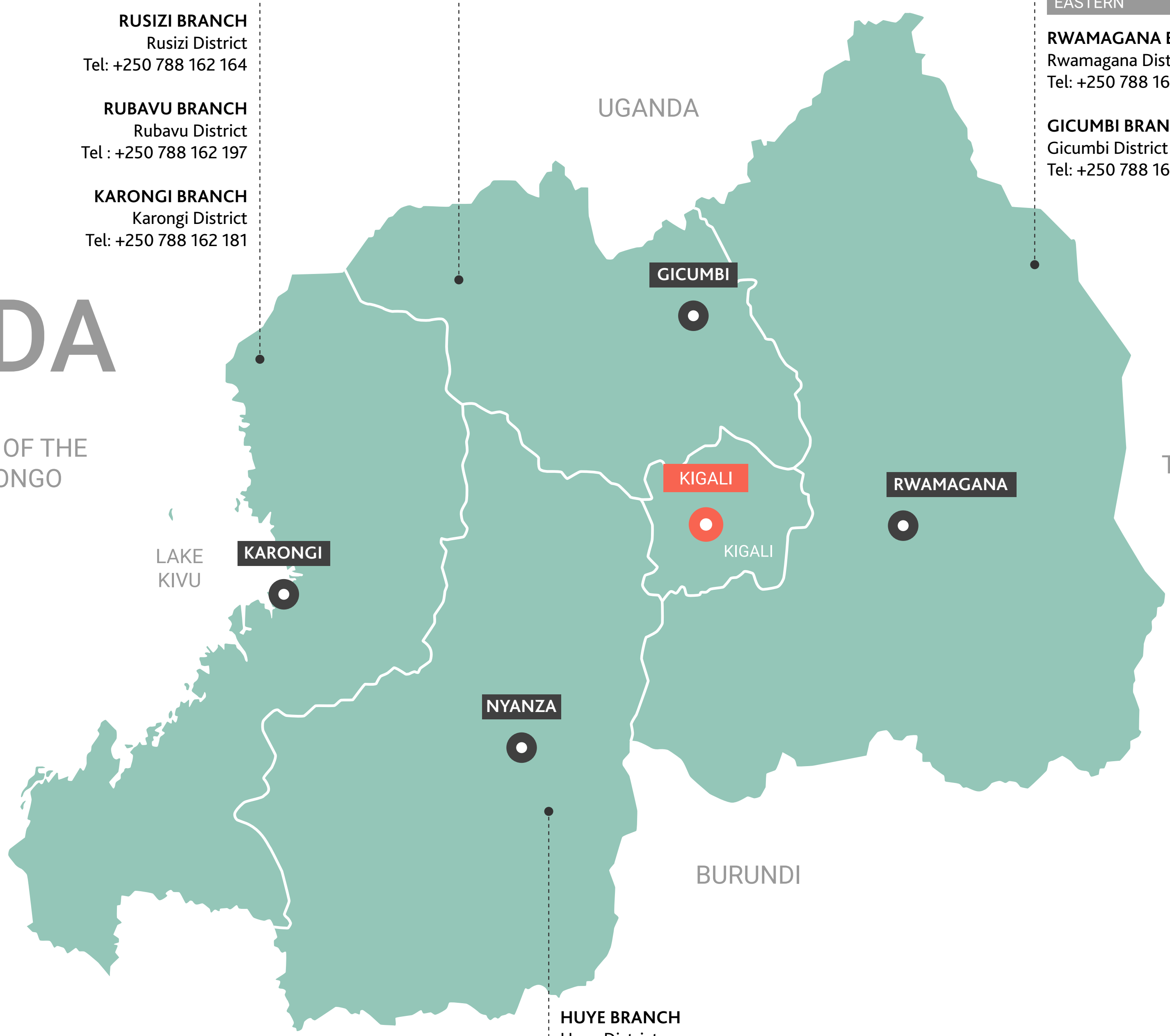
NORTHERN

MUSANZE BRANCH
Musanze District
Tel: +250 788 162 170

EASTERN

RWAMAGANA BRANCH
Rwamagana District
Tel: +250 788 162 174

GICUMBI BRANCH
Gicumbi District
Tel: +250 788 162 165



HUYE BRANCH
Huye District
Tel: +250 788 162 163

SOUTHERN

KIGALI BRANCHES

HEAD OFFICE-RWANDA
KN 03 Avenue 9
Tel: +250 788 162 026
P O Box 354
Kigali-Rwanda

REMERA BRANCH
Gasabo District
Tel: + 250 788 162 161

KIGALI HEIGHTS BRANCH
Gasabo District
Tel: +250 788 162 160

NYAMIRAMBO BRANCH
Nyarugenge District
Tel: +250 788162 188

NYABUGOGO BRANCH
Nyarugenge District
Tel: +250 788 162 162

CHIC COMPLEX BRANCH
Nyarugenge District
Tel: +250 788 162 162

KIGALI CITY MARKET BRANCH
Nyarugenge District
Tel: +250 788 162 182

CASH AND DEPOSIT COUNTERS

KENYA AIRWAYS
Nyarugenge District
KIC Building
Tel: +250 788 162 026

MAGERWA
Kicukiro District
Magerwa Office
Tel: +250 788 162 169

KIREHE
Kirehe District
Tel: +250 788 162 174

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of the I&M Bank (Rwanda) PLC. (the "Bank").

Principal activities

The Bank is engaged in the business of banking and provision of related services. Banking is a business activity of accepting and securing money owned by individuals and enterprises and provides liquidity needs for businesses and families to invest for the future. The Bank also charges a certain amount of rate of interest on the amount sanctioned.

Results / Business review

Profit before income tax for the year was FRW 13.4 billion (2021: FRW 10.9 billion). Net interest income increased from FRW 26.8 billion in 2021 to FRW 32 billion in 2022 in correlation to the increase in loans and advances to customers from FRW 222 billion to FRW 231 billion in 2022.

The Bank`s results for the year are as follows:

	2022	2021
	FRW'000	FRW'000
Profit before income tax	13,423,412	10,984,403
Income tax expense	(4,110,037)	(1,814,664)
Net profit for the year	9,313,375	9,169,739

The detailed results of the Bank for the year are set out on page 71.

The Bank's financial performance is a testament of our resilience and sustainable performance into the future, having recorded a net operating income pre-provision growth of 26.8% to FRW 42.4 billion. Our results reflect with the favourable business momentum in the country, following further easing of health and business restrictions and our commitment to being there for our customers and the community we serve.

The Bank has progressed on its strategic effort to create long-term value for stakeholders, through continued investments in Environmental, Social and Governance initiatives as a means to building resilience as well as to mitigate against emergent operational, cyber and credit risk.

CORPORATE INFORMATION
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

Dividends

The Directors have recommended payment of dividend with respect of the year ended 31 December 2022 of FRW 2,794,000 (2021: FRW 1,800,000).

Directors

The Directors who served during the year and up to the date of this report are set out on page 42. The Bank provides professional indemnity for all the Directors as set out on page 56.

Auditor

The auditor, KPMG Rwanda Limited, was appointed in 2020 in accordance with Regulation N°14/2017 of 23/11/2017 on accreditation requirements and other conditions for external auditors for financial institutions.

Relevant audit information

The directors in office at the date of this report confirm that:

(i) There is no relevant audit information of which the Bank's auditor is unaware; and

(ii) Each Director has taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors

on 29/03/2023.

BY ORDER OF THE BOARD

Company secretary

Date: 30/03/2023

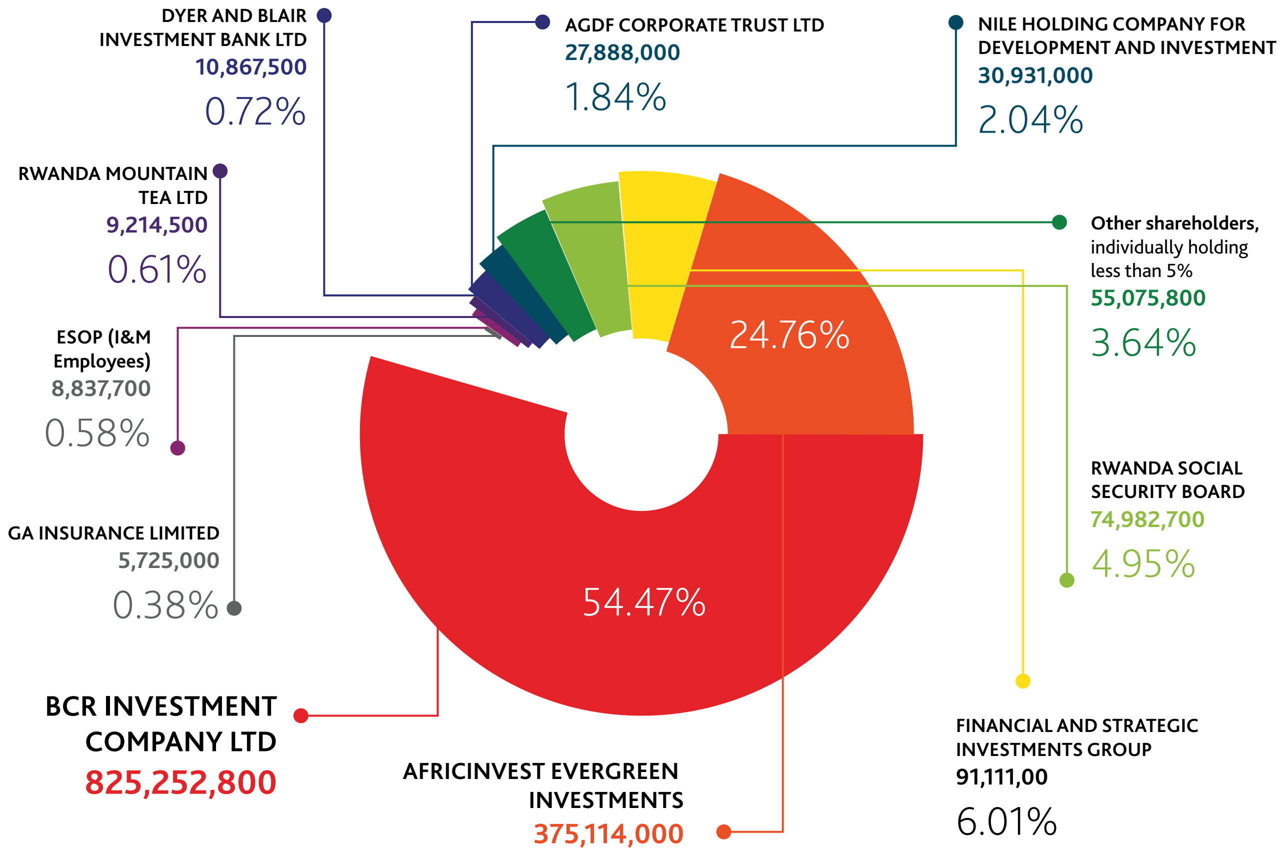
This report describes how the Bank remains not only compliant with Corporate Governance regulations issued by the National Bank of Rwanda, the Capital Market Authority and Rwanda Stock Exchange regulations but also remains committed to adopting best practices and creating a culture of good practices which is in line with our Group-wide commitment to ensure that the highest standards of Corporate Governance are implemented and upheld in all its entities. This, in turn, ensures that the Group maintains and promotes high standards of integrity, transparency and accountability across all levels, and in particular that at each level, each entity is well and honestly run, generating long-term shareholders value.

At our Bank, we have embraced the changes and believe that Governance is more than just complying with laws and regulations; it is also creating a culture of good practices. The Bank has already a well-defined and structured Corporate Governance framework to support the Board in achieving our mission of being: Partners of growth for all our stakeholders which will be achieved through: "Meeting our Customers' expectations; Motivating & developing every Employee and Enhancing Shareholder value".

Our Shareholders, Board of Directors and Senior Management believe that Corporate Governance is a necessary condition for sustainable performance and will therefore undertake every effort to create awareness and ensure compliance with corporate governance policies and practices within our organisation.

In its quest to ensure that the highest standards of Corporate Governance are complied with and upheld at all times, I&M Bank (Rwanda) PLC. through its Board of Directors, which is responsible for setting the standard of Corporate Governance and for updating these standards as appropriate is consistently reviewing corporate governance standards within the Bank.

OUR SHAREHOLDERS PROFILE
I&M Bank (Rwanda) PLC. shareholding composition as of 31st December 2022 is as below:



TOTAL ISSUED & FULLY PAID SHARES: 1,515,000,000 **TOTAL SHAREHOLDING: 100%**

OUR LEGAL STATUS
I&M Bank (Rwanda) PLC. was established in 1963 as the first commercial Bank in Rwanda, "formerly known as Banque Commerciale du Rwanda (BCR)"; 2023 the Bank will be celebrating its 60th Anniversary.

In March 2017, the Government of Rwanda, as part of its initiative of promoting investment, initiated an Offer for the Sale of close to 20% stake in the Bank. Following the successful listing of I&M Bank (Rwanda) PLC.'s shares on the Main Investment Market Segment of the Rwanda Stock Exchange, the Bank changed its name to "I&M Bank (Rwanda) PLC.

The Bank, which is listed on the Rwanda Stock Exchange (RSE), is a subsidiary of I&M Group PLC. ("the Group") a leading corporate group in East Africa, with a major presence in Banking, Insurance and Real Estate. The Group offers a full range of personal, business and alternate banking channels through its presence in Kenya, Tanzania, Rwanda, Mauritius and Uganda.

I&M group has a long history in Banking and has established a wide network of correspondent banks across the globe and enjoys a strong relationship with the leading international Development Financial Institutions.

SHARE INFORMATION
The issued and paid-up capital of I&M Bank (Rwanda) PLC. consists of 1,515,000,000 ordinary shares. Currently, only ordinary shares are issued, each share in the capital of I&M Bank (Rwanda) gives entitlement to cast one vote.

I&M Bank (Rwanda) has an authorised share capital of FRW 25,000,000,000 which is the maximum amount of capital allowed to be issued under the terms of the Articles of Association.

CREDIT RATINGS
Global Credit Ratings affirmed long-term and short-term national scale ratings of A (RW) and A1 (RW) respectively to I&M Bank (Rwanda) PLC. with a positive outlook.

This reemphasizes the Bank's solid position on the market, including good revenue diversity and stability, an adequate level of capitalisation, with a sound funding structure with good liquidity.

OUR BOARD
Every company should be headed by an effective Board that is collectively responsible for the long-term success of the company.

The Board's primary responsibility is to promote the long-term success of the company and deliver sustainable shareholder value. The Board has ultimate responsibility for the management, direction, governance and performance of the company, and leads and oversees the company's business. The Board plays a critical role in ensuring that the tone for the company's culture and values are set from the top. The Board is also responsible for ensuring appropriate resources are in place to achieve its strategy and deliver sustainable performance. Through authorities delegated to its Committees, the Board directs and reviews Bank's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters. The Board is collectively accountable to the company's shareholders for the proper conduct and success of the business.

The Board of Directors refers to the governing body elected by the Shareholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

Our Board of Directors comprises directors who:

Are named as such in the Articles of Incorporation under article 74;

Are duly elected in subsequent meetings of the Shareholders and;

Are elected to fill vacancies in the Board of Directors.

Our Memorandum and Articles of Association provide under article 74 that the number of directors shall not be less than five directors and not more than ten directors in number. Within this, the Board determines the appropriate number of its members to ensure that the number is commensurate with the size and complexity of the Bank's operations.

The Board has the power to appoint a director to fill a vacancy. Appointed directors must stand for election by the shareholders at the next Annual General Assembly following their appointments.

As of 31st December 2022, the Board was constituted of nine Directors: One Executive Director, Two Nominee Non-Executive Directors and Six Independent Non-Executive Directors including the Board Chairman.

The current Board of Directors is detailed as follows:

No	Name	Nationality	Qualifications	Position held on the Board	Committee Assignment
1	Bonaventure Niyibizi	Rwandan	Economist	Independent Board Chair	Board Chairman, BRC, BCC, BALCO&BNRGC
2	Alice Nkulikiyinka	Rwandan	Economist	Independent NED	BNRGC Chair, BAC& BITCO
3	Alan James Dodd	British/ Kenyan	Banker	Independent NED	BCC Chair, BAC& BRC
4	Nikhil Hira	Kenyan	Tax and Financial Advisor	Independent NED	BAC Chair, BCC&BALCO
5	Crystal Rugege	Rwandan	Technology Policy	Independent NED	BITCO Chair, BRC& BNRGC
6	Simon Morris	British	Banker	Independent NED	BRC Chair, BAC& BCC
7	Allan Christopher Michael Low	British	Banker	Nominee NED	BALCO Chair, BRC, BITCO& BNRGC
8	Julius Tichelaar	Dutch	Investment Officer	Nominee NED	BRC, BALCO BITCO& BNRGC
9	Robin Bairstow	South African	Banker	Managing Director	BRC, BCC, BALCO & BITCO

The Board Nomination, Remuneration and Governance Committee (BNRGC) reviews regularly the Board composition. In reviewing the Board composition, this Committee considers the benefits of collective relevant working knowledge, experience or expertise; it ensures that its composition reflects an appropriate mix with regard to skill representation, Board experience, tenure, gender, age, and geographic experience. Other considerations are personal qualities, communication capabilities, ability and commitment to devote appropriate time to properly discharge the task, professional reputation, community standing and alignment of the quality of directors with the Bank's strategic directions.

The Directors collectively have vast experience stemming out of their varied backgrounds in different disciplines, which include Banking, Management, Accounting, Investment, and hands-on experience in various industries.

The Board determines the process of appointing a director, after a recommendation by the Nominations Committee. The Board takes into consideration recommendations from shareholders, existing directors and any broad pool of qualified candidates for sourcing of possible candidates as directors; Directors must at all-time be and remain fit and proper to carry out their roles and in accordance with suitability criteria as per the Bank's code of Ethics for Directors and other regulations issued by regulators from time to time.

The initial appointment period is up to three years subject to annual re-election by shareholders, which may be extended by a further two additional periods of up to three years, subject to the director still meeting the criteria for directorship. As a rule, the Board's Non-Executive Directors may serve for a maximum cumulative term of nine (9) years, making sure, however, that the shareholders' legal right to vote and be voted remains inviolable.

The Board Charter, which serves as a guide to the Board of Directors on how to discharge their functions, mainly states the roles, responsibilities and accountabilities of which the Board of Directors should consistently and properly perform; it touches on the Board structure and composition as well.

BOARD MEETINGS

The Board holds regular and special meetings in accordance with the Articles of Association. It has in place an annual calendar that sets out board activities annually.

The Board usually has a minimum of four (4) scheduled Board meetings per year requiring the attendance of two to three days. All directors are expected to attend each meeting unless there are exceptional circumstances that prevent them from doing so.

The Board Charter defines, under the attendance section, the attendance requirements. The attendance and participation of members in committee meetings are considered in the assessment of continuing fitness and suitability of each director as a member of Board-level committees and the Board of directors.

Papers relevant to the agenda of each Board and Board committee are sent to the Board and committee members as appropriate ten (10) days in advance of the meeting as per the Memorandum and Articles' requirements.

Similar to the global community, the Board had to adjust its working methods in 2022 as a result of the Covid-19 pandemic.. Some meetings were held virtually, hybrid and the rest were held physically. The Shareholders' Annual General Meeting was virtually held for the second time on 27th May 2022.During the year ended 31st December 2022, the Board held four (4) Board meetings several directors attended ad-hoc meetings, Budget discussions and Strategy Refresher meetings were also held in course of the year.

Details of directors' attendance at board and Committees are detailed as follows:

	BOARD	AUDIT	RISK	CREDIT	ASSET & LIABILITIES	IT	Nomination, Remuneration and Governance
No. of Meetings	4	5	4	14	4	4	4
Bonaventure Niyibizi	4	-	4	13	3	-	4
Crystal Rugege	4	-	3	-	-	4	4
Alan James Dodd	4	5	4	14	-		
Allan Christopher Michael Low	4	-	4	-	4	4	4
Julius Tichelaar	4	-	4	-	3	4	4
Simon Morris	4	5	4	14	-	-	-
Alice Nkulikiyinka	4	5	-	-	-	4	4
Nikhil Hira	4	5	-	14	4	-	-
Robin Bairstow	4	-	4	14	4	4	-

The attendance rate illustrates that the members of the Board are engaged with the Bank and can devote sufficient time and attention to oversee the Bank's affairs.

ROLE OF OUR BOARD COMMITTEES

The Board has in place Board committees to increase efficiency and facilitate deeper focus in specific areas. In accordance with article 22 of the BNR Regulation on Corporate Governance, the Bank standing committees of the Board are Audit (BAC), Risk (BRC), Credit (BCC), IT Committee (BITCO), Nomination& Remuneration (BNRGC) which currently includes the corporate governance as per I&M Group's best practices. In addition to these committees, the Board has resolved to maintain the Assets & Liabilities Committee (BALCO). The Committees meet as prescribed in their respective terms of reference and each committee reports directly to the Main Board.

The Board may from time to time, establish or maintain additional committees as deemed appropriate. The number and nature of Board-level committees would depend on the size of the Bank and the Board, the complexity of operations, as well as the Board's long-term strategies and risk tolerance. The Board Nomination, Remuneration and Governance Committee, taking into account the desires and qualifications of individual members recommends the allocation of members to the committee which is to be ratified by the Board; In making such appointments, the Board considers the rotation of committee membership and chairs at appropriate intervals to avoid undue concentration of power and promote fresh perspective.

The Board approves reviews and updates at least annually or whenever there are significant changes therein, the respective terms of reference of each committee that set out its mandate, scope and working procedures.

The Board ensures that each committee maintains appropriate records (e.g; minutes of meetings or summary of matters reviewed, and decisions taken) of their deliberations and decisions. Such records document the committee's fulfilment of its responsibilities and facilitate the assessment of the effective performance of its functions. The Board receives a verbal update on the key area of discussion at the Board meeting from the committee chair.

Each standing committee is composed of at least 3 members, a majority of independent directors, and an independent chair.

AUDIT		
Role and Responsibility	**Membership**	**Last Update**
Assist the Board in fulfilling its responsibilities by reviewing the integrity of financial reporting and related announcements; the effectiveness of the internal control system of the Bank, its performance and the effectiveness of the internal and external audit processes; the findings of the internal and external audit and to recommend appropriate remedial action at least quarterly. For the year ended 31st December 2022, the BAC met five times. The Committee discussed the quarterly results, the interim accounts and the annual accounts. Key audit matters, as included in the auditors' reports and management letter were also a topic of discussion. In addition, the overall internal control environment was reviewed, the internal and external auditor reports were discussed. The BAC also approved the internal audit plan, budget and structure. The Terms of Reference were also amended to reflect the new regulations. Special attention to IFRS 9 implementation. The BAC chairman held regular meetings with external auditors.	1. Nikhil Hira (Chairperson-Independent NED) 2. Alan James Dodd (Independent NED) 3. Simon Morris (Independent NED) 4. Alice Nkulikiyinka Independent NED)	December 2022

RISK		
Role and Responsibility	**Membership**	**Last Update**
The BRC considers and recommends to the Board the approval of the Bank's overall Risk Appetite, tolerance and strategy, review the Bank's risk profile on an ongoing basis. The Committee is responsible for ensuring adherence to the Bank's risk management policy and procedures as set out by the board. Through the Risk Management Function, the Committee draws up a comprehensive Risk Management Framework / Program for the Bank in line with the Guidelines issued from time to time by the National Bank of Rwanda (BNR). This year, the Committee met four times. In each meeting, the status of the Bank's metrics with regards to risk rating on operational, technology, liquidity, credit, compliance, Forex exchange, interest rate, HR, Strategy and reputational were reviewed. The direction of each risk, as well as the mitigation plan, were discussed. Risk Heatmap, Disaster Recovery Drill and BCP test reports were always reviewed and discussed by the committee. Furthermore, the compliance status of the Bank was reviewed and discussed at each meeting with a review of the regulatory compliance assessment report, which was tabled, recommendations of prudential meetings with the regulator were reviewed systematically, new regulations and laws were advised, and compliance status noted. Transactions and PEP Loans were constantly reviewed.	1. Simon Morris-Chairperson (Independent NED) 2. Bonaventure Niyibizi-(Independent Board Chairman) 3. Alan James Dodd-(Independent NED) 4. Crystal Rugege-(Independent NED) 5. Allan Christopher Michael Low (NED) 6. Julius Tichelaar (NED) 7. Robin Bairstow (MD)	December 2022

CREDIT		
Role and Responsibility	**Membership**	**Last Update**
The BCC assists the Board in fulfilling its primary responsibility to ensure that the quality of the Bank's credit-related asset book remains within acceptable parameters consistent with the Bank's risk appetite as well as regulatory requirements and prudential risk management practices. Further, the BCC ensures that the Bank has in place a credit policy that has a balanced approach to risk versus rewards and is effective, efficient, meets best practices, consistent with both BNR risk management guidelines and the Bank's risk management framework. The Committee reviews credit policies and related policies, sanction credit proposals, reviews the delegated lending authority, on an ongoing basis review the credit portfolio. The BCC met fourteen times to discuss various topics including credit portfolio, various credit applications, main grading changes, NPLs per sector, provisions, large exposure and recovery update.	1. Alan James Dodd-Chairperson 2. (Independent NED) 3. Bonaventure Niyibizi- 4. (Independent Board Chairman) 5. Nikhil Hira-(Independent NED) 6. Simon Morris-(Independent NED) 7. Robin Bairstow-(MD)	December 2022

ASSET & LIABILITIES		
Role and Responsibility	**Membership**	**Last Update**
BALCO is ultimately responsible for effective asset/liability management. Its first responsibility is to assist the Board by establishing and reviewing the asset/ liability management policy and related procedures; it ensures that the Bank's funds are managed in accordance with this policy, reviews the treasury dealing strategy, discusses and reviews the capital position and ensures that capital level is maintained in accordance with regulatory requirements and internal limit. The Committee also reviews the budget before it is approved by the Board. This committee is not a compulsory committee as per the BNR regulation. During the year under review, the Committee met four times. Members discussed various items including liquidity projection, and treasury updates, members reviewed the CAMELS pack and various counterparty limits.	1. Allan Christopher Michael Low – (Chairperson – NED) 2. Bonaventure Niyibizi – (Independent Board Chairman) 3. Nikhil Hira-(Independent NED) 4. Julius Tichelaar (NED) 5. Robin Bairstow – MD	December 2022

IT		
Role and Responsibility	**Membership**	**Last Update**
The BITCO assists the Board in fulfilling its primary responsibilities by reviewing recommendations concerning IT needs, projects, plans and policies. Review the design and implementation of ICT strategies, ICT Investment Oversight (Value delivery), ICT Risks, Security and Cyber Security; it ensures that the Bank's Disaster Recovery Program is drawn up and/or formulated, aligned to the Business Continuity Plans and regularly tested. The Committee met four times and discussed various items including cyber security actions, in-depth discussion on the infrastructure upgrade's hardware, IT strategy, and Disaster Recovery plan.	1. Crystal Rugege–Chairperson (Independent NED) 2. Alice Nkulikiyinka-(Independent NED) 3. Allan Christopher Michael Low (NED) 4. Julius Tichelaar (NED) 5. Robin Bairstow–MD	December 2022

BNRGC		
Role and Responsibility	**Membership**	**Last Update**
The BNRGC assists the Board in ensuring that a formal, rigorous and transparent process is in place for the appointment of directors to the Board. The purpose of this Committee is to review the Board Performance Evaluation report, succession plan and nominate qualified board candidates for recommendation to the AGM, in a fair and objective manner, subject to statutory and shareholder approvals. The Committee also advises the Main Board on the Board Performance Evaluation Report for the year 2022 and recommended the appointment and/or renewals of new directors. Whereas, BNRGC assists the Board to retain authority over major decisions concerning the overall administration of the Bank, procurement of goods and services (excluding ICT related) and Human Resources function, including remuneration and disciplinary matters. The Committee reviews and considers matters related to the appointment of contractors, suppliers for goods and services, consultants, etc… approves authorised signatories of the Bank and recommends to the Board granting of powers of attorney to Bank officials.	1. Alice Nkulikiyinka 2. Chairperson (Independent NED) 3. Bonaventure Niyibizi – (Independent Board Chairman) 4. Crystal Rugege-(Independent NED) 5. Allan Christopher Michael Low – (NED) 6. Julius Tichelaar (NED)	December 2022
The committee met four times; A wide range of other topics was discussed, such as resourcing matters, training and development, employee relations and welfare. The culture transformation Program and Compensation & Benefits Group alignment were areas of focus. The committee also ratified some proposals from the tender committee.		

OUR REMUNERATION POLICY

The Board, through the Nomination, Remuneration and Governance Committee implements and approves the remuneration policy for Board members which is aligned with the long-term interests of the Bank including the overall business and risk strategy. Directors who are also officers of the Bank are not compensated in their capacity as Directors. The level of remuneration reflects the time commitment and responsibilities of the role.

Fixed Annual Fees - Each director is eligible to receive a fixed annual fee as approved by the Board and ratified at the Annual General Assembly for service on the Board. These net annual fees are paid in quarterly instalments. The Chairperson receives a higher compensation commensurate with higher responsibilities as Board Chairperson.

Any director, who serves as a member of the Board for less than a full quarterly period receives a prorated payment for a retainership fee for such as a quarterly period.

Directors receive a sitting allowance for attending each meeting of the Committee/Board as approved by the Board from time to time.

The fees paid to the Non-Executive Directors shall be reviewed periodically by the Nomination, Remuneration and Governance Committee at least every two years and, may be adjusted in line with changes in compensation benchmarks or industry standards.

As per article 79 al 2 of the Articles of Association, the Bank has in place a Directors' & Officers' Liabilities Insurance in favor of all nominated directors for an amount of not less than US$ five hundred thousand million (US$ 500,000) which provides a cover for the Directors and Officers against litigation by Third Parties. As per Article 174 (indemnity and insurance for Directors), directors are to be indemnified to the extent permitted by law or Articles of Association. Directors' appointment letters confirm the extent of the indemnity provided to them.

Names	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total
	$	$	$	$	$
Bonaventure Niyibizi	10,100	13,868	12,685	12,685	49,338
Soundararajan Madabhushi	8,700	550	-	-	9,250
Simon Morris	9,000	11,853	10,935	12,935	44,723
Crystal Rugege	6,200	9,140	7,140	7,140	29,620
Nikhil Hira	8,900	10,818	9,900	9,900	39,518
Alice Nkulikiyinka	6,500	9,405	7,405	8,405	31,715
Julius Tichelaar	6,700	8,875	7,875	7,875	31,325
Chris Low	7,000	10,140	10,140	9,140	36,420
Alan Dodd	9,300	11,033	9,130	11,130	40,593
TOTAL FEES	**72,400**	**85,680**	**75,210**	**79,210**	**312,500**

INDUCTION AND CONTINUING EDUCATION

On appointment to the Board and to Board Committees, all directors receive a comprehensive induction pack tailored to their individual requirements in order to be an effective member of the Board and help lead the Bank in the right direction. The induction, which is designed and arranged by the Company Secretary in consultation with the Chairperson includes meetings with directors and senior management to assist directors in building a detailed understanding of how the Bank works and the key issues it faces. Where appropriate, additional business briefing sessions and updates on particular issues identified in consultation with the Chairperson and non-executive directors are arranged by the Company Secretary. The business awareness and development needs of each non-executive director will be reviewed annually as part of the performance evaluation process.

The Board as a group and as individual directors should have sufficient knowledge relevant to the Bank's activities to provide effective governance and oversight. They are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Bank.

In collaboration with I&M Group, the BNRGC design a board training program, based on training needs identified by each board member at the time of annual evaluation subject to the approval of the Nominations Committee and confirmation by the Board. This training program includes courses on corporate governance matters relevant to the Bank, including audit, internal controls, risk management, sustainability and strategy. Senior Management also provides training support to the Board through regular briefings on new regulatory issuances and updates on the status of compliance programs and other business initiatives.

OUR BOARD EFFECTIVENESS REVIEW – BOARD EVALUATION APPRAISAL

Our Board recognises that reviewing its performance is a key driver of good governance. The Board ensures that all the Directors appreciate the importance of the review process which includes enabling the Board to reinforce a culture of accountability, help Directors reflect on the contribution they make to the Board in a given year and their impact on governance practice in general. Individual reviews encourage Directors to have an open discussion about areas where they require support to enhance their competencies, especially in specialised areas.

In this regards a performance evaluation policy has been approved at the December board meetings which purpose is to give all Board members an opportunity to evaluate and discuss the Board's performance with candor and from multiple perspectives.

The process has been initiated this year at the December Board meetings where questionnaires were distributed to each Board Member. Directors completed the forms and returned them to the company secretary during the month of February. Results were tabulated and analysed and presented in a summary report to include composite scoring at the February board meetings. The Board thought BNRGC has discussed areas that are working well, and those that need attention. The evaluation form consists of 2 parts: An Overall Board Evaluation and a Chairman Board Evaluation.

DISCLOSURE AND TRANSPARENCY

Transparency is consistent with sound and effective corporate governance. The objective of transparency is to provide Shareholders, depositors and other relevant stakeholders with relevant information necessary to enable them to assess the effectiveness of the Board and senior management.

The Bank believes in maintaining full and open communication with its shareholders and observing the highest standards in corporate governance and Shareholder communications; to this effect, the Board commits at all times to fully disclose material information dealings, it shall cause the filing of all required information for the interest of the Shareholders. Disclosure is to be accurate and clear view of Shareholders and other stakeholders consulting the information easily.

SHAREHOLDERS RELATIONS

The Bank's aim is to ensure that all Shareholders, both individual and institutional, have simultaneous access to all information. Ordinarily, market analysts, the stock exchange and industry bodies will also have access to information at the same time as the shareholders. The Bank shall at all times guarantee equal treatment of all shareholders that are in the same position with regard to information, participation and voting at the Annual General Meeting of Shareholders.

The Bank's Investor Relations Office is designed to ensure constant engagement with its shareholders. The Investor Relations Office provides an avenue to receive feedback, complaints and queries from shareholders it also assures their active participation with regard to activities and policies of the Bank. Further, it provides clear, accurate and timely financial information that complies with applicable rules and regulations. The Investor Relations Officer is present at every shareholders' meeting and Investor Briefings.

In addition to the Annual General Meeting, the Bank has communicated with its shareholders, the investment community and the general public through quarterly Investor Briefings that includes extensive financial statements with relevant explanatory remarks of the previous quarter, meetings with analysts, investors, media briefing and Investor conference calls.

This is in accordance with the applicable regulatory requirements intended to ensure that all shareholders and other market participants have equal and simultaneous access to information that could potentially influence the price of the bank's shares price. Information provided during such occasions or in any contacts with the press is limited to what is already publicly available.

The communications are also conducted directly with shareholders via email to more comprehensive discussions with analysts or institutional investors that take place via telephone or face to face meetings. Our Investor Relations Officer is the main point of contact for these communications.

GENERAL MEETINGS

Bank's Annual General Meetings (AGM) generally discuss the course of business in the preceding financial year with a focus on approval of the preceding financial statements, approval of the proposed dividend, appointment of the external auditor, election and re-election of directors.

The AGM is convened in accordance with section 51 of the Articles, to enable shareholders exercise their rights. In the holding of the meeting, the Bank prepares and sends the notice at least fifteen days prior to the date of the meeting; General Meetings are convened by placing an announcement in one of the newspapers with the largest circulation in Rwanda, on the company's website of the Rwanda Stock Exchange at least 21 days in advance of the meeting date. Board members, in particular, the Chairpersons of Board committees or their delegates, and appropriate management executives attend the annual general meetings to answer shareholders' questions.

The Board also ensures that the External Auditor attends the AGM and is available to answer shareholders' questions about the financial position of the Bank. In addition, the External Auditor conducts the audit and prepares the auditor's report.

The external auditor attended the meetings of the Audit Committee and in addition to the audit committee meetings, the Board Audit Committee chairman held separate session meetings with the independent external auditors and the Chief Finance Officer (CFO).

At our Bank, we have a wide range of stakeholders, who are important to our business. This is articulated in our Vision "To Become a Company where the Best People want to Work; the First Choice where Customers want to do Business and where Shareholders are happy with their investment"; Achieving our vision requires us to build a trusted and mutually beneficial relationship with our stakeholders, which long term supports our long-term success and sustainability.

Our Mission Statement also resonated with this vision as we want to be recognised as "partners of growth for all our stakeholders through Meeting our customers' expectations, motivating and developing every employee and enhancing shareholder value".

Our Bank's methods of engagement include various channels and means of communication reliant on each specific stakeholder group. Stakeholder engagement is decentralised within the Bank so there is not a single team that manages all relationships and queries or concerns from stakeholders. All employees are accountable for managing relationships and meeting the expectations of internal and external stakeholders within their areas of responsibility. Should a stakeholder not be satisfied with the service or assistance that they receive from their I&M Bank Rwanda point of contact. There are a number of opportunities that allow for anonymity (if desired) as well as independence to ensure a voice for concerned stakeholders. These include our client call centre which is the first point of call for all clients' requests and the section "Contact us" on the Bank's corporate website.

We have in place a formal complaint-handling procedure in place whose purpose is to address irregularities of a general, operational and financial nature.

The Bank's Enterprise Risk Management Framework identifies the principal risks for which the Bank is exposed to, outlines the assessment and measurement process, defines the mitigation strategies, institutes a consolidated risk appetite framework both qualitatively and quantitatively, emplace risk appetite and philosophy statements, and set up an organization structure to manage these risks. The implementation of the framework has brought in a disciplined and focused approach to managing risks across the Bank.

EMBEDDING BANK-WIDE ENTERPRISE RISK MANAGEMENT CULTURE

The Bank's risk culture is driven by the tone and statements from the Board of Directors on zero tolerance for non-compliance with internal policies and regulatory guidelines. This is in addition to Senior Management Oversight of the Bank's risks on a day to day basis led by the Managing Director.

As part of the initiatives to embed an Enterprise Risk Management Culture across the Bank, annual risk refreshers are done to educate and embed risk culture in our day to day decision, this in addition to Bank-wide trainings conducted on Enterprise Risk Management, Information and Cyber Security, Anti-Money Laundering and Terrorists Financing. We have made good progress on embedding this risk culture and increased focus on frontline ownership of risk as we entrenched the three lines of defence for the implementation of our Enterprise Risk Management Framework. This risk culture has facilitated more dynamic risk identification and enables us to establish a clear linkage between strategic decision making and risk management, as well as identifying and managing correlations across risk types. In order to promote the Risk Management Culture, there are annual risk mandatory courses on Operational risk, Information and Cyber Security risk, Anti Money Laundering (AML) and Know Your Customer (KYC), Environmental and Social risk to be undertaken by all Staff though an online Learning Management System.

RISK MANAGEMENT APPROACH

The Board of Directors has adopted a Risk Management approach / program of holistic and integrated risk management to identification, measurement, monitoring and control and reporting of all risks. The Bank has adopted a Risk Maturity Model (RMM) which is a self-assessment tool that supports the Bank to understand its current level of Enterprise risk management capability, identify realistic targets for improvement and develop action plans for increasing its risk capability.

This is characterized by a strong Board and Senior Management risk oversight across all functions within the Bank. Such an approach supports and facilitates the decision making process which not only ensures that the risk reward trade-off is optimized but also that risks assumed are within the overall Risk Appetite and Risk Tolerance levels as laid down by the Board of Directors in the various Policy documents.

RISK MANAGEMENT GOVERNANCE

The Board of Directors has the ultimate responsibility for the risk assumed by the Bank. As a result, it shall approve all of the Bank's business strategies and major policies, including those regarding risk management and risk assumptions.

The Board Risk Management Committee has the responsibility to ensure quality, integrity and reliability of the Banking institution's risk management. The Committee assists the Board of Directors in the discharge of its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting. The committee reviews and assesses the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed. The committee sets out the nature, role, responsibility and authority of the risk management function and outlines the scope of risk management work.

The Executive Risk Committee assists the Board of Directors in carrying out its role and is responsible for the Risk Management Program. It is responsible for the implementation of the Risk Management program, policies, appetite and tolerance as approved by the Board of Directors. It assists in institutionalizing the Risk Culture in the Bank.

The Risk Management function ensures that management has appropriate tools in place for identifying, measuring, monitoring and controlling risk; it keeps all stakeholders up to date on risk management practices; it coordinates the Bank risk management activities and practices; it reviews and assess the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed.

The Bank management and control model is based on three lines of defense. The first line is constituted by the business units and the support areas which as part of their activity give rise to the Bank's risk exposure. These units are responsible for managing, monitoring and reporting adequately the risk generated, which must be adjusted to the risk appetite and the various limits of risk management.

The Risk and Compliance functions serve as the Bank's second line of defense. It has the responsibility for recommending and monitoring the Bank's risk appetite and policies and for following up and reporting on risk issues across all risk types. They oversee, review the risk activities of the first line of defense and guide/support to discharge their functions effectively while still providing second line risk management activity. They facilitate and monitor the implementation of effective risk management practices and the compliance function monitors various specific risks such as non-compliance with applicable laws and regulations. They assist in identifying known and emerging risk issues, providing risk management framework, assisting management in developing processes and controls to manage risks, monitoring the adequacy and effectiveness of internal control, accuracy and completeness of reporting and timely remediation of deficiencies.

Internal audit is the third line of defense and as the last layer of control in the Bank, it regularly assesses the policies, methods and procedures to ensure they are adequate and are being implemented effectively.

CREDIT RISK MANAGEMENT

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans and advances to customers, financial institutions/banks and investment securities.

The Relationship Management Team and Business Heads are the risk owners and the first line of defense since they are the originator and underwriter of credit applications and expected to identify, assess and mitigate risks inherent in each application based on the Bank's credit risk strategy, appetite and policy. The Credit team provides a second level independent review and is responsible for identifying, controlling, monitoring and reporting credit risk related issues. The team also serves as the secretariat for the Credit Risk Management Committee. Credit risk is the most critical risk for the Bank as credit exposures, arising from lending activities account for the major portion of the Bank's assets and source of its revenue. Thus, the Bank ensures that credit risk related exposures are properly monitored, managed and controlled.

The Credit team is responsible for managing the credit exposures, which arise as a result of the lending and investment activities as well as other unfunded credit exposures that have default probabilities, such as contingent liabilities.

MARKET RISK MANAGEMENT

Market risk is the risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to earnings and capital.

The Board of Directors through the Board Asset and Liability Committee and Board Risk Committee has the oversight function for Bank's market risk exposures while the Assets and Liability Management Committee (ALCO) manages the Bank's market risks on a daily basis. The Bank's ALCO is responsible for managing the Bank's market risk control framework and also setting limits within the context of the Bank's market risk appetite on a daily basis.

The ALCO Committee meets monthly to review the Bank's asset and liabilities position, project exogenous factors, develop an assets & liability strategy and follow up with the implementation of the strategy.

The objective of the Bank's market risk is to focus on controlling and managing risk exposures while optimizing the return on risk and still maintain an industry profile as one of the foremost providers of financial products and services.

The most significant Market risks the Bank faces are: interest rate risk both on the trading and banking book, foreign exchange, and investment risks.

Interest rate risk is the current or prospective risk to earnings and capital of the Bank arising from adverse movements in interest rates both in the trading and banking book.

Foreign Exchange Risk: is the current or prospective risk to earnings and capital of the Bank arising from adverse movements in currency exchange rates. The Bank is exposed to foreign exchange risk because it trades in various currencies on behalf of our clients. This risk is managed using net- open foreign exchange position, value at risk and stress testing.

Price Risk: is the risk that the Bank may experience loss in its investment portfolio of government securities due to unfavourable movements in market prices. We manage the price risk in the investment portfolio using modified duration, mark to market, basis point movement and stress testing.

OPERATIONAL RISK MANAGEMENT

Operational Risk is the direct or indirect risk of loss resulting from inadequate and/or failed internal processes, people, and systems or from external events. In our case, operational risks arise from the broad scope of activities carried out across the Bank.

The first line of defense has the responsibility to conduct inherent risk assessment of their third party services, outsourcing, project management activities, processes, products, people and system and proffer adequate controls to mitigate the identified risks while the Operational Risk Management team provides independent review of such assessment to ensure it is adequate enough to mitigate the identified risks, monitor emerging risks implications on the Bank and response to major disruptions and external threats.

Risk Tolerance: is the amount of uncertainty the Bank is prepared to accept in total or more narrowly in pursuance of the Bank's strategy objective.

The Board has articulated the broad operational risk appetite through a quantitative statement in line with the Bank's overall risk management objectives. The Board approved the operational loss ratio risk tolerance of 0.375% of Profit Before Tax.

The following practices, tools and methodologies have been deployed in the Bank for the purpose of Operational Risk identification and management:

Risk Event and Loss Incident Reporting – Loss incidents are reported to Operational Risk. All staff are encouraged to report operational risk events as they occur in their respective business spaces whether these risks crystallize into actual losses or not.

Risk Assessments of the Bank's new and existing products, services, branches and vendors / contractors are also carried out. This process tests the quality of controls the Bank has in place to mitigate likely identified risks.

Business Continuity Management (BCM) – To ensure the resilience of our business arising from any disruptive eventuality, the Bank has in place a Business Continuity Plan (BCP) to be able to promptly resume business operations with minimal financial losses, reputational damage and disruption of service to customers, vendors and regulators.

Various testing and exercising programs are conducted Bank-wide to ensure that recovery coordinators are aware of their roles and responsibilities.

LIQUIDITY RISK MANAGEMENT

Liquidity Risk is the risk that the Bank's earnings or capital arising from its inability to meet its obligations as they fall due, without incurring significant costs or losses. The oversight for liquidity risk management resides with the Board of Directors through Board Asset and Liability Committee and the Board Risk Committee. The Bank's liquidity risk management process is primarily the responsibility of the Asset and Liability Management Committee (ALCO). The Treasurer is responsible for daily management of liquidity in liaison with ALCO. The Treasury and Finance functions provide independent oversight of the first line risk management activities relating to liquidity risk while the Market Risk Function is the second line control function that performs independent monitoring and oversight of the market risk management practices of the first line of defence.

The Bank manages its liquidity risk using metrics and measurement tools such as Liquidity Ratio, Loan to Deposit Ratio, Liquidity Maturity Mismatch, Liquidity Coverage Ratio, Net Stable Funding Ratio and Assets & Liability Committee (ALCO) limits.

STRATEGIC RISK MANAGEMENT

Strategic risk is the current and prospective impact on earnings or capital of the Bank arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.

Strategic Risk is measured using quantitative tools such as Corporate Balance Score Card, Budget, Key Performance Indicators (Return on Equity, PBT, and Cross Selling Ratios) during the monthly Executive Committee, ALCO, bi-monthly Business Strategy Meeting and quarterly reporting to the Board of Directors.

INFORMATION TECHNOLOGY RISK

Technology is one of the key enablers in our Strategy and to this extent, will continue to play a critical role in the Bank's operations and in the fulfilment of its strategic objectives. Given this, information technology is important to the overall performance and success of the Bank. The IT department, being a risk owner, has in place a framework to identify, monitor, control and report on IT related risks. The Bank's IT governance framework (Management IT Steering Committee) aligns its IT strategy with its overall business objective.

MANAGEMENT OF CYBER RISK

As part of the process to combat the increasing Cyber Crime, the Bank developed a Cyber Security Policy in line with BNR guidelines and global best practice approved by the Board IT Committee. The Bank organizes series of training and communications on Cyber Risk for both staff and Management to sensitize all about Cyber Criminal activities and how to manage these.

The Bank also adopts the following mitigation strategies to manage information security risks:

- ***Network Controls*** – The Bank has put in place different controls on the network to facilitate access to network resources on need to have basis. Different network segmentations exist on the network to protect specific areas from access to unauthorized personnel. Also, a network access control security solution has been implemented to guard against enterprise network access by rogue systems.
- ***Application Security Controls (e.g. Secure Coding controls)*** – The Bank ensures that new and modified applications are well tested before deployment to production environment. Such tests include functional and security tests. Also, applications running on endpoint systems are reviewed to ensure that unauthorized applications are not freely used within the enterprise environment. In addition to this, various security solutions have been deployed to provide enhanced security for web facing applications in the Bank.
- ***Patch management*** – A benchmark threshold of permissible patch compliance status was instituted by the Management. The compliance status is obtained on a regular basis for review and informed decision.
- ***Continuous Monitoring*** – The IS Operations team carries out continuous monitoring of user activities as well as external events to ensure risk events are detected and addressed before materialization.

COMPLIANCE RISK MANAGEMENT
The Bank organizes its compliance function and sets priorities for the management of its compliance risk in a way that is consistent with its own risk management strategy and structures. The compliance function has redefined its approach from a tick check box into an advisory role with intense focus on regulatory intelligence gathering and closer cooperation with business units within the Bank, and acting as a contact point within the Bank for compliance queries from staff members and external regulators.

RISK APPETITE
The Bank's appetite for Compliance Risk is zero tolerance for payment of fines and other penalties associated with regulatory infractions and non-compliance with laws, standards and rules.

AML PROGRAMME
I&M Bank (Rwanda) PLC. has a Board approved AML/KYC programme. This is contained in the Bank's Anti-Money Laundering Policy and Compliance Policy which are reviewed and updated at least on an annual basis. Our AML/KYC Policy contains Board approved guidelines on Politically Exposed Persons (PEP) Policy, Risk Based AML/KYC, Correspondence Banking, etc.

I&M Bank (Rwanda) PLC. has an AML/KYC system that tracks the watch lists and sanctions lists under the UN sanctions in addition to monitoring all transactions.

COMPLIANCE RISK GOVERNANCE
The oversight responsibility on compliance risk resides with the Bank's Board of Directors through Board Risk Committee. Compliance Risk Management involves close monitoring of KYC compliance by the Bank, follow up of BNR recommendations, and observance of the Bank's zero-tolerance culture for regulatory breaches. It also entails an oversight role for monitoring adherence to regulatory guidelines and global best practices on an on-going basis.

REPUTATIONAL RISK MANAGEMENT
Reputational risk is the potential that negative publicity regarding a Bank's brand, business practices, whether true or not, can have resulting in a decline in the customer base, costly litigation, or revenue reductions.

Another form of risk leading to potential reputational risk is the Social Media Risk which is the risk to the Bank's earnings or capital arising from negative publicity about the Bank on social media. Social Media in the Bank is defined as forms of electronic communication (as Web sites for social networking and microblogging) through which users (both customers and non-customers) create online communities to share information, ideas, personal messages, and other content.

Risk arises when the Bank's reputation is exposed from negative publicity from one or more reputationa / social media events regarding the organization's business practices, services, staff conduct or financial condition. It measures the change in perception of the Bank by its stakeholders. It is linked with customers' expectations regarding the Bank's ability to conduct business securely and responsibly.

All staff are brand ambassadors of the Bank and are expected to conduct their services to the client in a professional and dignified way while Marketing Communications department is the risk owner and saddled with managing the Bank's brand and visibility. The department is mandated to protect the Bank from potential threats to its reputation. The team continuously uses proactive means in minimizing the effects of reputational events, thereby averting the likelihood of major reputational crises with the view of ultimately ensuring the survival of the organization.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT
Environmental and Social Management risk is the risk to the earnings and capital of the Bank due to potential negative consequences suffered as a result of it financing businesses that impact negatively (or perceived impacts) on the natural environment (i.e. air, water, soil) or communities of people (e.g. employees, customers, local residents).

As a Bank, we are committed to sustainable banking and sustainable finance in our business relationships and as a good corporate citizen to protect and preserve the environment under which we operate.

The Bank's Environmental and Social Risk Appetite is not to finance projects mentioned in the Environmental and Social Management Exclusion List.

The Directors are responsible for the preparation of financial statements that give a true and fair view of I&M Bank (Rwanda) PLC. as set out on pages 71 to 173 which comprise the statement of profit or loss and other comprehensive income and the financial position as at 31 December 2022, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Bank ability to continue as a going concern and have no reason to believe the Bank will not be a going concern for at least the next twelve months from the date of this statement.

The independent auditor is responsible for reporting on whether, based on their audit, the annual financial statements give a true and fair view in accordance with the International Financial Reporting Standards and the Law No. 007/2021 of 05/02/2021 Governing Companies, and Regulation No. 28/2019 of 09/09/2019 on publication of financial statements and other disclosures by banks.

APPROVAL OF THE FINANCIAL STATEMENTS
The financial statements of I&M Bank (Rwanda) PLC. were approved and authorised for issue by the Board of Directors on 29/03/2023.

Nikhil Hira

Managing Director **Chairperson of the Board Audit Committee**

"The advance of technology is based on making it fit in so that you don't really even notice it, so it's part of everyday life."

Bill Gates

KPMG Rwanda Limited
Certified Public Accountants
5th Floor, Grand Pension Plaza
Boulevard de la Révolution
PO Box 6755
Kigali, Rwanda

Telephone: +250 788 175 700/ +250 252 579 790
Fax: +254-20-2215695
Email: info.rw@kpmg.com
Internet: www.kpmg.com/eastafrica

INDEPENDENT AUDITOR'S REPORT

To the shareholders of I&M Bank (Rwanda) PLC.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of I&M Bank (Rwanda) PLC. ("the Bank"), set out on pages 71 to 173, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards), and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment loss allowance on loans and advances to customers	
Refer to notes 5.14, 5.18, 6.1, 21 and 38.1 to the financial statements	
Measurement of the impairment loss allowance based on expected credit losses ("ECL") on loans and advances to customers involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's determination of expected credit losses on loans and advances to customers are: — Economic scenarios – IFRS 9, Financial instruments (IFRS 9) requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgment is applied to determining the economic scenarios used and the probability weightings applied to them. — Significant increase in credit risk ("SICR") – for the corporate and institutional, business and retail portfolios, the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12 month or lifetime allowance is recorded. — The Bank assesses SICR by considering all accounts with arrears of above 30 days and incorporating all relevant, reasonable and supportable information, including forward-looking information of the customers position at any one time. These include qualitative information, and information from credit rating processes. The setting of precise trigger points to move a financial asset from 'Stage 1' to 'Stage 2' or moving from Stage 2' to 'Stage 3' and vice versa respectively requires judgement which may have a material impact upon the size of the ECL allowance; — Model estimations – inherently judgemental modelling is used to estimate ECL which involves determining the probability of default ("PD") and loss given default and the exposure at default. The PD model used in the corporate and institutional, business and retail portfolios is the key driver of the Bank's ECL results and is therefore the most significant judgemental aspect of the Bank's ECL modelling approach; and	**Our audit procedures in this area included:** — Obtaining an understanding of the credit management processes and the key systems, applications and controls used in the determination of ECL and evaluating the operating effectiveness of the key controls over the staging criteria, review of the model output, and changes to loss given default, updates to the forward-looking information, and collateral data. — Using our data and analytics specialists to independently assess probability of default modelling based on historical days past due reports. — We assessed the reasonableness of loss given default and exposure at default assumptions by comparing to recent experience of the Bank on recovery made on collateral sold by the Bank, recoveries from insurance companies and local economic conditions. — Involving our own financial risk management specialists to assess the appropriateness of the Bank's methodology for determining the economic scenarios and other management overlays by assessing key economic variables as well as the overall reasonableness of the economic forecasts by comparing the Bank's forecasts to the historical Bank and market growth as well as externally available information. — Challenging the accuracy of key inputs and assumptions into the ECL models by: — Evaluating the appropriateness of the Bank's SICR determination by assessing the qualitative and quantitative factors used by management in their evaluation of the classification into stages 1, 2 and 3; and

INDEPENDENT AUDITOR'S REPORT

To the members of I&M Bank (Rwanda) PLC.

- Qualitative adjustments or overlays – adjustments to the model driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to the corporate institutional, business and retail portfolios.
- Key accounting judgments like the Bank's internal credit grading model which is used in probability of default assignment,

We determined the impairment loss allowance on loans and advances to customers to be a key audit matter due to the high degree of estimation uncertainty and significant judgement applied by management in the determination of the ECL.

- For a sample of qualitative adjustments, considering the size and complexity of management overlays, we assessed the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and agreeing back to source data.
- Evaluating the adequacy of the financial statement disclosures in accordance with the requirements of IFRS 7, Financial instruments disclosures including disclosures of key assumptions and judgements used in determination of ECL in terms of IFRS 9.

Other information

The directors are responsible for the other information. The other information comprises the information included in the I&M Bank (Rwanda) PLC. annual report and financial statements for the year ended 31 December 2022 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF I&M BANK (RWANDA) PLC.

INDEPENDENT AUDITOR'S REPORT

To the members of I&M Bank (Rwanda) PLC.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

- As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

INDEPENDENT AUDITOR'S REPORT

To the members of I&M Bank (Rwanda) PLC.

Report on Other Legal and Regulatory Requirements

As required by the Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks, we report to you based on our audit, that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit.
- Proper accounting records have been kept by the Bank, so far as appears from our examination.
- We have no relationship, interest, or debt with the I&M Bank (Rwanda) PLC. As indicated in our report on the financial statements, we comply with ethical requirements. These are the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) which includes comprehensive independence and other requirements.
- We have reported internal control matters together with our recommendations to management in a separate management letter.
- According to the best of the information and the explanations given to us as the auditor, as shown by the accounting and other documents of the company, the annual accounts comply with Article 123 and Article 125 of Law No. 007/2021 of 05/02/2021 Governing Companies.

The engagement partner on the audit resulting in this independent auditor's report is CPA Wilson Kaindi [PC/CPA/0642/0123].

KPMG Rwanda Limited

Certified Public Accountants

P. O. Box 6755

Kigali, Rwanda

Date: 31 March 2023

	Note	2022	2021
		FRW'000	FRW'000
Interest income calculated using the effective interest method	8	50,352,640	44,694,998
Interest expense	9	(18,284,610)	(17,818,505)
Net interest income		**32,068,030**	**26,876,493**
Fee and commission income	10(i)	5,028,575	4,068,478
Fee and commission expense	10(ii)	(2,660,308)	(2,093,696)
Net fee and commission income		**2,368,267**	**1,974,782**
Revenue		**34,436,297**	**28,851,275**
Net trading income	11	5,158,421	4,123,874
Other operating income	12	2,834,922	470,348
Net operating income before change in expected credit losses and other credit impairment charges		**42,429,640**	**33,445,497**
Net impairment charge on loans and advances	21(ii)	(3,373,077)	(1,704,740)
Net operating income		**39,056,563**	**31,740,757**
Employee benefits	13(i)	(10,277,519)	(9,943,343)
Other operating expenses	13(ii)	(11,024,355)	(7,336,004)
Depreciation and amortisation	13(iii)	(4,331,277)	(3,477,007)
Operating expenses		**(25,633,151)**	**(20,756,354)**
Profit before income tax		**13,423,412**	**10,984,403**
Income tax expense	14(i)	(4,110,037)	(1,814,664)
Net profit for the year after tax		**9,313,375**	**9,169,739**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Fair Value through the Other Comprehensive Income (FVOCI)	33(iv)	(290,609)	364,473
Deferred tax - FVOCI	29	87,183	(109,342)
		(203,426)	**255,131**
Items that will not be reclassified to profit or loss			
Revaluation of land and building		-	146,063
Deferred tax on revaluation		-	(43,819)
		-	102,244
Total other comprehensive income for the year		**(203,426)**	**357,375**
Total comprehensive income for the year		**9,109,949**	**9,527,114**
Basic and diluted earnings per share - (FRW)	**15**	**6.15**	**6.61**

The notes set out on pages 76 to 173 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

ASSETS	Note	2022 FRW'000	2021 FRW'000
Cash and balances with National Bank of Rwanda	17	16,767,428	30,502,283
Due from banks	18	54,395,647	75,020,885
Due from group companies	19(i)	2,995,560	1,303,319
Financial assets measured at fair value through other comprehensive income	20(i)	53,751,644	56,270,151
Financial assets at fair value through profit or loss	20(ii)	1,685,336	1,354,856
Financial assets at amortised cost	20(iii)	81,546,649	33,881,215
Loans and advances to customers	21(i)	231,719,807	222,423,047
Tax recoverable	14(ii)	-	2,392,951
Other assets	22	9,856,340	3,279,764
Intangible assets	23	3,181,176	4,321,743
Property and equipment and right of use assets	24	21,559,957	22,355,320
Investment Property	25	13,874,622	13,820,629
TOTAL ASSETS		**491,334,166**	**466,926,163**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from banks	26	62,182,772	60,430,768
Deposits from customers	27	295,239,951	266,462,345
Current income tax	14(ii)	1,725,939	-
Other liabilities	28	10,276,134	13,313,408
Deferred income tax	29	3,126,307	3,481,942
Long term debt	30	36,698,561	50,907,060
Subordinated debt	31	10,762,769	10,126,673
		420,012,433	**404,722,196**
Shareholders' equity			
Share capital	33(i)	15,150,000	15,150,000
Share premium	33(i)	6,249,832	6,249,832
Retained earnings	33(ii)	47,674,841	38,335,409
Revaluation reserves	33(iii)	1,945,902	1,964,142
Fair value reserve	33(iv)	301,158	504,584
		71,321,733	62,203,967
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**491,334,166**	**466,926,163**

The financial statements on pages 76 to 173 were approved and authorised for issue by the Board of Directors on 29/03/2023 and were signed on their behalf by:

Managing Director **Chairperson of the Board Audit Committee**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Share capital FRW'000	Share premium FRW'000	Revaluation reserves FRW'000	Retained earnings FRW'000	Fair value reserve FRW'000	Total FRW'000
At 1 January 2022		15,150,000	6,249,832	1,964,142	38,335,409	504,584	62,203,967
Total comprehensive income for the year							
Net Profit after income tax		-	-	-	9,313,375	-	9,313,375
		-	-	-	9,313,375	-	9,313,375
Other comprehensive income							
Transfer of revaluation surplus on disposed land and building	33(iii)	-	-	(26,057)	26,057	-	-
Deferred tax on disposed land and building	33(iii)	-	-	7,817	-	-	7,817
Net change in fair value through the other comprehensive income	33(iv)	-	-	-	-	(203,426)	(203,426)
Total other comprehensive income		**-**	**-**	**(18,240)**	**26,057**	**(203,426)**	**(195,609)**
Total comprehensive income		**-**	**-**	**(18,240)**	**9,339,432**	**(203,426)**	**9,117,766**
Balance as at 31 December 2022		**15,150,000**	**6,249,832**	**1,945,902**	**47,674,841**	**301,158**	**71,321,733**

The notes set out on pages 76 to 173 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Share capital	Share premium	Revaluation reserves	Retained earnings	Fair value reserve	Total
		FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
At 1 January 2021		12,120,000	6,249,832	1,861,898	33,995,670	249,453	54,476,853
Total comprehensive income for the year							
Net Profit after income tax		-	-	-	9,169,739	-	9,169,739
		-	-	-	9,169,739	-	9,169,739
Other comprehensive income							
Revaluation of land and building	33(iii)	-	-	146,063	-	-	146,063
Deferred tax on revaluation	33(iii)	-	-	(43,819)	-	-	(43,819)
Net change in fair value through the Other comprehensive income	33(iv)	-	-	-	-	255,131	255,131
Total other comprehensive income		**-**	**-**	**102,244**	**-**	**255,131**	**357,375**
Total comprehensive income		**-**	**-**	**102,244**	**9,169,739**	**255,131**	**9,527,114**
Transactions with owners recorded directly in equity							
New bonus issue during the year	33(i)	3,030,000	-	-	(3,030,000)	-	-
Dividend declared and paid	16	-	-	-	(1,800,000)	-	(1,800,000)
Total transactions with owners for the year		**3,030,000**	**-**	**-**	**(4,830,000)**	**-**	**(1,800,000)**
Balance as at 31 December 2021		**15,150,000**	**6,249,832**	**1,964,142**	**38,335,409**	**504,584**	**62,203,967**

The notes set out on pages 76 to 173 form an integral part of these financial statements.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 FRW'000	2021 FRW'000
Net cash flows generated from (used in) operating activities	**34(i)**	**(10,089,620)**	**34,367,461**
Cash flows from investing activities			
Purchase of property and equipment	24	(2,020,126)	(5,700,926)
Purchase of intangible assets	23	(548,120)	(809,700)
Proceeds from disposal of property and equipment		240,751	91,142
Net cash used in investing activities		**(2,327,495)**	**(6,419,484)**
Cash flows from financing activities			
Dividend paid		(1,812,001)	-
Repayment of principal of lease liabilities	32	(526,488)	(591,456)
Proceeds from long term debt	30	467,531	12,979,248
Principal repayment on long term debt	30	(16,792,400)	(2,384,511)
Grant Received		-	2,931,039
Net cash inflows/(outflows) from financing activities		**(18,663,358)**	**12,934,320**
Net increase / (decrease) in cash and cash equivalents	**34(ii)**	**(31,080,473)**	**40,882,297**
Cash and cash equivalents at start of the year	**34(ii)**	**100,178,025**	**59,295,728**
Cash and cash equivalents at end of the year	**34(ii)**	**69,097,552**	**100,178,025**

The notes set out on pages 76 to 173 form an integral part of these financial statements.

1. Corporate Information
I&M Bank (Rwanda) PLC. (the "Bank") is a public financial institution licensed to provide corporate and retail banking services to corporate, small and medium size enterprises and retail customers in various parts of Rwanda. The Bank is a public listed company incorporated and domiciled in Rwanda. The ultimate parent of the Bank is I&M Holdings PLC., a limited liability company registered and domiciled in Kenya. The address of its registered office is as follows:

I&M Bank (Rwanda) PLC.
KN 3 AV/9
PO Box 354
Kigali
Rwanda

2. Basis of preparation
The Bank's financial statements for the year 2022 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks.

Additional information required by the regulatory bodies is included where appropriate.

These financial statements have been prepared under the historical cost basis of accounting except for financial instruments classified as fair value through profit or loss (FVTPL) and Fair value through Other Comprehensive Income (FVOCI) and land and buildings which are measured at revalued amount less depreciation.

3. Presentation of financial statements
The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in current/non-current distinction disclosure ***(Note 38.2).***

These financial statements are presented in Rwanda Francs (FRW), which is also the functional currency and presentation currency and all values are rounded to the nearest thousand (FRW'000) except where otherwise stated.

The financial statements for the year ended 31 December 2022 were approved and authorised for issue in accordance with a resolution of the Directors on 29/03/2023.

4. Use of judgments and estimates
In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

The Bank has made various accounting estimates in these financial statements based on forecasts of economic conditions

which reflect expectations and assumptions as at 31 December 2022 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Bank. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

Russia-Ukraine war have various implications including increase in commodity prices, especially on petroleum products as Russia is one of the major producers. We actively managed the risks related to macroeconomic uncertainties including inflation, fiscal and monetary policy. The impact of the current geopolitical/international issues on each of these estimates is discussed further in the relevant note of these financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

4. Use of judgments and estimates (Continued)
Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in ***Note 6***.

5. Summary of significant accounting policies
The principal accounting policies adopted in the preparation of these financial statements are set out below:

5.1. Foreign currency translation
Foreign currency transactions are translated into the functional currency of the Bank using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss in the year in which they arise.

Foreign currency non-monetary items measured at fair value are translated into functional currency using the rate of exchange at the date the fair value was determined. Foreign currency gains and losses on non-monetary items are recognised in other comprehensive income consistent with the gain or loss on the non-monetary item.

5.2. Recognition of interest income and expense
Income is derived substantially from banking business and related activities and comprises net interest income and net fee and commission income and expense.

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, as well as any interest receivable or payable, are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of debts instruments at FVOCI, other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income.

For purposes of cashflow, the bank has elected to classify cashflows from interest paid, interest received and dividends received as operating activities, and cash flows from dividends paid as financing activities. Interest paid includes the interest portion of the lease liabilities.

5.2.1. Effective interest rate and amortised cost
Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, when a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis prospectively.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from placements and transactions with other banks.

5. Summary of significant accounting policies (Continued)
5.3. Net fee and commission income
The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or service provided over time unless otherwise specified. The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

The Bank's revenue contracts do not include multiple performance obligations, as explained further in ***Notes 5.3.1*** and **5.3.2** below

5.3.1. Fees and commission income from services where performance obligations are satisfied over time
Performance obligations satisfied over time include asset management, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

The Bank's fee and commission income from services where performance obligations are satisfied over time include the following:

- **Asset management fees:** These fees are earned for the provision of asset management services, which include portfolio diversification and rebalancing, typically over a three-year period. Asset management fees consist of management and performance fees that are considered variable consideration. Management fees are invoiced quarterly and determined based on a fixed percentage of the net asset value of the funds under management at the end of the quarter. The fees generally crystallise at the end of each quarter and are not subject to a clawback. Consequently, revenue from management fees is generally recognised at the end of each quarter.

  Performance fees are based on returns in excess of a specified benchmark market return, over the contract period. Performance fees are typically received at the end of the performance period specified in the contract. The Bank recognises revenue from performance fees over the contract period, but only to the extent that it is highly probable that a significant reversal of revenue will not occur in subsequent periods. These services fees are included in the commission on service charge. Refer to ***Note 10(i).***

- **Custody fees:** The Bank earns a fixed annual fee for providing its customers with custody services, which include the safekeeping of purchased securities and processing of any dividend income and interest payments. As the benefit to the customer of the services is transferred evenly over the service period, these fees are recognised as revenue evenly over the period, based on time-elapsed. Payment of these fees is due and received quarterly in arrears. Custody fees are included in the commission on service charge. Refer to ***Note 10(i).***

- **Loan commitment fees:** These are fixed annual fees paid by customers for loan and other credit facilities with the Bank, but where it is unlikely that a specific lending arrangement will be entered into with the customer and the loan commitment is not measured at fair value. The Bank promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears. Loan commitment fees are included in interest income from loans and advances to customers as loan related fees. Refer to ***Note 8.***

- **Interchange fees:** The Bank provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card). The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. The variable interchange fees are allocated to each distinct day, based on the number and value of transactions processed that day, and the allocated revenue is recognised as the entity performs. Interchange fees are included in the commission on service charge. Refer to ***Note 10(i).***

5. Summary of significant accounting policies (Continued)
5.3. Net fee and commission income (Continued)
5.3.2. Fees and commission income from providing services where performance obligations are satisfied at a point in time
Services provided where the Bank's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees. The Bank has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

- **Brokerage fees:** The Bank buys and sells securities on behalf of its customers and receives a fixed commission for each transaction. The Bank's performance obligation is to execute the trade on behalf of the customer and revenue is recognised once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date.

The Bank pays certain sales commission to agents for each contract that they obtain for some of its brokerage services. The Bank has elected to apply the optional practical expedient for costs to obtain a contract which allows it to immediately expense such sales commission because the amortisation period of the asset that it otherwise would have used is one year or less. Brokerage fees are included in the commission on service charge. Refer to ***Note 10(i).***

Fee and commission income that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees are expensed as the services are received.

The following are recognised in the statement of financial position arising from revenue from contracts with customers:
- Unearned fees and commissions included under 'Other liabilities', which represent the Bank's obligation to transfer services to a customer for which the Bank has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made, or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the bank performs services.
- No Fees and commission receivables have been recognised in other assets as all fees are paid upfront by customers and well recognised as unearned fees.

5.4. Net trading income
Net trading income and net income on financial assets at fair value through profit or loss' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

5.5. Net loss on financial assets and liabilities designated at fair value through profit or loss
Net loss on financial instruments at FVTPL represents non-trading derivatives held for risk management purposes used in economic hedge relationship but not qualifying for hedge accounting relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets measured at FVTPL, as required by or elected under IFRS 9.

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss are included in profit or loss in the period in which they arise in interest income or interest expense, respectively.

5.6 Net loss on derecognition of financial assets measured at amortised cost or FVOCI
Gains and losses arising from changes in the fair value of debts instruments at fair value through other comprehensive income, other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income, when the financial asset is derecognised or impaired, the cumulative gain or loss previously recognised in other comprehensive income will not be reclassified to profit or loss.

5. Summary of significant accounting policies (Continued)
5.6 Net loss on derecognition of financial assets measured at amortised cost or FVOCI (Continued)
Net loss on derecognition of financial assets measured at amortised cost includes loss (or income) recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received.
Interest income and expense on fair value through other comprehensive income and financial assets or liabilities held at amortised cost is recognised in profit or loss using the effective interest method.

5.7. Income tax expense
Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- Temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination, and which affects neither accounting nor taxable profit.
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill

Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

A deferred income tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

5.8.1. Date of recognition
The Bank initially recognises loans and advances, deposits and Due from Banks, financial assets at fair value through other comprehensive income and financial assets at amortised costs on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognised on the trade date on which the Bank becomes a party to the contractual provision of the instrument.

5.8.2. Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

5.8.3. Measurement categories of financial assets and liabilities
The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. On initial recognition, a financial asset is measured at either:

- amortised cost as explained in ***Note 5.10.1***
- FVOCI as explained in ***Note 5.10.3***
- FVTPL as explained in ***Note 5.10.2***

The Bank classifies and measures its derivative and trading portfolio at FVTPL, as explained in ***Notes 5.10.2***. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in ***Note 5.10.5***.

5. Summary of significant accounting policies (Continued)
5.8. Financial instruments- Initial Recognition
Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL and derivative instruments or the fair value designation is applied, as explained in ***Note 5.10.5***.

5.9. Determination of fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measure at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- ***Level 1:*** inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- ***Level 2:*** inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- ***Level 3:*** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. The Bank estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

Detailed quantitative disclosures of the financial assets allocated in each level are further explained in ***Note 38.(i)***.

5.10. Financial assets and liabilities per financial statement line
5.10.1. Cash and balances with central bank, Due from Banks, due group companies, loans and advances to customers, financial assets at amortised cost
The Bank measures Cash and Balances with central bank, Due from banks, due from group companies, loans and advances to customers and other financial assets at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

5.10.1.1. Business model assessment
The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

5.10.1.2. Solely Payments of Principal and Interest (SPPI Test)
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.

The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

5. Summary of significant accounting policies (Continued)
5.10. Financial assets and liabilities per financial statement line (Continued)
5.10.2. Financial assets at fair value through profit or loss
A Financial asset at fair value through profit or loss is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank entered into swap derivative transactions with central bank. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivatives are settled net in cash on a regular basis through a central clearing house and are only recognised to the extent of the overnight outstanding balance. The notional amount and fair value of such derivatives are disclosed separately in ***Note 20(ii).*** Changes in the fair value of derivatives are included in net trading income and no hedge accounting is applied on those derivatives.

The Bank classifies financial assets or financial liabilities at FVTPL when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Those Financial assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss. Interest and dividend income or expense is recorded in profit or loss according to the terms of the contract, or when the right to payment has been established. Included in this classification are financial assets, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

The Bank classifies financial assets at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained in ***Note 5.2.1***. The ECL calculation for financial assets at FVOCI is explained in ***Note 5.14.3***. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

5.10.4. Long term debt and subordinated debt
After initial measurement, long term debt and subordinated debt are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

5.10.5. Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met.

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

Or

- The liabilities are part of a group of financial liabilities, which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Or

- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

5. Summary of significant accounting policies (Continued)
5.10. Financial assets and liabilities per financial statement line (Continued)
5.10.5. Financial assets and financial liabilities at fair value through profit or loss (Continued)
Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value.

Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the through OCI and do not get reclassified to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate, as explained in ***Note 5.2.2.***

Financial guarantees are initially recognised in the financial statements (within off statement of financial position) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance as set out in ***Note 38***.

The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

The nominal values of these instruments together with the corresponding ECL are disclosed in ***Note 38.1.***

The Bank occasionally issues loan commitments at below market interest rates. Such commitments are subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

5.11. Reclassifications of financial assets and liabilities
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified.

5.12. Derecognition of financial assets and liabilities
5.12.1. Derecognition due to substantial modification of terms and conditions
The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:
- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

5.12.2. Derecognition other than for substantial modification
If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors. The Bank's accounting policy in respect of forborne and modified loans is set out in ***Note 5.18.***

5. Summary of significant accounting policies (Continued)
5.12. Derecognition of financial assets and liabilities (Continued)
5.12.2.1. Financial assets
The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of ***(i)*** the consideration received (including any new asset obtained less any new liability assumed) and ***(ii)*** any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

5.12.2.2. Financial liabilities
The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

5.13. Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when the IFRS netting criteria is met.

Positions that are managed on a settled-to-market basis, are transactions that are settled in cash before

the close of the business day and therefore the balances are no longer recognised on the balance sheet as an asset or a liability. The relevant notional amounts are still disclosed in ***Note 29*** of the financial statements.

The carrying amounts represent the called but not yet settled balances. Products that the Bank manages on a Settled-to-market basis include: Items in the course of collection and Fx swaps cleared through the central Bank Clearing House.

5.14. Impairment of financial assets
5.14.1. Overview of the ECL principles
The Bank records an allowance for expected credit loss for all loans and other financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section, all referred to as 'financial assets'.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL) as outlined in ***Note 38.1. (iii)***.

The Bank's policies for determining if there has been a significant increase in credit risk are set out in ***Note 38.1. (iii)***.

5. Summary of significant accounting policies (Continued)
5.14. Impairment of financial assets
5.14.1. Overview of the ECL principles
The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in ***Note 38.1. (iii)***.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in ***38.1. (iii)***.
Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI) as described below:

- **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. ***Stage 2*** loans also include facilities, where the credit risk has improved and the loan has been reclassified from ***Stage 3***.
- **Stage 3:** Loans considered credit-impaired (as outlined in ***Note 38.1. (iii)***). The Bank records an allowance for the LTECL.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

5.14.2. Calculation of ECL
The Bank calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in ***Note 3.1. (iii)***.
- **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in ***Note 38.1. (iii)***.
- **LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the ***EAD***. The ***LGD*** is further explained in ***Note 38.1. (iii)***.

When estimating the ECL, the Bank considers three scenarios (a base case, an upside, and a downside. Each of these is associated with different PDs, EADs and LGDs, as set out in Note 38.1. (iii). When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out in ***Note 38.1. (iii)***, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ***ECL*** for undrawn loan commitments are assessed as set out in ***Note 38.1. (iii)***. The calculation of ***ECL*** (including the ***ECL*** related to the undrawn element) of revolving facilities such as credit cards is explained in ***Note 38.1. (iii)***.

5. Summary of significant accounting policies (Continued)
5.14. Impairment of financial assets (Continued)
5.14.2. Calculation of ECL (Continued)
The mechanics of the ***ECL*** method are summarised below:

- **Stage 1:** The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit-impaired as defined in ***Note 38.1. (iii)***. the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.
- **Loan commitments and letters of credit:** When estimating LTECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.

- **Financial guarantee contract:** The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECL related to financial guarantee contracts are recognised within other liabilities.

The ECL for financial assets measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is reclassified to the profit and loss upon derecognition of the assets.

5.14.4. Purchased or originated credit impaired financial assets (POCI)
For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

5.14.5. Credit cards and other revolving facilities
The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECL for these products, is twelve months for corporate and for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in ***Note 38.1. (iii)***, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest.

The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, as explained in ***Note 38.1. (iii)***, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

5. Summary of significant accounting policies (Continued)
5.14. Impairment of financial assets (Continued)
5.14.6. Forward looking information
In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:
- Repo
- Reverse repo
- Interbank
- Treasury bills
- Central bank rate
- Inflation rates
- Crude oil prices
- Deposit rates
- Lending rates
- GDP
- Currency exchange rate
- Public debt
- GDP ratio

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in ***Note 38.1. (iii)***.

5.15. Credit enhancements: collateral valuation and financial guarantees
To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit / guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a financial assets which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed at least every three years. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed in ***Note 38.1. (iii)***.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended. Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL. Credit default swaps are not considered to be integral to a loan's contractual terms and are accounted as derivative financial instruments, as set out in ***Note 38.1. (iii)***.

5.16. Collateral repossessed
The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to property and equipment under their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded in the statement of financial position until all legal repossession process is completed.

5. Summary of significant accounting policies (Continued)
5.17. Write-off
Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Any subsequent recoveries are credited to credit loss expense.

The bank had contractual amount outstanding on financial assets amounting to FRW 5,905,282,023 (2021: FRW 1,615,314,603) that were written off during the reporting period and which are still subject to enforcement activity.

5.18. Forborne and modified loans
The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised, as explained in ***Note 38.1. (iii)***. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Bank also reassesses whether there has been a significant increase in credit risk, as set out in ***Note 38.1. (iii)*** and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:
- All of its facilities have to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due. Details of forborne assets are disclosed in ***Note 38.1. (iii)***.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost, debt financial assets carried at FVOCI and other receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- Significant financial difficulty of the borrower;
- A breach of contract such as a default or past-due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.
- A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

5. Summary of significant accounting policies (Continued)
5.18. Forborne and modified loans (Continued)

- In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.
- The market's assessment of creditworthiness as reflected in bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms.

5.19. Repurchase and reverse repurchase agreements
Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership.

The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR.

If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

5.20. Cash and cash equivalents
For the purpose of presentation in the statement of cash flows in the financial statements, cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

5.21. Property and equipment
Items of property and equipment are measured initially at cost. Subsequently items of property and equipment are measured at cost (computer equipment, furniture, fittings and fixtures, equipment and motor vehicles) or revalued amounts (for Land and Buildings) less accumulated depreciation and accumulated impairment losses. Refer to ***Note 5.24*** for the accounting policy on impairment of non-financial assets. Cost includes expenditure that is directly attributable to the asset. Though initially recognised at cost, for purposes of revaluation, land & buildings must be professionally valued every 5 years. The fair value should be determined based on the market comparable approach that reflects recent transaction prices for similar properties.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the

5. Summary of significant accounting policies (Continued)
5.21. Property and equipment (Continued)
amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluation surplus to retained earnings are not made through profit or loss.

The fair value of the land and buildings has been determined on a market value basis in accordance with the RICS Valuation Professional Standards (January 2014) (''Standards'') which comply with the International Valuation Standards. The valuations were performed by CORAS Limited, an accredited independent valuer with a recognised and relevant professional qualification with recent experience in the category of the property plant and equipment being valued in 2021. A net additional gain from the revaluation of the Land and building of FRW 102,244,241 in 2021 was recognised in other comprehensive income. Fair value measurement disclosures for revalued land and buildings are provided in ***Note 38***. None of property and equipment has been pledged as security over borrowings. Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Bank. On-going repairs and maintenance are expensed as incurred.

The land is not depreciated, on remaining asset depreciation is charged on a straight-line basis to allocate the cost of each asset, to its residual value over its estimated useful life as follows:

Buildings	2% -5%
Computer equipment	33%
Furniture, fittings and fixtures	15%
Equipment	15%
Motor vehicles	25%

Depreciation is recognised in profit or loss. The assets' residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date. The carrying amount of an item of property, plant and equipment shall be derecognised:
(a) on disposal; or
(b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised (unless IFRS 16 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

In 2021, the Bank completed the construction of its unique and iconic new head office on its property located at KN3 Av/9 situate in the central business of Kigali. 55% of the total cost of the new building is being let out and therefore classified as an investment property. Investment property class is depreciated using straight line method with useful life of 50 years.

On initial recognition and subsequent measurement, the Bank used the cost model in accordance with investment property i.e. at cost less accumulated depreciation and less any accumulated impairment losses. The fair value of the investment property is approximated to the cost of investment property of FRW 13,682,414,000 (2021: FRW 13,820,629,000). These values are as per the independent valuation report by CORAS Limited in 2021. Considering that market value of land and properties in Rwanda is not highly volatile no significant change assessed during the year.

5.22. Intangible assets
(i). Computer software
The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software is measure at cost less accumulated amortisation and accumulated impairment (Refer to ***Note 5.24*** for the accounting policy on impairment for non-financial assets). The costs are amortised on a straight-line basis over the expected useful lives, from the date it is available for use, not exceeding five years. Costs associated with maintaining software are recognised as an expense as incurred. Amortisation is calculated using the straight-line method to write down the cost of software over their estimated useful lives between 3 and 5 years.

Internally generated software, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Amortisation methods, residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date and all additions are being done by an external party.

5. Summary of significant accounting policies (Continued)
5.22. Intangible assets (Continued)
(i). Computer software (Continued)
An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised (unless IAS 17 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.
(ii). Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Bank can demonstrate:
- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. amortisation of the asset begins when development is complete, and the asset is available for use. it is amortised over the period of expected future benefit. amortisation is recorded in cost of sales. during the period of development, the asset is tested for impairment annually.

5.23. Leases
At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank acting as a lessee
At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses (Refer to ***Note 5.24*** for the accounting policy on impairment for non-financial assets), if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.
- Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a

5. Summary of significant accounting policies (Continued)
5.23. Leases (Continued)
Bank acting as a lessee (Continued)
purchase, extension or termination option or if there is a revised in-substance fixed lease payment. The Bank has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liability of FRW 739 Million (2021:FRW 133 Million).

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

5.23.1. Right-of-use assets
Right-of-use assets relate to leased branch, ATMs location spaces, office premises and vehicles that are presented within property and equipment (see note 24) and lease liabilities in 'other liabilities' (see note 29) in the statement of financial position.

	2022	2021
	FRW'000	FRW'000
Balance at January	1,283,106	1,719,703
Additions	200,199	148,441
Depreciation charge for the year	(635,308)	(585,038)
Balance at 31 December	**847,997**	**1,283,106**

5.23.2. Amounts recognised in profit or loss

Interest on lease liabilities	108,600	132,151
Expenses relating to short-term leases	111,354	74,590
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	168,155	137,905
Lease depreciation charge	635,308	585,038
	1,023,418	**929,684**

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5.23.3. Amounts recognised in statement of cash flows

Total cash outflow for leases payments	(526,488)	(591,456)

5.23.4. Estimating the incremental borrowing rate
The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the contract. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease). The weighted average lessee's incremental borrowing rate is 8% based on a loan obtained from local Bank.

5. Summary of significant accounting policies (Continued)
5.23. Leases (Continued)
5.23.5. Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)
The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Bank acting as a lessor
The Bank acts as lessor of buildings, that is at former Head Quarter and one of Head office wings held as investment property. These leases have an average life of between one year and five years with renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Bank during the year is FRW 722 million (2021: FRW 32 million).

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Future minimum lease payments under non–cancellable operating leases as at 31 December were, as follows:

	2022	2021
	FRW'000	FRW'000
Within one year	918,107	722,734
After one year but not more than five years	3,672,428	2,890,936
More than five years	-	-
	4,590,535	**3,613,670**

5.24. Impairment of non-financial assets
The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists or when annual impairment testing for an asset is done, The Bank estimates the asset's recoverable amount.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and group. Impairment losses are recognised in profit or loss; an impairment loss for a revalued asset is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the same asset such an impairment loss on a revalued asset reduces the revaluation surplus for the asset.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Bank shall assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Bank shall estimate the recoverable amount of that asset.

5. Summary of significant accounting policies (Continued)
5.24. Impairment of non-financial assets (Continued)
An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with IFRS 16. Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that other IFRS.

(i). Defined contribution plan
The Bank contributes to a statutory defined contribution pension scheme, the Rwanda Social Security Board (RSSB). Contributions are determined by local statute and are currently limited to 5.3% of an employee's gross salary. The Bank's RSSB contributions are charged to profit or loss in the period to which they relate.

(ii). Leave accrual
The monetary value of the unutilised leave by staff as at year end is recognised within accruals and the movement in the year is recognised to the profit or loss. The leave accrual is recognised under other liabilities in the statement of financial position and are set out in note 29.

(iii). Employee Share Ownership Plan (ESOP)
In 2016, the Bank offered 1% of the existing shares capital of its shares as ESOP shares subscribed to by the eligible employees.

Each Beneficiary was entitled to purchase from the Trustee, not earlier than the first anniversary of the IPO Closing Date (the "Vesting Date"), and not later than the fifth anniversary of the IPO Closing date newly issued Share of the Bank payable in full at the time of the purchase at the price equal to the Offer Price per share.

The eligibility was that employees were to continue to serve as Employees of the Bank for a period of thirty six (36) months from the date of allotment, had permanent contracts and with minimum total service time of one year as at 31st December 2016.

The objectives of the ESOP are as follows:
- To enhance employee loyalty and retention.
- To have employee participation in the shareholding of the Bank thereby promoting their economic interest in its success.
- To enhance employee motivation and productivity.

Share-based compensation benefits are provided to employees via the Employee Stock Plan. Information relating to these schemes is set out in ***Note 38.***

5.26. Share capital and share issue costs
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instruments.

5.27. Earnings per share
Basic earnings per share are calculated based on the profit attributable to owners of the Bank divided by the number of ordinary shares. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential ordinary shares outstanding during the year.

Letters of credit, acceptances and guarantees are not recognised and are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss.

5.29. Provisions
A provision is a liability of uncertain timing or amount. The liability may be a legal obligation or a constructive obligation. A constructive obligation arises from the entity's actions, through which it has indicated to others that it will accept certain responsibilities, and as a result has created an expectation that it will discharge those responsibilities.

5. Summary of significant accounting policies (Continued)
5.30. Non-current assets held for sale
The Bank classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets classified as held for sale are presented in ***Note 22***.

5.31. Taxes
5.31.1. Current tax
Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Bank operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Detailed disclosures are provided in ***Note 14***.

5.31.2. Deferred tax
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of financial assets at fair value through OCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI.

These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Bank also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Bank only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Bank's intention to settle on a net basis.

5. Summary of significant accounting policies (Continued)
5.32. Fiduciary assets
The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless the recognition criteria are met, are not reported in the financial statements, as they are not assets of the Bank.

The bank charges FRW 6,000 for retail customers and FRW 60,000 for corporate customers on T-Bills / Bonds submissions. During the period, the bank collected FRW 684,000 (2021: FRW 846,000) as income generated from fiduciary services.

5.33. Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

5.34. Comparative information
Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

5.35 New standards, amendments and interpretations
5.35.1. New standards and amendments effective and adopted during the year
The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following new or amended standards and interpretations have become effective for financial year beginning on or after 1 January 2022:

New standards or amendments	Effective for annual periods beginning on or after
— Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	
— IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
— IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
— IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
— Property and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
— IFRS 16 Leases, Illustrative Example 13	1 January 2022
— Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

Some contracts may be loss-making from the outset or become loss-making during their life cycle. There may be various drivers for a loss-making contract, including external factors and a Bank's own strategy.

Companies previously applying the 'incremental cost' approach will need to recognise bigger and potentially more provisions for onerous contracts. This follows recent amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, which clarify the types of costs a company includes as the 'costs of fulfilling a contract' when assessing whether a contract is onerous.

Following the withdrawal of IAS 11 Construction Contracts, companies apply the requirements in IAS 37 when determining whether a contract is onerous. These requirements specify that a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits.

5. Summary of significant accounting policies (Continued)
5.35.1. New standards and amendments effective and adopted during the year (Continued)
While IAS 11 specified which costs were included as a cost of fulfilling a contract, IAS 37 did not, which led to diversity in practice. The International Accounting Standards Board's amendments address this issue by clarifying those costs that comprise the costs of fulfilling a contract.

The amendments clarify that the 'costs of fulfilling a contract' comprise both:

- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

This clarification is unlikely to affect companies that already apply the 'full cost' approach, but those that apply the 'incremental cost' approach will need to recognise bigger and potentially more provisions.

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. The amendments did not have a significant impact on the Bank's financial statements.

Annual Improvements to IFRS Standards 2018–2020
As part of its process to make non-urgent but necessary amendments to IFRS Standards, the International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRS Standards 2018–2020.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

— ***IFRS 1 First-time Adoption of International Financial Reporting Standards***
This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.

— ***IFRS 9 Financial Instruments***
This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

— ***IFRS 16 Leases, Illustrative Example 13***
The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

— ***IAS 41 Agriculture***
This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.

— ***The amendments did not have a significant impact on the Bank's financial statements.***
In the process of making an item of PPE available for its intended use, a Bank may produce and sell items – e.g. minerals extracted in the process of constructing an underground mine or oil and gas from testing wells before starting production.

Property and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
To address diversity in practice, the International Accounting Standards Board (the Board) has amended IAS 16 Property, Plant and Equipment to provide guidance on the accounting for such sale proceeds and the related production costs.

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs. Companies will therefore need to distinguish between:

— costs associated with producing and selling items before the item of PPE is available for use; and
— costs associated with making the item of PPE available for its intended use.

5. Summary of significant accounting policies (Continued)
5.35. New standards, amendments and interpretations (Continued)
5.35. 1. New standards and amendments effective and adopted during the year (Continued)
Making this allocation of costs may require significant estimation and judgement. Companies in the extractive industry may need to monitor costs at a more granular level.

The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin.

No disclosure requirements have been added to IAS 16 for sales of items that are an output of a company's ordinary activities: the disclosure requirements of IFRS 15 Revenue from Contracts with Customers and IAS 2 will apply in such cases.

However, for the sale of items that are not part of a Bank's ordinary activities, the amendments require the Bank to:

— disclose separately the sales proceeds and related production cost recognised in profit or loss; and
— specify the line items in which such proceeds and costs are included in the statement of comprehensive income.

This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the Bank first applies the amendments. Although the amendments are not effective until 2022, companies will need to consider including IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors disclosures in their next annual financial statements. The amendments did not have a significant impact on the Bank's financial statements.

IFRS 3, Business Combinations specifies how an entity should account for the assets and liabilities it acquires when it obtains control of a business. IFRS 3 requires an entity to refer to the Conceptual Framework for Financial Reporting (Conceptual Framework) to determine what constitutes an asset or a liability. Originally, IFRS 3 required an entity to refer to the version of the Conceptual Framework that existed when IFRS 3 was developed. The purpose of this project was to update IFRS 3 to require an entity to refer instead to a later version issued in March 2018.

The Board completed this project in May 2020 by issuing amendments to IFRS 3. The amendments updated the reference to the Conceptual Framework. They also added to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Board added this exception to avoid an unintended consequence of updating the reference. Without the exception, an entity would have recognised some liabilities on the acquisition of a business that it would not recognise in other circumstances.

Reference to the Conceptual Framework (Amendments to IFRS 3)
Immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain.

The Board expects this exception to remain in IFRS 3 for as long as the definition of a liability in IAS 37 differs from the definition in the latest version of the Conceptual Framework. The Board plans to consider aligning the definitions as part of a project to make targeted improvements to IAS 37.The amendments to IFRS 3 are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted. The amendments did not have a significant impact on the Bank's financial statements.

5. Summary of significant accounting policies (Continued)
5.35. New standards, amendments and interpretations (Continued)
5.35. 1. New standards and amendments effective and adopted during the year (Continued)
5.35. 2. New standards, amendments and interpretations not yet effective during the year

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2022 and have not been applied in preparing these financial statements.

New standards or amendments	Effective for annual periods beginning on or after
— Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
— Disclosure of Accounting Polices (Amendments to IAS 1 and IFRS Practice statement 2)	1 January 2023
— Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
— Deferred Tax relating to Assets and Liabilities arising for a Single Transaction (Amendments to IAS 12)	1 January 2023
— IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28	Available for optional adoption/ effective date deferred indefinitely

All the above standards and Interpretations will be adopted at their effective date (except for those standards and Interpretations that are not applicable to the entity) and are not expected to have a significant impact on the financial statements of the Bank.

5.36. Government grant

The Bank participates in the Economic recovery fund which is a fund that was established by the Government of Rwanda to support the recovery of businesses hardest hit by COVID-19 so that they can survive, resume operations and safeguard employment, thereby cushioning the economic effects of the pandemic. National Bank of Rwanda was appointed as the Fund Manager.

The condition of this funding is for the Bank to provide onward lending to qualifying customers in sectors including but not limited to Tourism, Manufacturing (including Agri-processing), Transport and Logistics and SMEs linked to domestic and global supply chain. All conditions have been fulfilled by the bank in the current financial year.

Under this fund, the National Bank of Rwanda extends loans to the bank at a low interest rate and in return the Bank lent out the amounts at below its standard market rate or reduced the interest rate of the existing loans.

The Bank concluded that the funding contains a significant benefit due to the low interest rate relative to market pricing. The financial liability for the funding is initially recognised under IFRS 9 at fair value considering market rates for similar borrowings and the difference between the net funds received/contractual amount and this fair value would be treated as a government grant under IAS 20.

The benefit of a government grant is recognised in profit or loss on a systematic basis as the Bank recognises as expenses the related costs for which the grant is intended to compensate.

6. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6. Significant accounting judgements, estimates and assumptions (Continued)

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

6.1. Expected credit losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

— The Bank's internal credit grading model, which assigns PDs to the individual grades
— The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
— The segmentation of financial assets when their ECL is assessed on a collective basis
— Development of ECL models, including the various formulas and the choice of inputs
— Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
— Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. This analysis is provided in ***Note 38.1.***

6.2. Going concern

The Bank's Directors have made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Directors are not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

6.3. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. This analysis is provided in ***Note 38***.

6.4. Income taxes

Significant estimates are required in determining the liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax liability in the period in which such determination is made.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although in Bank tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies (see ***Note 14***).

6. Significant accounting judgements, estimates and assumptions (Continued)
6.5. Provisions and other contingent liabilities
The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Rwanda and in other jurisdictions, arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates. For further details on provisions and other contingencies see notes 36.

6.6. Impact of climate risk on accounting judgments and estimates
The Bank and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. Most climate-related physical risks are expected to manifest over a term that is generally longer than the maturity of most of the outstanding exposures. The following balances may be impacted by physical and transition risks:

- Expected credit losses (ECL): Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness, which has an impact on ECL. An analysis was performed of the exposure of counterparties to climate risk, which determined that, on the whole, counterparties are not expected to be materially impacted by physical or transition risks associated with climate change. For example, the majority of the counterparties are not employed, or do not operate, in high-risk sectors, nor are they located in high-risk geographical areas. A detailed analysis of the exposure to climate risk also indicated that for a significant part of the portfolio the time horizon for any physical impact of climate risk is longer than the maturity of most of the assets. Refer to note 38.2. where this is evidenced in the analysis of the contractual maturities. Where the maturity of the exposures is longer than the estimated time horizon for climate risk impact, for example, for those assets with a longer maturity, such as the mortgage book, the nature of the counterparties was assessed. This assessment showed that for these assets, the nature of the counterparties as described above would limit any material impact. Refer to note 38.1.(iii) where credit risk per industry segment is disclosed. As a result of the factors outlined here, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.
- Fair value measurement: The Bank has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with IFRS 13 Fair Value Measurement. The Bank has concluded that climate risk has been adequately reflected within the fair value. Where prices are observable, it is assumed that the fair value already incorporates market's participants view of climate risk variables.

7. Segmental reporting
The Bank has three main segments:
Corporate & Institutional Banking: the segment services medium sized to large corporates and non-borrowing institutions in various sectors.

Business Banking (BB): in charge of mainly SMEs that are relatively smaller customers with a key man playing a predominant role. Most of sole proprietor companies and family businesses will fall into this segment; and

Retail Banking: manages banking requirements of individuals and salary earning customers e.g. current accounts, savings, credit and debit cards, consumer loans and home loans (Construction and Mortgages)

Majority of the Bank revenues are derived from interest income and the executive committee relies primarily on net interest revenue to assess the performance of the segments, the total interest income and expense for all reportable segments is presented on a net basis. There were no changes in the reportable segments during the year. There were no intersegment transfers.

Management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses.

7. Segmental reporting (Continued)
The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the executive committee. Segment assets and liabilities comprise operating assets and liabilities.

Non-current asset additions are included in ***Notes 23 and 24***.

The Bank does not suffer concentration risk and there is no single customer who contributes more than 15% of the revenue. All the segments are within Rwanda and there are no inter-segment transfers and all central costs are allocated to those three segments.

The Bank's internal measures are consistent with IFRS Standards. Therefore, the reconciling items are limited to items that are not allocated to reportable segments, as opposed to a difference in the basis of preparation of the information.

An analysis of the Bank's profit or loss, total assets and liabilities are, as follows:

Statement of profit or loss

2022:	**Corporate and institutional banking**	**Business banking**	**Retail Banking**	**Total**
	FRW'000	**FRW'000**	**FRW'000**	**FRW'000**
Interest and similar income	27,031,574	7,252,330	16,068,736	**50,352,640**
Interest and similar expense	(12,112,415)	(1,888,242)	(4,283,952)	**(18,284,610)**
Net fees and commissions	1,271,393	341,103	755,771	**2,368,267**
Net foreign exchange income	3,417,133	532,708	1,208,581	**5,158,421**
Operating income	**19,607,684**	**6,237,898**	**13,749,136**	**39,594,718**
Other operating income	1,513,314	405,461	916,147	**2,834,922**
Impairment of financial assets	(1,800,588)	(482,430)	(1,090,059)	**(3,373,077)**
Employee benefit	(5,486,259)	(1,469,929)	(3,321,331)	**(10,277,519)**
Depreciation of property & equipment	(2,312,086)	(619,475)	(1,399,716)	**(4,331,277)**
Other operating expenses	(5,884,929)	(1,576,744)	(3,562,682)	**(11,024,355)**
Total operating expenses	**(13,683,274)**	**(3,666,147)**	**(8,283,729)**	**(25,633,151)**
Profit before income tax	**5,637,136**	**2,494,782**	**5,291,494**	**13,423,412**
Income tax expense	(1,726,002)	(763,863)	(1,620,172)	**(4,110,037)**
Net profit after tax	**3,911,134**	**1,730,919**	**3,671,322**	**9,313,375**

7. Segmental reporting (Continued)
Statement of profit or loss (Continued)

2021:	Corporate and institutional banking	Business banking	Retail Banking	Total
	FRW'000	FRW'000	FRW'000	FRW'000
Interest and similar income	24,188,575	5,915,008	14,591,415	**44,694,998**
Interest and similar expense	(12,104,721)	(1,633,590)	(4,080,194)	**(17,818,505)**
Net fees and commissions	1,068,103	261,529	645,151	**1,974,782**
Net foreign exchange income	2,801,489	378,074	944,311	**4,123,874**
Operating income	**15,953,446**	**4,921,021**	**12,100,682**	**32,975,149**
Other income	251,077	67,271	152,000	**470,348**
Impairment of financial assets	(910,010)	(243,818)	(550,912)	**(1,704,740)**
Employee benefit	(5,307,872)	(1,422,133)	(3,213,337)	**(9,943,343)**
Depreciation of property & equipment	(1,856,067)	(497,294)	(1,123,646)	**(3,477,007)**
Other operating expenses	(3,916,044)	(1,049,222)	(2,370,737)	**(7,336,004)**
Total operating expenses	**(11,079,983)**	**(2,968,650)**	**(6,707,721)**	**(20,756,354)**
Profit before income tax	**4,214,529**	**1,775,824**	**4,994,050**	**10,984,403**
Income tax expense	(696,256)	(293,373)	(825,036)	**(1,814,664)**
Net profit after tax	**3,518,273**	**1,482,451**	**4,169,014**	**9,169,739**

Statement of financial position

2022:	Corporate and institutional banking	Business banking	Retail Banking	Total
	FRW'000	FRW'000	FRW'000	FRW'000
ASSETS				
Loans and advances to customers	125,350,804	33,645,556	72,723,447	**231,719,807**
LIABILITIES				
Customer deposits	195,578,079	30,489,280	69,172,592	**295,239,951**
Deposits from banks	62,182,772			**62,182,772**

7. Segmental reporting (Continued)
Statement of financial position

2021:	Corporate and institutional banking	Business banking	Retail Banking	Total
	FRW'000	FRW'000	FRW'000	FRW'000
ASSETS				
loans and advances to customers	120,373,573	29,435,824	72,613,650	**222,423,047**
LIABILITIES				
Customer deposits	181,017,007	24,429,105	61,016,233	**266,462,345**
Deposits from banks	60,430,768			**60,430,768**

8. Interest income calculated using effective interest rate

	2022	2021
	FRW '000	FRW'000
(i) Financial assets measured at amortised cost		
Loans and advances to customers	36,913,325	33,313,994
Loans and advances to banks	1,451,762	978,603
Government investment securities	5,515,863	4,361,654
(ii) Financial assets measured at FVOCI		
Government investment securities	6,471,690	6,040,747
	50,352,640	**44,694,998**

All interest income have been calculated using the effective interest method.

9. Interest and similar expense

	2022	2021
(i) Financial liabilities measured at amortised cost	FRW '000	FRW'000
Deposits from customers	10,056,245	8,594,783
Deposits from banks	4,757,898	6,322,452
Long term debt	2,480,082	2,070,036
Subordinated debt	881,785	699,083
Lease liabilities (Note 32)	108,600	132,151
	18,284,610	**17,818,505**

The amounts reported above include interest income and expense, calculated using the effective interest method, that relate to the following financial assets and financial liabilities.

9. Interest and similar expense (Continued)

	2022	2021
	FRW'000	FRW'000
Financial assets measured at amortised cost	367,662,103	331,325,147
Financial assets measured at FVOCI	53,751,644	56,270,151
Total	**421,413,747**	**387,595,298**
Financial liabilities measured at amortised cost	**404,884,053**	**387,926,846**

10. Net fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major service lines. Some contracts with customers may have no fixed duration and can be terminated or modified by either party at any time. Other contracts may automatically renew on a periodic basis that is specified in the contract. The Bank shall consider the duration of the contract in which the parties to the contract have present enforceable rights and obligations. All the Bank segments have similar fee and commission income and expenses.

Major service lines		
Commission on services charge	2,504,590	1,996,228
Commission on guarantee issued	1,243,041	1,112,299
Current account ledger fees	888,931	844,970
Service fees on Transfers	58,609	58,156
Other commissions	333,404	56,825
	5,028,575	**4,068,478**
(ii) Fees and commission expense		
Interbank transaction fees	(383,740)	(194,901)
Other fees expense*	(2,276,568)	(1,898,795)
	(2,660,308)	**(2,093,696)**
Net fee and commission income	**2,368,267**	**1,974,782**

* Other fees expense comprises of the licences, hosting fees, processing fees, secure code expenses card service providers.

(iii) Contract balances

The following table provides information about contract liabilities from contracts with customers.

Contract liabilities, which are included in'other liabilities'	11,015	100,127

The contract liabilities primarily relate to the non-refundable up-front fees received from customers on opening letter of credits. This is recognised as revenue over the period of contracts. The weighted-average expected period is one year.

11. Net trading income

Foreign exchange dealings from customers	6,569,612	4,543,266
Foreign exchange losses	(1,411,191)	(419,392)
Total net trading income	**5,158,421**	**4,123,874**

12. Other operating income

	2022 FRW '000	2021 FRW '000
Profit on sale of property and equipment	105,621	81,233
Bad debt recoveries	1,897,202	142,318
Other income	353,528	224,908
Rental Income	722,734	32,484
Modification loss	(244,163)	(10,595)
	2,834,922	**470,348**

*Bad debt recoveries relate mainly to recoveries on loans previously written off.
*Modification Gain arises as the difference between the present value of the modified cash flows discounted using the original effective interest rate and the present value of the original cash flows from accounts whose terms and conditions have been modified.

13. Operating expenses

(i) Employee benefits		
Salaries and wages	8,244,598	7,983,464
Medical expenses	395,494	395,494
Statutory contribution	410,899	385,956
Mileage expenses	170,045	170,045
Training expenses	227,204	179,989
Staff leave allowance	466,625	450,541
Notional Benefits	184,109	171,142
Other staff costs	178,545	206,712
	10,277,519	**9,943,343**
(ii) Other operating expenses		
Consultancy fees	1,670,333	1,227,232
Administrative expenses	1,160,042	781,253
Other general expenses	3,043,696	1,384,756
Repairs & maintenance	2,005,173	1,094,002
Marketing & publicity	554,959	557,545
Board expenses	545,018	513,984
Security	474,973	425,604
Utilities	577,726	488,205
Statutory fees	322,486	304,108
Communications expenses	192,849	194,754
Insurance	425,617	310,592
Donations and Membership fees	51,483	53,969
	11,024,355	**7,336,004**

13. Operating expenses (Continued)

	2022 FRW '000	2021 FRW '000
(iii) Depreciation and Amortisation		
Depreciation on property and equipment ***(Note 24)***	1,729,880	1,194,326
Amortisation of investment property ***(Note 25)***	284,902	69,450
Amortisation of intangible assets ***(Note 25)***	1,681,187	1,628,193
Depreciation of Right of use asset ***(Note 24)***	635,308	585,038
	4,331,277	**3,477,007**

The average number of employees employed by the Company are as follows:

	2022	2021
Management	14	13
Others	411	416
	425	429

14. Income tax
The components of income tax expense for the year ended 31 December 2022, as follows:

	2022	2021
(i) Income tax expense		
Current income tax	4,370,672	(120,695)
Deferred tax charge / (Credit)	(260,635)	1,935,359
Income tax expense	**4,110,037**	**1,814,664**

Reconciliation of effective tax rate

The tax charge shown in the income statement differs from the tax charge that would apply if all profits had been charged at corporate rate (30%). A reconciliation between the tax expense and the accounting profit multiplied by domestic tax rate for the years ended 31 December 2022 and 2021 is, as follows:

	Effective tax rate	2022 FRW'000	Effective tax rate	2021 FRW'000
Accounting profit before tax		**13,423,412**		**10,984,403**
Computed tax using the applicable corporation tax rate at 30% (2021:(30%))	30%	4,027,024	30%	3,295,321
Tax-exempt income	(1.5%)	(202,365)		-
Non-deductible expenses	2.1%	285,378	-13.48%	(1,480,657)
	30.6%	**4,110,037**	**16.52%**	**1,814,664**

14. Income tax (Continued)
The effective income tax rate for 2022 is 30.8% (2021: 16.5%).

	2022 FRW'000	2021 FRW'000
(ii) Tax (Recoverable) / Payable		
At 1 January	(2,392,951)	595,345
Income tax expense ***(Note 14(i))***	4,370,672	-
Tax paid ***(Note 34(i)***	-	(2,867,600)
Prior year under provision/(overprovision)	(251,782)	(120,696)
At 31 December	**1,725,939**	**(2,392,951)**

The Bank statutory corporate tax rate is 30%. During the year the Bank recognised the investment allowance on the new building and offset the statutory tax obligation for the year. The non-deductible expenses relate to expenses that are not deductible in determining taxable profit (tax loss) per the tax Law. These include donations, personal consumption expenses and other non-business expenses.

15. Basic and diluted earnings per share
Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by the profit or loss attributable to ordinary shareholders and adjusting weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

The Bank's basic and diluted EPS are the same since no potential ordinary shares and calculation has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2022	2021
Net profit after tax attributable to owners of the company (FRW '000')	**9,313,375**	**9,169,739**
Weighted average number of ordinary shares in issue during the year ('000)	**1,515,000**	**1,515,000**
Earnings per share (FRW)	**6.15**	**6.61**

16. Dividends per share

	2022	2021
The calculation of dividend per share is based on:		
Final dividend proposed during the year (FRW'000)	**2,794,000**	**1,800,000**
	2,794,000	**1,800,000**
Weighted average number of ordinary shares in issue during the year ('000)	**1,515,000**	**1,515,000**
Final dividend per share (FRW.)	**1.84**	**1.19**

*After the reporting date, the dividends were proposed by the Board of Directors and are subject to approval at the annual general meeting. The dividends have not been recognised as liabilities and there are no tax consequences.

17. Cash and balances with Central Bank

	2022 FRW'000	2021 FRW'000
Cash on hand	6,041,906	5,821,977
Balances with National Bank of Rwanda:		
-Unrestricted balances (available to normal activities)	-	10,945,678
-Restricted balances (Cash reserve ratio)	10,725,522	13,734,628
	16,767,428	**30,502,283**

Analysis of cash and cash equivalents
Cash and balances with Central Bank included in the statement of cash flow comprise the following.

Cash on hand	6,041,906	5,821,977
Balances with National Bank of Rwanda:		
-Unrestricted balances	-	10,945,678
	6,041,906	**16,767,655**

The Bank's Cash Reserve Ratio is non-interest earning based on a requirement to maintain a prescribed minimum cash balances with the National Bank of Rwanda that is not available to finance day to day activities and is excluded from the computation. The amount is determined as a percentage of the average outstanding customer deposits over a cash reserve cycle period of one month. At 31 December 2022, the cash ratio requirement was 4% (2021: 4%). Unrestricted balances refer to remaining balances above the restricted amount with central Bank.

The allowance for ECL relating to Cash and balances with Central Bank is presented below:

31 December 2022	**12-month**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Internal rating grade	PD range	Stage 1	Stage 2	Stage 3	Total
Performing					
High grade	0.00%-1.68%	223	-	-	223
31 December 2021					
Internal rating grade					
Performing					
High grade	0.00%-1.68%	399	-	-	399

18. Due from Banks

	2022	2021
Placement with banking institutions	22,548,779	43,174,017
Balance with banking institutions	31,846,868	31,846,868
Due within 90 Days	**54,395,647**	**75,020,885**

The weighted average effective interest rate on placements and balances with other banks at 31 December 2022 was 3.62% (2021: 3.58%).

18. Due from Banks (Continued)

Movement in the expected credit loss on dues from Banks
Due from Banks relate to nostro balances with Banks abroad. The table below shows the expected credit loss based on the Bank's internal credit rating system, 12- month Basel PD range and year-end stage classification.

31 December 2022	**12-month**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Internal rating grade	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing					
High grade	0.00%-2.99%	**57**	**-**	**-**	**57**
31 December 2021					
Internal rating grade					
Performing					
High grade	0.00%-1.68%	**22,301**	**-**	**-**	**22,301**

19. Due from group companies

	2022 FRW '000	2021 FRW '000
(i) Due from group companies		
I&M Bank (Kenya) Limited	870,056	309,926
I&M Bank (Tanzania) Limited	259,468	768,161
Bank One	1,866,035	225,232
	2,995,560	**1,303,319**
(ii) Due to group companies		
I&M Bank (Kenya) Limited	-	24,651
	-	24,651

The amount due to related parties is included in other liabilities (Refer to ***Note 29***).

Movement in the expected credit loss on due from group companies
Due from group companies relate to nostro balances with related Banks abroad. The table below shows the expected credit loss based on the Bank's internal credit rating system, 12-month Basel PD range and year-end stage classification.

31 December 2022	**12-month**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Internal rating grade	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing					
High grade	0.00%-5.89%	137	-	-	137
31 December 2021	**12-month**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Internal rating grade	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing					
High grade	0.00%-1.68%	61	-	-	61

20. Financial assets
(i). Financial assets measured at fair value through other comprehensive income (FVOCI)

	2022	2021
Government securities	**FRW'000**	**FRW'000**
Treasury Bonds	53,539,844	55,652,828
Corporate Bonds	211,800	617,323
	53,751,644	**56,270,151**

The table below shows the expected credit loss on financial assets at FVOCI.

31 December 2022					
Grading: Performing	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade	0.00%-0.50%	**12,550**	**-**	**-**	**12,550**
31 December 2021					
Grading: Performing					
Investment grade	0.00%-1.48%	**2,348**	**-**	**-**	**2,348**

(ii). Financial assets at fair value through profit or loss (FVTPL)	**Carrying value assets**	**Carrying value liabilities**	**Notional amount**
2022	**FRW'000**	**FRW'000**	**FRW'000**
Swap FX contracts	1,685,336	-	14,830,981
2021			
Swap FX contracts	1,354,856	-	25,863,333

The Bank entered into Swaps with National Bank of Rwanda at different fixed exchange rate for risk management purposes. The Bank will receive interest of 2% and will pay interest of 8% to the National Bank of Rwanda to be settled semi-annually. The bank does not use hedge accounting, the derivatives are recognised as fair value through profit or loss. As at 31 December 2021, the fair value of the derivative financial instrument (swap) was a net asset of FRW 1,685,336,393 (2021: FRW 1,354,855,658). The Bank's Financial assets mandatorily measured at fair value through profit or loss are mainly comprised of derivatives.

The movement in the derivative instruments including interest accruals is as below;

Balance as at 1 January	1,354,856	644,061
Placement under swap arrangement	-	-
Receipt under swap arrangement	-	-
Fair value	330,480	710,795
	1,685,336	**1,354,856**

Financial assets at amortised cost

Government securities		
Treasury Bonds	66,618,622	14,880,086
Treasury Bills	14,928,027	19,001,129
	81,546,649	**33,881,215**

20. Financial assets (Continued)
(i). Financial assets measured at fair value through other comprehensive income (FVOCI)
The weighted average effective interest rate on investments securities and balances with other banks as at 31 December 2022 was 10.94% (2021: 11.08%).

The table below shows the expected credit loss on financial assets at amortized cost;

31 December 2022	12- month	FRW'000	FRW'000	FRW'000	FRW'000
Grading: Performing	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade	0.00%-0.50%	**43,823**	**-**	**-**	**43,823**
31 December 2021					
Grading: Performing					
Investment grade	0.00%-1.48%	**69,920**	**-**	**-**	**69,920**

The change in the carrying amount of financial assets held is as shown below:

	Financial assets measured at FVOCI	**Other financial assets at amortised cost**	**Financial assets measured at FVTPL**	**Total**
	FRW'000	**FRW'000**	**FRW'000**	**FRW'000**
At 1 January 2022	**56,270,151**	**33,881,215**	**1,354,856**	**91,506,222**
Additions	1,904,500	64,261,955	-	66,166,455
Disposals and maturities	(5,999,998)	(17,568,182)	(266,206)	(23,834,386)
Revaluation gain	(290,609)	-	963,258	672,649.429
Amortisation of discounts and premiums	(38,466)	(359,787)	-	(398,253)
Interest receivable	1,906,066	1,331,448	(366,572)	2,870,942
At 31 December 2022	**53,751,644**	**81,546,649**	**1,685,336**	**136,983,629**
At 1 January 2021	48,943,246	51,263,367	644,061	100,850,674
Additions	9,116,358	19,444,696	-	28,561,054
Disposals and maturities	(3,558,299)	(37,558,853)	277,513	(40,839,639)
Revaluation gain / (loss)	364,473	-	1,022,973	1,387,446
Amortisation of discounts and premiums	(639,015)	(7,081)	-	(646,096)
Interest receivable	2,043,388	739,086	(589,691)	2,192,783
At 31 December 2021	**56,270,151**	**33,881,215**	**1,354,856**	**91,506,222**

Government securities and due from other banks are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider 'low credit risk for these financial assets as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The PD rate assigned to these has been 0.00% to 0.50% which is the probability of default assigned to a B+ sovereign rating for Rwanda and investment grade by Standard & Poors rating agency with Loss given default of 30%. The table below shows the fair value of the Bank's financial assets measured at FVOCI by credit risk, based on the Bank's internal credit rating system, 12-month Basel PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

20. Financial assets (Continued)

31 December 2022	12-month	FRW'000	FRW'000	FRW'000	FRW'000
	PD range	Stage 1	Stage 2	Stage 3	Total
Internal rating grade					
Performing					
Investment grade	0.00%-0.50%	12,549	-	-	12,549
Total		**12,549**	-	-	**12,549**
31 December 2021	**12-month**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
	PD range	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
Performing					
Investment grade	0.00%-1.48%	2,348	-	-	2,348
Total		**2,348**	-	-	**2,348**

21. Loans and advances to customers
(i) Classification

	2022	2021
	FRW'000	FRW'000
Mortgage loans	42,758,474	48,752,737
Equipment loans	62,293,844	64,362,907
Consumer loans	92,477,559	82,330,200
Overdrafts	43,771,274	37,953,101
Gross loans and advances	**241,301,151**	**233,398,945**
Less: Impairment losses on loans and advances	(9,581,344)	(10,975,898)
Net loans and advances	**231,719,807**	**222,423,047**

(ii) Impairment loss allowance for the year

2022:	Loans and advances to Customers at amortised cost	Loan commitments and financial guarantee contracts	Total
	FRW'000	FRW'000	FRW'000
Net remeasurement of loss allowance	3,378,674	12,629	3,391,303
New financial assets originated or purchased	408,899	12,933	421,832
	3,787,573	**25,562**	**3,813,135**
Recoveries of loans and advances derecognised	(5,182,127)	(5,872)	(5,187,999)
Amounts directly written off during the year	4,747,941	-	4,747,941
	3,353,387	**19,690**	**3,373,077**

21. Loans and advances to customers (Continued)

2021:	Loans and advances to Customers at amortised cost	Loan commitments and financial guarantee contracts	Total
	FRW'000	FRW'000	FRW'000
Net remeasurement of loss allowance	4,625,561	130,462	4,756,328
New financial assets originated or purchased	582,664	26,730	609,394
	5,208,225	**157,192**	**5,365,417**
Recoveries of loans and advances derecognised	(1,565,149)	(1,859,043)	(3,424,192)
Recoveries on bad debts	(236,485)	-	(236,485)
	3,406,591	**(1,701,851)**	**1,704,740**

Movements in the ECL loss allowance is disclosed on ***Note 38.1.(iii).***

	2022	2021
	FRW'000	FRW'000
Interest on impaired loans and advances which has not yet been received in cash	**2,753,074**	**2,662,342**

(iii) Loans and advances concentration by sector

	2022		2021	
	FRW '000	%	FRW '000	%
Manufacturing	45,868,840	19	42,274,091	18
Wholesale and retail trade	38,916,346	16	30,596,464	13
Building and construction	19,447,044	8	20,247,947	9
Agriculture	22,534,665	9	18,059,738	8
Transport and communication	28,184,149	12	30,951,251	13
Others	86,349,705	36	91,269,454	39
	241,301,152	100	233,398,945	100

The weighted average effective interest rate on loans and advances as at 31 December 2022 was 16.68% (2021: 16.9%).

22. Other assets

Prepayments	1,699,816	853,710
Non Current asset held for sale*	25,163	121,213
Staff notional benefit	1,823,848	1,757,710
Other receivables	6,148,863	514,647
Rent receivable	158,650	32,484
	9,856,340	**3,279,764**

*These amounts relate to non- current assets held for sale in accordance with IFRS 5 that were purchased through public auction and the Bank has the plan to realise the carrying amount principally through a sale transaction in the next 12 months.

23. Intangible assetss

2022:	Computer Software	Capital work in progress	Total
Cost	**FRW'000**	**FRW'000**	**FRW'000**
At 1 January	9,777,011	823,905	10,600,916
Additions	5,900	542,220	548,120
Transfer from tangible work in progress	-	-	-
Transfer to computer software	318,871	(318,871)	-
Reversals	-	(7,500)	(7,500)
At 31 December at 31 December 2022	**10,101,782**	**1,039,754**	**11,141,536**
Amortisation			
At 1 January	**6,279,173**	**-**	**6,279,173**
Amortisation for the year	1,681,187	-	1,681,187
At 31 December	**7,960,360**	**-**	**7,960,360**
Carrying amount at 31 December 2022	**2,141,422**	**1,039,754**	**3,181,176**

2021:	Computer Software	Capital work in progress	Total
Cost	**FRW'000**	**FRW'000**	**FRW'000**
At 1 January	9,191,882	608,093	9,799,975
Additions	7,080	802,620	809,700
Transfer from capital work in progress	586,808	(586,808)	-
Reversals	(8,759)	-	(8,759)
At 31 December	**9,777,011**	**823,905**	**10,600,916**
Amortisation			
At 1 January	4,659,739	-	4,659,739
Amortisation for the year	1,628,193	-	1,628,193
At 31 December	**6,279,173**	**-**	**6,279,173**
Carrying amount at 31 December 2021	**3,497,838**	**823,905**	**4,321,743**

Capital work in progress is mainly software projects under development and all additions are being done by an external party.

24. Property, equipment and right of use assets

						Right of use assets		
2022	**Land and Buildings**	**Furniture, fittings, fixtures and office equipment**	**Computers**	**Motor Vehicles**	**Capital work in progress**	**Branches & ATMs locations**	**Motor vehicles**	**Total**
	FRW'000	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Cost/ Valuation								
At 1 January	16,982,293	5,723,372	2,494,386	722,279	1,806,227	2,419,964	652,601	30,801,122
Additions	117,466	192,919	501,308	-	1,008,234	200,199	-	2,020,126
Disposals	(26,430)	(75,025)	-	(351,088)	-	-	-	(452,543)
Transfer from work in progress	363,606	99,761	1,681,623	-	(2,144,990)	-	-	-
Reclassification to investment property	-	-	-	-	(338,895)	-	-	(338,895)
Write offs/back	-	-	-	-	(54)	-	-	(54)
At 31 December	**17,436,935**	**5,941,027**	**4,677,317**	**371,191**	**330,522**	**2,620,163**	**652,601**	**32,029,756**
Depreciation								
At 1 January	1,384,530	2,421,639	2,296,771	553,403	-	1,319,587	469,872	8,445,802
Charge for the year	570,754	613,824	499,461	45,841	-	478,684	156,624	2,365,188
On disposals	(771)	(73,343)	-	(267,077)	-	-	-	(341,192)
At 31 December	**1,954,513**	**2,962,120**	**2,796,232**	**332,167**	**-**	**1,798,271**	**626,496**	**10,469,799**
Net book value at 31 December 2022	**15,482,422**	**2,978,907**	**1,881,085**	**39,024**	**330,522**	**821,892**	**26,105**	**21,559,957**

24. Property, equipment and right of use assets (Continued)

2021	Land and Buildings	Furniture, fittings, fixtures and office equipment	Computers	Motor Vehicles	Capital work in progress	Right of use assets: Branches & ATMs locations	Right of use assets: Motor vehicles	Total
	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
Cost/ Valuation								
At 1 January	6,311,450	3,082,302	2,427,948	828,090	24,831,565	2,271,523	652,601	40,405,479
Additions	984,716	302,689	66,438	89,063	4,109,579	148,441	-	5,700,926
Disposals	-	(123,184)	-	(194,874)	-	-	-	(318,058)
Transfer from work in progress	10,710,950	2,533,888	-	-	(13,244,838)	-	-	-
Reclassification to investment property					(13,890,079)			(13,890,079)
Elimination of previous revaluation surplus	(3,504,116)	(72,323)	-	-	-	-	-	(3,576,439)
New revaluation surplus	2,479,293	-	-	-	-	-		2,479,293
At 31 December	**16,982,293**	**5,723,372**	**2,494,386**	**722,279**	**1,806,227**	**2,419,964**	**652,601**	**30,801,122**
Depreciation								
At 1 January	2,066,870	2,168,399	2,077,470	607,347	-	891,173	313,248	8,124,507
Charge for the year	488,544	372,363	219,301	114,118	-	428,414	156,624	1,779,364
On disposals	(1,170,884)	(119,123)	-	(168,062)	-	-	-	(1,458,069)
At 31 December	**1,384,530**	**2,421,639**	**2,296,771**	**553,403**	-	**1,319,587**	**469,872**	**8,445,802**
Net book value at 31 December 2021	**15,597,763**	**3,301,733**	**197,615**	**168,876**	**1,806,227**	**1,100,377**	**182,729**	**22,355,320**

Revaluation of Land and Buildings

Management determined that the land and buildings constitute a separate class of property and equipment, based on the nature, characteristics and risks of the property. The fair value of the land and buildings has been determined on a market value basis in accordance with the RICS Valuation Professional Standards (January 2014) (''Standards'') which comply with the International Valuation Standards. The valuations were performed by CORAS Limited, an accredited independent valuer with a recognised and relevant professional qualification with recent experience in the category of the property plant and equipment being valued in 2021. A net additional gain from the revaluation of the Land and building of FRW 102,244,241 in 2021 was recognised in other comprehensive income. Fair value measurement disclosures for revalued land and buildings are provided in ***Note 38***. None of property and equipment has been pledged as security over borrowings.

25. Investment property

	2022	2021
	FRW'000	FRW'000
Cost		
At 1 January	13,890,079	-
Reclassification from PPE	338,895	13,890,079
At 31 December	**14,228,974**	**13,890,079**
Depreciation		
At 1 January	69,450	-
Depreciation for the year	284,902	69,450
At 31 December	**354,352**	**69,450**
Net book value at 31 December	**13,874,622**	**13,820,629**

In 2021, the Bank completed the construction of unique and iconic new head office on its property located at KN3 Av/9 situate in the central business of Kigali. Investment property is 55% of the total cost of the Head office building.

Investment property class is depreciated using straight line method with useful life of 50 years.

The Bank has elected to initially and subsequently measure its investment property using the cost model and depreciation on straight line basis.

The rental income from investment property income from investment property is FRW 722 Million (2021: 32 Million), direct operating expenses is FRW 596 Million. (2021: Nil). The fair value of investment property is approximated to FRW 13,820,629,000 (2021: FRW 13,820,629,000). This is based on valuation performed by CORAS Limited in 2021.

26. Deposits from banks

	2022	2021
Current and demand deposits	50,988,420	29,317,870
Saving deposits	1,189,847	1,557,079
Term Deposits	10,004,505	29,555,819
	62,182,772	**60,430,768**

27. Deposits from customers

	2022	2021
Current and demand deposits	209,239,133	183,879,566
Saving deposits	34,335,507	33,683,106
Term deposits	51,665,311	48,899,673
	295,239,951	**266,462,345**

27. Deposits from customers (Continued)
Securities lending and repurchase agreements and assets held or pledged as collateral
The following table summarises the assets sold / lent and considered as pledged financial assets as the counterparty has the right to sell or re-pledge the securities:

As at December 2022, The total demand deposits, term deposits and savings constituted 72.8% (2021: 65.2%), 9.9% (2021:10.8%) and 17.3% (2021: 24%) respectively.

Fair value of Assets pledged and held as collateral

Asset type	2022	2021
	FRW'000	FRW'000
Assets pledged as collateral under securities borrowing and reverse repo agreements	10,000,000	25,548,500
Customer deposits held as collateral for irrevocable commitments under import letters of credit	2,837,526	2,865,214
	12,837,526	**28,413,714**

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities. In addition, as part of these transactions, the Bank has received collateral that it is permitted to sell or repledge in the absence of default.

28. Other liabilities

Accruals	2,691,695	3,214,098
Provisions for loan commitments* ***(Note 38.1.(iii)***	287,984	268,294
Provisions	13,783	114,265
Lease liabilities ***(Note 32)***	771,131	1,189,019
Other accounts payables	1,115,519	2,960,983
Grants and subsidies	-	2,824,448
Due to related parties	-	24,651
Dividend payable	29,825	1,841,826
Items in the course of collection	5,366,197	875,824
	10,276,134	**13,313,408**

* Provision for loan commitments, represents expected credit loss allowance for loan commitments, financial guarantees and letter of credit contracts.
* Items in the course of collection consist of central Bank clearing suspense accounts as well as card settlements.
* In 2021, The Bank received EUR 2,499,880 as subsidies payable for investing for employment(IFE) from KfW development Bank in order to support the prevention of private sector employment in Rwanda against the effects of Covid-19 pandemic.

(i) Provisions movement during the period
Below is a reconciliation movement for provisions balances;

At 1 January	114,265	88,493
Movement during the year	(19,250)	40,820
Utilised during the period	(81,233)	(15,048)
Balances as at 31 December	**13,782**	**114,265**

29. Deferred tax

2022:	Balance at 1 January	Recognised in equity/OCI	Recognised in profit or loss	Balance at 31 December
	FRW'000	FRW'000	FRW'000	FRW'000
Deferred income tax asset				
Other provisions	1,373,529	-	155,507	1,529,036
Lease liability	356,706	-	(125,366)	231,340
	1,730,234	**-**	**30,141**	**1,760,375**
Deferred income tax liability				
Property revaluation recognized directly in equity	4,995,925	(7,817)	(230,494)	4,757,614
Financial asset at fair value through OCI	216,251	(87,183)		129,068
	5,212,176	**(95,000)**	**(230,494)**	**4,886,682**
Deferred income tax asset/(liability)	**3,481,942**	**(95,000)**	**(260,635)**	**3,126,307**

2021:	Balance at 1 January	Recognised in equity/OCI	Recognised in profit or loss	Balance at 31 December
Deferred income tax asset	FRW'000	FRW'000	FRW'000	FRW'000
Other provisions	353,151	-	1,020,378	1,373,529
Lease liability	507,930	-	(151,225)	356,705
	861,081	**-**	**869,153**	**1,730,234**
Deferred income tax liability				
Property and equipment	2,147,594	43,819	2,804,512	4,995,925
Financial asset at fair value through OCI	106,909	109,342	-	216,251
	2,254,503	**153,161**	**2,804,512**	**5,212,176**
Deferred income tax asset/(liability)	**1,393,422**	**153,161**	**1,935,359**	**3,481,942**

30. Long Term Debt

Less than one year	1,358,147	12,343,490
One to five years	35,340,414	38,563,570
	36,698,561	**50,907,060**
Loan movement schedule		
At 1 January	50,907,060	39,349,792
Funds received	467,531	12,979,248
Foreign exchange differences	1,838,844	928,569
Interest payable	2,326,229	1,946,862
Principal repayments	(16,792,400)	(2,384,511)
Interest repayment	(2,048,703)	(1,912,900)
At 31 December	**36,698,561**	**50,907,060**

30. Long Term Debt (Continued)

	2022	2021
	FRW	FRW
European Investment Bank (EIB)	5,340,212	7,668,814
Rwanda Development Bank (BRD)	4,154,144	5,528,949
National Bank of Rwanda (Economic Recovery Fund)	2,125,061	1,937,721
Entrepreneurial Development Bank (FMO)	25,079,144	25,665,544
International Finance Corporation (IFC WCS)	-	10,106,032
	36,698,561	**50,907,060**

Long term debt constituted the following:

(a). National Bank of Rwanda (Economic Recovery Fund facility)
During the year, the Bank received additional economic recovery fund facility of FRW506Million at maximum of 2% to establish the framework where the Bank will extend loans to business hardly affected by post-COVID-19 impact and economic distress.

The Bank has accounted the portion related to Government Grant in accordance IAS 20 Accounting for Government Grants and Disclosure of Government Assistance amounting to FRW 634Million (2021: FRW 595Million) is disclosed in note 38.1.(iii). The bank lends to its customers at average rate of 7%.

(b). European Investment Bank
Long term loan from EIB of FRW 14.1 billion were received in years of 2014, 2015, 2016 and 2019 at average rate of 9.22% with tenor period of less than 7 years for which its repayment amounts are fixed in Rwandan Francs. The outstanding exposure is FRW 5.4 billion (2021: FRW 7.6 billion). They are unsecured loans.

(c). Rwanda Development Bank (BRD)
The Bank had outstanding loan with BRD FRW 4.1billion (2021: 5.5 billion) borrowed between 2017 and 2021 at average rate of 4% to support power and energy sector. The loan is not secured.

(d). Entrepreneurial Development Bank (FMO)
The Bank has a senior unsecured debt from FMO of USD 25 Million at 6.46% per annum with maturity up to July 10, 2027.

(e). IFC Loan
During the year, the Bank paid off a senior debt from IFC of USD 10 Million under its COVID-19 working capital solution scheme at a variable rate of 1.9% per annum above the 6-month Libor.

31. Subordinated debt

	2022	2021
	10,762,769	30,495
One to five years	-	10,096,178
	10,762,769	10,126,673

Loan movement schedule		
At 1 January	10,126,673	9,754,824
Payment of interests	(856,635)	(698,662)
Interest during the period	881,785	699,083
Foreign exchange differences	610,946	371,428
At 31 December	**10,762,769**	**10,126,673**

31. Subordinated debt (Continued)
In 2018, The Bank acquired a 5 year subordinated loan with IFC at an interest rate of 9.003% repayable in semi-annual instalments The purpose of the loan is to provide the Bank with a subordinated loan which qualifies as Tier 2 capital therefore enabling the Bank to increase its lending to clients. The subordinated debt will mature in October 2023.

32. Lease liabilities
Set out below are the carrying amounts of lease liabilities (included under 'other liabilities' in note 28) and the movements during the period:

	2022	2021
	FRW'000	FRW'000
Balance as at 1 January	1,189,019	1,693,100
Principal settlements during the period	(526,488)	(636,232)
Interest expense during the period	108,600	132,151
Balance as at 31 December	**771,131**	**1,189,019**
Undiscounted Maturity analysis		
Less than one year	508,098	577,861
One to five years	325,526	925,474
Over five years	3,900	27,300
	837,524	**1,530,635**

33. Share capital and reserves
Issue capital and share premium
Ordinal share capital

	31 December 2022		31 December 2021	
Authorised	**No. Shares**	**FRW'000**	**No. Shares**	**FRW'000**
Ordinary shares of FRW 10 each	**2,500,000,000**	**25,000,000**	**2,500,000,000**	**25,000,000**

Issued and fully paid share capital

2022:	**Issued & fully paid shares**	**Share capital**	**Share premium**	**Total**
		FRW'000	**FRW'000**	**FRW'000**
At 01 January 2022	1,515,000,000	15,150,000	6,249,832	21,399,832
At 31 December 2022	**1,515,000,000**	**15,150,000**	**6,249,832**	**21,399,832**
2021:	**Issued & fully paid shares**	**Share capital**	**Share premium**	**Total**
		FRW'000	**FRW'000**	**FRW'000**
At 01 January 2021	1,212,000,000	12,120,000	6,249,832	18,369,832
Bonus issue of FRW 10 each	303,000,000	3,030,000	-	3,030,000
At 31 December 2021	**1,515,000,000**	**15,150,000**	**6,249,832**	**21,399,832**

Share premium comprises of additional paid-in capital in excess of the nominal (par) value. This reserve is not ordinarily available for distribution.

33. Share capital and reserves (Continued)
Issue capital and share premium (Continued)
Ordinal share capital (Continued)
(i). Ordinary shares (Continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

(ii). Retained earnings

These comprise prior year profits, less any dividends, less appropriations to credit risk and current year profit;

	2022	2021
	FRW'000	FRW'000
As at 1 January	38,335,409	33,995,670
Profit for the year	9,313,375	9,169,739
New Bonus issue exercise	-	(3,030,000)
Proposed dividend for the year	-	(1,800,000)
Reclassification of revaluation reserve to retained earnings	26,057	-
As at 31 December	**47,674,841**	**38,335,409**

(iii). Revaluation reserve

The revaluation reserve arises on revaluation of buildings. When revalued property is disposed, the portion of the revaluation reserve that relates to that asset is transferred to retained earnings. In 2022 the bank disposed of the Muhanga building and the impact on the revaluation reserve is as below;

As at 1 January	1,964,142	1,861,898
Additional revaluation	-	146,063
Deferred tax on revaluation	-	(43,819)
Reclassification of revaluation reserve to retained earnings on disposal	(26,056)	-
Deferred tax on disposed revalued property ***(Note 29)***	7,817	-
As at 31 December	**1,945,902**	**1,964,142**

(iv). Fair value reserve

The reserve is attributable to changes in fair value of debt instruments classified under the fair value through other comprehensive income category. This is shown on the statement of comprehensive income and is not reclassified to profit or loss when the asset is impaired or disposed.

As at 1 January	504,584	249,453
Net change in fair value	(290,609)	364,473
Deferred tax expense ***(Note 29)***	87,183	(109,342)
As at 31 December	**301,158**	**504,584**

(v). Statutory credit risk reserve

Where impairment losses required by legislation or regulations exceed those computed under International Financial Reporting Standards (IFRSs), the excess is recognised as a statutory reserve and accounted for as an appropriation of retained profits and the reverse for reductions. These reserves are not distributable. During the prior year, IFRS 9 provisions were higher than those arrived at using regulatory provisions. As result, the excess credit reserve for financial assets has been recycled to retained earnings.

During the year, there was no excess regulatory provision, the IFRS 9 provisions were higher than the regulatory provisions.

34. Notes to the statement of cash flows
(i). Reconciliation of profit before income tax

	Note	2022 FRW'000	2021 FRW'000
Cash flows from operating activities			
Profit before income tax		**13,423,412**	**10,984,403**
Adjustments for:			
Depreciation on property and equipment	24	2,365,188	1,779,364
Depreciation on investment property		284,902	69,450
Amortisation of intangible asset	23	1,681,187	1,628,193
(Loss) / Gain on disposal of property and equipment		105,621	81,234
Loss on non-current assets held for sale		-	88,052
Impairment charge in loans and advances	21(ii)	3,373,077	1,704,740
Interest income earned	8	(50,352,640)	(44,694,998)
Interest expense incurred	9	18,284,611	17,818,505
		(10,834,642)	**(10,541,057)**
Decrease in operating liabilities			
Movement in loans and advances to customers	21(i)	(9,296,760)	(17,193,919)
Movement in financial assets measured at (FVOCI)	20(i)	2,518,507	(7,326,905)
Movement in financial assets at fair value through profit or loss (FVTPL)	20(ii)	(330,480)	(710,795)
Movement in financial assets at amortised cost	20(iii)	(47,665,434)	17,382,152
Cash and balances with National Bank of Rwanda:		3,009,106	(504,340)
Other assets		(6,576,576)	(278,276)
		(58,341,637)	**(8,632,083)**
Increase in operating assets			
Customer deposits	27	28,777,606	18,026,748
Deposits from banks	26	1,752,004	10,606,784
Other liabilities	28	(3,037,274)	1,435,629
		27,492,336	30,069,161
Cash flows generated from (used in) / operating activities		**(41,683,943)**	**10,896,021**
Interest received		50,025,332	43,932,593
Interest paid		(18,431,009)	(17,593,553)
Tax paid	14	-	(2,867,600)
Net cash flows generated from (used in) / operating activities		**(10,089,620)**	**34,367,461**

34. Notes to the statement of cash flows
(i). Reconciliation of profit before income tax
(ii) Analysis of cash and cash equivalents

	Note	2022 FRW'000 a	2021 FRW'000 b	Change FRW'000 c =(a – b)
Cash and balances with National Bank of Rwanda	17	6,041,906	16,767,655	(10,725,749)
Investment securities		7,075,630	7,505,558	(429,928)
Dues from banks	18	54,395,647	75,020,885	(20,625,238)
Due from group companies	19(i)	2,995,560	1,303,319	1,692,241
		70,508,743	**100,597,417**	**(30,088,674)**
Net Foreign exchange difference on foreign denominated balances		(1,411,191)	(419,392)	(991,799)
		69,097,552	**100,178,025**	**(31,080,473)**

- Dues from Banks: Refer to our nostros balances with other banks
- Dues from group Companies: Refer to nostros balances with related Banks.
- Investment securities: Refer to securities that can be easily liquidated and that carry low risk of loss.

(iii) Analysis of changes in financing during the year

	Note	Lease liabilities FRW'000	Long term debt FRW'000	Subordinated debt FRW'000
Balance as at 1 January 2022		1,189,019	50,907,060	10,126,673
Payment of principal	30,31,32	(526,488)	(16,792,400)	-
Proceeds from long term debt	30,31,32	-	467,531	-
Total changes from financing cash flows		**662,531**	**34,582,191**	**10,126,673**
Effect of foreign exchange		**-**	**1,838,844**	**610,946**
Other changes				
Interest paid		-	(2,048,703)	(856,635)
Interest expense		108,600	2,326,229	881,785
		108,600	277,526	25,150
Balance as at 31 December 2022		**771,131**	**36,698,561**	**10,762,769**

34. Notes to the statement of cash flows (Continued)
(iii) Analysis of changes in financing during the year (Continued)

	Note	Lease liabilities FRW'000	Long term debt FRW'000	Subordinated debt FRW'000
Balance as at 1 January 2021		1,693,100	39,349,792	9,754,824
Payment of principal	30,31,32	(591,456)	(2,384,511)	-
Proceeds from long term debt	30,31,32	-	12,979,248	-
Total changes from financing cash flows		**1,101,644**	**49,944,529**	**9,754,824**
Effect of foreign exchange		**-**	**928,569**	**371,428**
Other changes				
Interest paid		(44,776)	(1,912,900)	(698,662)
interest expense		132,151	1,946,862	699,083
		87,375	**33,962**	**421**
Balance as at 31 December 2021		**1,189,019**	**50,907,060**	**10,126,673**

35. Current/non-current distinction

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled. Trading assets and liabilities including derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the Bank uses the same basis of expected repayment behaviour that was used for estimating the EIR. Issued debt reflects the contractual coupon amortisation.

As at 31 December 2022	Within 12 months	After 12 months
	FRW'000	FRW'000
ASSETS		
Cash and balances with National Bank of Rwanda	16,767,428	-
Due from banks	49,042,084	5,353,563
Due from group companies	2,995,560	-
Financial assets measured at fair value through other comprehensive income	53,751,644	-
Financial assets at fair value through profit or loss	1,685,336	-
Financial assets at amortised cost	23,853,922	57,692,727
Loans and advances to customers	76,639,867	155,079,940
Other assets	9,856,340	-
Intangible assets	-	3,181,176
Property and equipment and right of use assets	-	21,559,957
Investment Property	-	13,874,622
TOTAL ASSETS	**234,592,181**	**256,741,985**
LIABILITIES		
Deposits from banks	29,359,098	32,823,674
Deposits from customers	149,937,763	145,302,188
Current income tax	1,747,096	-
Other liabilities	10,276,134	-
Deferred income tax	-	3,126,307
Long term debt	2,319,397	34,379,164
Subordinated debt	10,762,769	-
	204,402,257	**215,631,333**
Net	**30,189,924**	**41,110,652**

35. Current/non-current distinction (Continued)

As at 31 December 2021	Within 12 months	After 12 months
	FRW'000	FRW'000
ASSETS		
Cash and balances with National Bank of Rwanda	30,502,283	-
Due from banks	75,020,885	-
Due from group companies	1,303,319	-
Financial assets measured at fair value through other comprehensive income	**56,270,151**	**-**
Financial assets at fair value through profit or loss	1,354,856	-
Financial assets at amortised cost	9,900,947	23,980,268
Loans and advances to customers	75,874,267	146,548,780
Tax recoverable	2,392,951	-
Other assets	3,279,764	
Intangible assets	-	4,321,743
Property and equipment and right of use assets	-	22,355,320
Investment Property	-	13,820,629
TOTAL ASSETS	255,899,423	211,026,740
LIABILITIES		
Deposits from banks	48,314,351	12,116,417
Deposits from customers	184,437,850	82,024,495
Other liabilities	13,313,408	-
Deferred income tax	-	3,481,942
Long term debt	-	50,907,060
Subordinated debt	-	10,126,673
	246,065,609	**158,656,587**
Net	**9,833,814**	**52,370,153**

36. Off balance sheet contingent liabilities and commitments
(a). Contractual off-balance sheet financial liabilities
In the ordinary course of business, banking entities in the Bank conduct business involving guarantees, acceptances and letters of credit. These facilities are offset by corresponding obligations of third parties. At the period end, the contingent liabilities were as follows:

	2022	2021
	FRW'000	FRW'000
Contingencies related to:		
Letters of credit	27,038,793	17,667,785
Guarantees	47,189,649	35,208,634
	74,228,442	52,876,419
Commitments related to:		
Outstanding spot / forward contracts	18,897,171	17,325,101
	93,125,613	**70,201,520**

Nature of contingent liabilities
Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Letters of credit commit a Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, and reimbursement by the customer is almost immediate.

Forward contracts are arrangements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. The fair values of the respective currency forwards are carried on the face of the statement of financial position.

37. Related parties transactions
I&M Bank (Rwanda) PLC. immediate parent is BCR Investment Company incorporated in Republic of Mauritius. The ultimate parent is I&M Holding PLC. incorporated in Kenya. All entities within I&M Holding Group are related parties.

In the normal course of business, the Bank enters into transactions with related parties. All the loans and advances and deposits are issued or received from the related parties are at market interest rates. There provisions held towards impairment of any of the advances to related parties is disclosed under ***Note 18***.

37. Related parties transactions (Continued)

	2022	2021
Transactions with directors / shareholders	**FRW'000**	**FRW'000**
Loans to directors / shareholders	1,087	1,925
The Directors remunerations	554,959	557,545
The non-executive directors do not receive pension entitlements from the Bank.		
Transactions with related companies		
Loans to related companies	5,035,011	6,432,541
Transactions with key management personnel		
Key Management personnel loans	943,598	547,074
Interest Income	50,973	64,348
Staff loans	5,619,315	5,269,596
Shared service cost	-	-
Balances		
Due from group companies	2,995,560	1,303,319
Due to group companies	-	24,651

Key management personnel compensation
Key management personnel compensation is comprised the followings.

Short term employee benefits	1,940,849	1,850,749
Other Long-term benefits	943,598	547,074
Employee Stock ownership plan	24,057	19,260
	2,908,504	**2,417,083**

Compensation to the Bank's key management personnel includes salaries, non-cash benefits and contributions to the post employment contribution plan. Executive offices also participate in the Bank's share option scheme.

38. Financial Instruments – Fair values and risk management
A. Accounting classifications at carrying amounts and fair values
The War in Ukraine, impact of climate change and post COVID-19 financial impacts have significantly affected financial markets and may impact valuation techniques used by banks and classification of financial instruments in the fair value hierarchy.

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

	Carrying amounts			Fair value			
At 31 December 2022	**Financial assets at FVOCI**	**Financial assets at FVTPL**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	FRW'000	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Financial assets							
Financial assets at fair value through profit or loss	-	1,685,336	**1,685,336**	1,685,336	-	-	**1,685,336**
Financial assets measured at fair value through other comprehensive income	53,751,644	-	**53,751,644**	53,751,644	-	-	**53,751,644**
	53,751,644	**1,685,336**	**55,436,980**	**55,436,980**	-	-	**55,436,980**

	Carrying amounts			Fair value			
At 31 December 2021	**Financial assets at FVOCI**	**Financial assets at FVTPL**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	FRW'000	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Financial assets							
Financial assets at fair value through profit or loss	-	1,354,856	**1,354,856**	1,354,856	-	-	**1,354,856**
Financial assets measured at fair value through other comprehensive income	56,270,151	-	**56,270,151**	56,270,151	-	-	**56,270,151**
	56,270,151	**1,354,856**	**57,625,007**	**57,625,007**	**-**	**-**	**57,625,007**

For the items at amortised cost; Balances with Central Bank of Rwanda, Other financial assets at amortised cost, Dues from Banks, Loans and advances to customers, Due from group companies, Other assets, The Deposits from banks, Deposits from customers, Long term borrowings, Subordinated debt and Other liabilities are not included in the table above as their carrying amount is a reasonable approximation of fair value.

The 2021 table above has been updated in the current financial statements to only include items at fair value measurement.

38. Financial Instruments – Fair values and risk management (Continued)
B. Measurement of fair values
(i). Valuation techniques and significant unobservable inputs
The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Financial assets measured at fair value

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Financial assets at fair value through profit or loss (FVTPL)	Market based valuation technique	Not Applicable	Not applicable
Financial assets – Fair Value through Other Comprehensive Income	Market based valuation technique	Not Applicable	Not applicable

Financial assets not measured at fair value
The following table shows the valuation technique used in measuring the fair values of financial assets not measured at fair value, as well as the significant unobservable inputs used.

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Property and Equipment - Land and buildings	Market based valuation technique	Price per square Metre	Not applicable
Investment properties	Discounted cash flows	- Price per sqm - Expected market rental growth - Occupancy rate - Risk-adjusted discount rates	The estimated fair value would increase (decrease) if: – expected market rental growth was higher (lower); – the occupancy rate was higher (lower); – the risk-adjusted discount rate was lower (higher).

The followings tables show the type of financial assets, valuation techniques, significant unobservable inputs and any inter-relationship between significant unobservable inputs and fair value measurement.

Valuation technique includes comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include benchmark, interest rates used in estimating discount rates, bond prices and foreign exchange rates.

38. Financial Instruments – Fair values and risk management (Continued)
B. Measurement of fair values (Continued)
The bank uses widely used valuation models to determine the fair value of common simple financial instruments such as currency swaps that only use observable market data and require little management judgements and estimation. observable prices inputs are usually available in the market for listed debt securities and exchange traded derivatives and simple OTC derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

C. Financial risk management
This section provides details of the Bank's exposure to risk and describes the methods used by management to control risk.

The more significant types of risk to which the Bank is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk and interest rate risk.

38.1. Credit risk
Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks and treasury bills. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Bank is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative. With gross-settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honours its obligation, but the counterparty fails to deliver the counter-value.

Credit-related commitment risks
The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

The Board of Directors is responsible for management and periodically reviewing the credit risk of the Bank and monitors concentrations of credit risk by sector. An analysis of portfolio concentrations of credit risk as at 31 December is shown below:

	2022		2021	
Loans and Advances exposure	**FRW'000**	**%**	**FRW'000**	**%**
Corporate and institutional banking	130,493,436	54%	124,657,178	53%
Business banking	75,781,818	31%	76,054,022	33%
Retail Banking	35,025,896	15%	32,687,745	14%
Gross Loans	**241,301,150**	**100%**	**233,398,945**	**100%**

38. Financial Instruments – Fair values and risk management (Continued)
38.1. Credit risk (Continued)
Credit-related commitment risks (Continued)

	2022		2021	
Off Balance sheet items exposure	**FRW'000'**	**%**	**FRW'000'**	**%**
Acceptances and Letters of Credit Issued	27,038,793	29	17,667,785	25
Guarantees commitments given	47,189,649	51	35,208,634	50
Undrawn commitments	18,897,171	20	17,325,101	25
	93,125,613	**100**	**70,201,520**	**100**

A Board Credit Committee, reporting to Board of Directors is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to various Credit committees as stipulated in the Bank's Credit Charter.
- Reviewing and assessing credit risk. The Bank Credit risk management Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market liquidity and country (for financial assets).
- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures as follows:
  - The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by the Banks's Credit Risk department.
  - Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Bank Credit on the credit quality of local portfolios and appropriate corrective action is taken.
  - Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Each business unit is required to implement the Bank credit policies and procedures, with credit approval authorities delegated from the Bank's Credit Committee. Each business unit has a Head of department who reports on all credit-related matters to local management and the Bank Credit risk management Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Central Bank's approval. Regular audits of business units and Bank Credit processes are undertaken by Internal Audit.

Credit risk grading
Other than for due from banks and financial assets where the Bank relies on internal credit rating models, the Bank relies substantially on the prudential guidelines applicable for credit risk grading that reflect its assessment of the probability of default of individual counterparties.

38. Financial Instruments – Fair values and risk management (Continued)
38.1. Credit risk (Continued)
Credit risk grading (Continued)

In addition, the prudential guidelines are supplemented;

- by Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures
- External data such as credit bureau scoring information on individual borrowers.
- Expert judgement from the Credit Risk Officer to be fed into the final credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The following are additional considerations for each type of portfolio held by the Bank:

Customer loans and advances

After the date of initial recognition, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. A relationship manager will also incorporate any updated or new information/credit assessments into the credit system on an ongoing basis.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for loans and advances to costumers. The Bank collects performance and default information about its credit risk exposures analysed by country and borrower as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g; forbearance experience) on the risk of default. For most exposures, key macro-economic indicators as highlighted in ***Note 5.14.6.***

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

The Bank has applied a simpler methodology (lifetime ECL) for its other exposures in other financial instruments with exception of loans and commitments.

Internal rating grades and prudential rating grades

The Bank uses the prudential rating gradings as internal grading system to classify its financial assets and below table highlights the correspondent IFRS 9 ratings.

38. Financial Instruments – Fair values and risk management (Continued)
38.1. Credit risk (Continued)
Internal rating grades and prudential rating grades (Continued)

Prudential rating grades		IFRS 9 rating gradings
Grade 1: Normal		Stage 1
Grade 2: Watch		Stage 2
Grade 3: Substandard		
Grade 4: Doubtful		Stage 3
Grade 5: Loss		

(i). Credit Quality analysis

The following table sets out information about the credit quality of financial assets subject to ECL. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Risk classification	12 month ECL FRW'000	Lifetime ECL Not Credit Impaired FRW'000	Lifetime ECL Credit Impaired FRW'000	Total 31 December 2022 FRW'000
Loans and advances to Customers at amortised cost				
Normal	197,604,132	-	-	197,604,132
Watch	-	30,498,686	-	30,498,686
Non-Performing loans	-	-	13,198,333	13,198,333
Gross carrying amount	**197,604,132**	**30,498,686**	**13,198,333**	**241,301,151**
Loss allowance	(1,443,491)	(1,188,825)	(6,949,028)	(9,581,344)
Carrying amount	**196,160,641**	**29,309,861**	**6,249,305**	**231,719,807**
Loan commitments and financial guarantee contracts				
Normal	89,361,596	-	-	89,361,596
Watch	-	3,764,017	-	3,764,017
Non-Performing loans	-	-	-	-
Gross carrying amount	**89,361,596**	**3,764,017**	**-**	**93,125,613**
Loss allowance	(47,297)	(240,687)	-	(287,984)
Carrying amount	**89,314,299**	**3,523,330**	**-**	**92,837,629**

38. Financial Instruments – Fair values and risk management (Continued)
38.1. Credit risk (Continued)
Internal rating grades and prudential rating grades (Continued)
(i). Credit Quality analysis (Continued)

31 December 2021 Risk classification	12 month ECL FRW'000	Lifetime ECL Not Credit Impaired FRW'000	Lifetime ECL Credit Impaired FRW'000	Total 31 December 2021 FRW'000
Loans and advances to Customers at amortised cost				
Normal	195,754,624	-	-	195,754,624
Watch	-	27,717,211	-	27,717,211
Credit impaired loans	-	-	9,927,110	9,927,110
Gross carrying amount	**195,754,624**	**27,717,211**	**9,927,110**	**233,398,945**
Loss allowance	(2,141,317)	(1,291,657)	(7,542,924)	(10,975,898)
Carrying amount	**193,613,307**	**26,425,554**	**2,384,186**	**222,423,047**
Loan commitments and financial guarantee contracts				
Normal	63,122,941	-	-	63,122,941
Watch	-	7,078,579	-	7,078,579
Credit impaired loans	-	-	-	-
Gross carrying amount	**63,122,941**	**7,078,579**	**-**	**70,201,520**
Loss allowance	(81,521)	(186,773)	-	(268,294)
Carrying amount	**63,041,420**	**6,891,806**	**-**	**69,933,226**

The Bank has estimated the ECL for the following financial assets and are disclosed in ***Note 19*** and ***20 (iv)***. These financial assets have been assessed to be in Stage 1 (normal).

	Classification	2022 FRW'000	2021 FRW'000
Cash and balances with central banks	Normal	16,767,428	30,502,283
Loans and advances to banks	Normal	54,395,647	75,020,885
Financial assets at fair value through other comprehensive income	Normal	55,362,031	56,270,151
Other financial assets at amortised cost		79,936,262	33,881,215
Due from group companies	Normal	2,995,560	1,303,319
		209,456,928	**196,977,853**

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(i) Credit Quality analysis (Continued)
The following shows the grading of loans and advances to customers in line with local prudential guidelines

	2022	2021
Loans and advances to customers	**FRW'000**	**FRW'000**
Credit impaired :		
Grade 3: Substandard	8,571,649	693,888
Grade 4: Doubtful	935,554	1,485,437
Grade 5: Loss	3,691,130	7,747,785
	13,198,333	**9,927,110**
Specific allowance for impairment	(6,949,028)	(7,542,924)
Carrying amounts	**6,249,305**	**2,384,186**
Performing & underperforming:		
Grade 2: Watch	30,498,686	27,717,211
Grade 1: Normal	197,604,132	195,754,624
	228,102,818	**223,471,835**
Portfolio impairment provision	(2,942,248)	(3,432,974)
Carrying amounts	**225,160,570**	**220,038,861**
Total carrying amounts	**231,409,875**	**222,423,047**

Credit impaired
Impaired loans and securities are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s). These loans are graded 3 (Substandard) to 5 (Loss) in the Bank's internal credit risk and grading system.

Stage 1
The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed with reference to the Bank's internal rating system. All such loans must be performing in accordance with the contractual terms and are expected to continue doing so. Loans in this category are fully protected by their current sound net worth and paying capacity of the borrower. These loans and advances are categorised as normal in line with National Bank of Rwanda prudential guidelines.

Stage 2
These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security /collateral available and /or the stage of collection of amounts owed to the Bank. These loans are stage 2 (Watch) in the Bank's internal credit risk and grading system.

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(i) Credit Quality analysis (Continued)
(i). Collateral held and other security enhancements

The Bank holds collaterals against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimate of fair value are based on the value of collateral assessed at the time of borrowing, and are updated at least every 3 years and regularly when individually assessed as impaired.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	2022 FRW'000	2021 FRW'000
Fair value of collateral held – against impaired loans	6,254,360	2,384,185

The bank has an obligation to return the collateral upon full re-payment of loans by the customers. The customer continues to utilise the collateral until when the bank repossesses the collateral.

The following table sets out the principal types of collateral held against different types of financial assets.

		Exposure that is subject to forced sale value collateral requirement		
	Note	**31 December 2022 FRW"000"**	**31 December 2021 FRW"000"**	**Principal type of collateral held**
Loans and advances to Retail Customers				
Mortgage Loans	21	29,487,905	33,725,118	Residential properties
Personal loans	21	48,392,900	8,557,463	Movable assets
Overdrafts		1,803,424	7,979,126	N/A
Credit Cards	21	494,700	785,121	N/A
Loans and advances to corporate customers				
Corporate loans		212,774,633	167,800,720	Assets debentures, Commercial properties, Cash cover, standby Letter of Credit, Movable assets and insurance guarantees
Loans and advances to business banking customers				
Business Banking loans	21	41,473,199	49,767,347	Movable assets, Cash collaterals, Commercial properties, Guarantee

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL
Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information an analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default.
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Our impairment models have been calibrated to capture changes in probabilities of defaults (PDs) and forward-looking information in the estimation of expected credit losses (ECL).

Management has considered below parameters in arriving at its full year ECL in order to reflect the impact of the current pandemic:

- ***For Stages 1 & 2:*** The December 2021 Macro adjusted PDs has been used, 10% floor rate (which is the minimum LGD of 10% for fully secured loans recommended by the Basel framework); and
- ***For Stage 3:*** Revision has been made in the estimation of the minimum collateral realisation from a period of 1 year to 3 years as per the Central Bank regulation.
- PDs were modelled at a portfolio (Sector) level comprising of 11 key sectors.

Credit risk grading

Other than for due from banks and financial assets where the Bank relies on internal credit rating models, the Bank relies substantially on the prudential guidelines applicable for credit risk grading that reflect its assessment of the probability of default of individual counterparties.

In addition, the prudential guidelines are supplemented.

- by Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures, and turnover and industry type for wholesale exposures
- External data such as credit bureau scoring information on individual borrowers.
- Expert judgement from the Credit Risk Officer to be fed into the final credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The following are additional considerations for each type of portfolio held by the Bank:

Customer loans and advances

After the date of initial recognition, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. A relationship manager will also incorporate any updated or new information / credit assessments into the credit system on an ongoing basis.

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for loans and advances to costumers. The Bank collects performance and default information about its credit risk exposures analysed by country and borrower as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include:

— GDP growth,
— benchmark interest rates and
— Exchange rate.

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

The Bank has applied a simpler methodology (lifetime ECL) for its other exposures including lease receivables and trade receivables.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in ***Note 5***.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

— its remaining lifetime PD at the reporting date based on the modified terms; with
— the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired / in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral.

The loan repayment deferral package is considered to be a loan modification under IFRS 9. This either results in the loan being derecognised and replaced with a new loan (substantial modification) or the existing loan continuing to be recognised (non-substantial modification). From a risk management point of view, once an asset is forborne or modified due to financial difficulties of the borrower, the Bank's business departments for distressed assets continues to monitor the exposure until it is completely and ultimately derecognised.

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Modified financial assets (Continued)

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to 12-month ECL and lifetime ECL.

	2022 FRW'000	2021 FRW'000
Financial assets modified during the period		
Amortised cost before modification	742,326	26,914,066
Net modification gain	63,661	326,296
Total Restructured loans as at 31 December	42,925,569	56,160,720
Number of borrowers	1,179	1,761
Restructured loans as % of gross loans	13.7%	16.4%

The table below provides modified assets with assistance package category per segment:

Assistance package category		
Principal Moratorium		
Seg: Corporate & Institutional Banking	-	690,491
Seg: Business Banking	-	233,109
Interest only		
Seg: Corporate Institutional Banking	-	3,334,757
Term extensions		
Seg: Corporate Institutional Banking	19,346,188	22,688,036
Seg: Business Banking	9,112,873	11,743,939
Seg: Personal Banking	14,466,508	17,470,388
Total		
Seg: Corporate Institutional Banking	**19,346,188**	**26,713,284**
Seg: Business Banking	**9,112,873**	**11,977,048**
Seg: Personal Banking	**14,466,508**	**17,470,388**
	42,925,569	**56,160,720**

Guaranteed loans and other customer support

Regulators and governments have implemented a broad range of measures to promote financial stability in response to economical problems due to post COVID and Russia-Ukraine war and global climate changes . Those measures implemented by governments and regulators in Rwanda include financial assistance packages through economic recovery fund at average rate of 2% to the Bank and the Bank lends to its customers at an average rate of 7%. The following table presents fair value measurement under government support schemes as at 31 December 2022:

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Guaranteed loans and other customer support (Continued)

	2022 FRW'000	2021 FRW'000
Disbursed amount under Economic Recovery Fund scheme	3,119,347	2,613,332
Loan from Central Bank through Economic Recovery Fund scheme	2,485,114	2,017,583
Government Grant	634,233	595,749
Fair value measurement of loans to customers	1,006,365	883,933
Interest expense for the year	72,729	21,073
Unwinding the discounting impact for the year	132,659	62,855

The following table presents the number of customer accounts and associated loan values of customers under government grant and bank specific schemes as at 31 December;

2022	Corporate Banking	Business Banking
Number of approved accounts	4	16
Loan value of customers under the scheme	1,099,963	2,062,128
% of portfolio	0.9%	6.1%
2021	**Corporate Banking**	**Business Banking**
Number of approved accounts	4	13
Loan value of customers under the scheme	1,099,963	1,556,113
% of portfolio	0.9%	5.3%

The Bank has accounted the portion related to government grant in accordance IAS 20 Accounting for government grants and disclosure of government Assistance amounting to FRW 634 Million (2021: FRW 595 Million). Refer ***Note 30***.

Fair value measurement of loans provided under economic recovery scheme is included in other assets and the impact is unwind through profit and loss and included under interest income and interest expenses.

Definition of default
The Bank considers a financial asset to be in default when:
— the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
— the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:
— qualitative – e.g. breaches of covenant;
— quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
— based on data developed internally and obtained from external sources.

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Definition of default (Continued)
Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward-looking information
The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Assets and Liabilities Committee (ALCO) and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund (IMF), World Bank and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

In determining the likelihood of each of the macroeconomic scenarios, a weighting of 62.5% (base case), 16.67% (upside case) and 20.83% (downside case) was applied in 2022 where as a weighting of 58.33% (base case), 16.67% (upside case) and 25% (downside case) was applied in 2021. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets were developed based on analysing historical data over the past 3 to 5 years.

There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year. As at 31 December 2022, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to post COVID-19 impact, Impact of war in Ukraine and global climate changes. This includes an assessment of the impact of Central Bank policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn. The expected outcomes of key economic drivers for the base case scenario as at 31 December 2022 are described below.

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Incorporation of forward-looking information (Continued)

The economic scenarios used as at 31 December included the following ranges of key indicators:

	2022		
Macro-Economic variable	**Base %**	**Upside %**	**Downside %**
Weighting	**62.5**	**16.67**	**20.83**
Central Bank Rate	6.5	6.5	6.5
Repo rate	6.5	6.5	6.5
Reverse Repo	6.5	6.5	6.5
T-Bills 91 days	6.83	7.90	7.30
Lending rate	15.8	17.00	16.40
GDP	6.20	6.60	5.80
Inflation	7.90	8.30	7.50
Public debt to GDP	73.90	77.30	70.50

	2021		
Macro-Economic variable	**Base %**	**Upside %**	**Downside %**
Weighting	**58.33**	**16.67**	**25.00**
Central Bank Rate	6.5	5	4
Repo rate	4.5	5	4
Reverse Repo	4.5	5	4
T-Bills 91 days	6.83	7.45	6.20
Lending rate	16.23	16.91	15.54
GDP	7.20	7.65	6.75
Inflation	5.70	7.00	4.40
Public debt to GDP	77.90	84.80	71.00

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Incorporation of forward-looking information (Continued)

The backward elimination multiple regression model led to the following macro-economic factors per sector for the year ended 31 December 2022;

2022	
Sector	**Macro-economic factors**
i) Energy & Water	· Ninety-One-day T-bills · Reverse REPO
ii) Building and Construction	· Ninety-One-day T-bills · Reverse REPO
iii)Tourism Restaurants and Hotels	· Public debt to GDP
iv) Personal / Households	· Public debt to GDP
v) Social, Community and Personal	· Reverse Repo · Crude Oil Prices
vi) Transport & Communication	· Reverse repo

In 2022, Agriculture, Financial service, Mining and Quarrying, there were no forecasts as historically the NPL ratios were zero and hence a Basel minimum of 0.05 used. For Real Estate Sector, the 12-month NPL (Jan 22-Dec 22) average were zero and hence the average macro-adjustment was applied to the historical 4 years average to arrive at the macro-adjusted PDs.

2021	
Sector	**Macro-economic factors**
i) Agriculture	· Reverse repo
ii) Trade and Manufacturing	· Reverse repo
iii) Building and Construction	· GDP · Public debt to GDP
iv)Tourism Restaurants and Hotels	· Repo · T-Bills 91 days · Public debt to GDP
v) Mining and Quarrying	· Reverse repo
vi) Personal/Households	· Public debt to GDP
vii) Social, Community and Personal	· Public debt to GDP · Repo
viii) financial services	· Reverse repo

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Incorporation of forward-looking information (Continued)
Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above. PDs are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for due from banks and financial assets.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based mainly on the counterparties' collateral and also on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

ECL - Sensitivity analysis

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Bank should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 31 December 2022:

	December 2022		December 2021	
	ECL	Impact	ECL	Impact
	FRW'000	FRW'000	FRW'000	FRW'000
If 1% of stage 1 facilities were included in Stage 2	3,361,334	130,617	2,790,136	105,674
If 1% of stage 2 facilities were included in Stage 1	3,215,105	(15,612)	2,670,854	(13,608)
If all Stage 1 facilities become stage 2	16,292,451	13,061,734	12,431,239	9,448,389

Expected credit loss allowance

The significant changes in the gross carrying amount in three corporate customers together with increase significant risk during the period contributed to changes in loss allowance by 86% of the total expected credit risk.

The following tables show reconciliations from the opening to the closing balance of the expected credit losses for the loans and advances and loan commitments and financial guarantee contracts;

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Loss allowance - Loans and advances

	Provisions (ECL allowance)				Exposure (Gross balance)			
2022:	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
Balance at 1 January	**2,141,317**	**1,291,657**	**7,542,924**	**10,975,898**	**195,754,624**	**27,717,211**	**9,927,110**	**233,398,945**
Transfer from 12 months ECL (Stage 1)	(53,092)	40,417	12,675	-	(20,316,707)	19,421,190	895,517	-
Transfer from Life-time ECL not credit impaired (Stage 2)	447,332	(631,251)	183,919	-	6,275,008	(13,351,209)	7,076,201	-
Trans-fer from Lifetime ECL credit impaired (Stage 3)	93,077	61,020	(154,097)	-	225,519	172,986	(398,505)	-
Net remea-surement of loss allow-ance	(1,287,206)	405,557	4,260,323	**3,378,674**	9,354,095	(2,849,309)	1,340,324	**7,845,110**
New finan-cial assets originated or purchased	156,145	42,557	210,197	**408,899**	14,810,108	468,887	359,362	**15,638,357**
Financial assets derecognised	(54,082)	(21,132)	(5,106,913)	**(5,182,127)**	(8,498,515)	(1,081,070)	(6,001,676)	**(15,581,261)**
Balance at 31 Decem-ber	**1,443,491**	**1,188,825**	**6,949,028**	**9,581,344**	**197,604,132**	**30,498,686**	**13,198,333**	**241,301,151**

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Loss allowance - Loans and advances

	Provisions (ECL allowance)				Exposure (Gross balance)			
2021:	**12-month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12-month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	FRW'000	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Balance at 1 January	1,124,882	1,444,635	4,763,305	7,332,822	180,994,597	24,213,556	7,353,797	212,561,950
Transfer from 12 months ECL (Stage 1)	(57,074)	43,395	13,679	-	(10,542,504)	9,264,661	1,277,843	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	640,208	(798,770)	158,562	-	3,717,909	(4,650,079)	932,170	-
Transfer from Lifetime ECL credit impaired (Stage 3)	277,138	127,248	(404,386)	-	564,214	193,878	(758,092)	-
Net remeasurement of loss allowance	(21,850)	356,339	4,291,072	4,625,561	13,552,024	(1,523,513)	2,947,396	14,975,907
New financial assets originated or purchased	280,980	179,337	122,347	582,664	35,805,659	1,186,719	150,230	37,142,608
Financial assets derecognised	(102,967)	(60,527)	(1,401,655)	(1,565,149)	(28,337,275)	(968,011)	(1,976,234)	(31,281,520)
Balance at 31 December	**2,141,317**	**1,291,657**	**7,542,924**	**10,975,898**	**195,754,624**	**27,717,211**	**9,927,110**	**233,398,945**

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Loss allowance - Loans and advances

	Provisions (ECL allowance)				Exposure			
2022:	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	FRW'000	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Balance at 1 January	81,521	186,773	-	268,294	63,122,941	7,078,579	-	70,201,520
Transfer from 12 months ECL (Stage 1)	(238)	238	-	-	(98,753)	98,753	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	7,681	(7,681)	-	-	3,029,886	(3,029,886)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(50,160)	62,789	-	12,629	20,336,987	(329,917)	-	20,007,070
New financial assets originated or purchased	12,786	147	-	12,933	7,352,696	3,803	-	7,356,499
Financial assets derecognised	(4,293)	(1,579)	-	(5,872)	(4,382,161)	(57,315)	-	(4,439,476)
Balance at 31 December	**47,297**	**240,687**	**-**	**287,984**	**89,361,596**	**3,764,017**	**-**	**93,125,613**

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Loss allowance - Loans and advances

	Provisions (ECL allowance)				Exposure (Gross balance)			
2021:	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	FRW'000	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Balance at 1 January	**47,734**	**67,210**	**1,855,201**	**1,970,145**	**70,108,353**	**6,089,134**	**2,403,578**	**78,601,065**
Transfer from 12 months ECL (Stage 1)	(35)	35	-	-	(12,826)	12,826	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	1,161	(1,161)	-	-	128,271	(128,271)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remea-surement of loss allow-ance	26,773	103,689	-	130,462	(7,303,737)	914,646	-	(6,389,091)
New financial assets originated or purchased	8,572	18,158	-	26,730	4,980,495	213,584	-	5,194,079
Financial assets derecognised	(2,684)	(1,158)	(1,855,201)	(1,859,043)	(4,777,615)	(23,340)	(2,403,578)	(7,204,533)
Balance at 31 December	**81,521**	**186,773**	**-**	**268,294**	**63,122,941**	**7,078,579**	**-**	**70,201,520**

Prior year disclosure related to ECL for loan commitments and financial guarantee contracts has been updated to reflect the derecognition of gross exposure in stage 3.

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Credit risk analysis on the maximum exposure by Sector and segment

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type of lending (Segment) and sector is presented in the below tables;

	Gross carrying amount (FRW'000)			
2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total Exposure**
Segments				
Business	28,183,614	4,452,457	1,406,195	34,042,266
Corporate	97,803,643	22,446,501	7,649,744	127,899,888
Retail	71,558,459	3,658,144	4,142,394	79,358,997
Total	**197,545,716**	**30,557,102**	**13,198,333**	**241,301,151**

	Allowance for ECL (FRW'000)			
2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Segments				
Business	119,614	704,074	934,300	1,757,989
Corporate	144,151	266,848	2,640,523	3,051,523
Retail	1,179,726	527,834	3,374,204	5,081,765
Total	**1,443,491**	**1,498,757**	**6,949,028**	**9,891,276**

	ECL Coverage %			
2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Segments				
Business	0.4	21.0	66.4	5.2
Corporate	0.1	11.8	34.5	2.4
Retail	1.6	92.2	81.5	6.4
Total	**0.7**	**4.9**	**52.7**	**4.1**

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.1. Credit risk (Continued)
(ii). Amounts arising from ECL (Continued)
Significant increase in credit risk (Continued)
Credit risk analysis on the maximum exposure by Sector and segment

	Gross carrying amount (FRW'000)			
2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total Exposure**
Sector				
Constructions	4,363,664	5,069,374	3,997,448	13,430,487
Wholesale	34,008,351	4,032,619	1,003,741	39,044,711
Transport and communication	30,837,580	1,402,771	214,201	32,454,551
Agriculture	18,740,492	3,670,965	-	22,411,457
Manufacturing	28,772,916	12,723,230	3,805,989	45,302,134
Others	80,822,712	3,658,144	4,176,955	88,657,811
Total	**197,545,716**	**30,557,102**	**13,198,333**	**241,301,151**

	Allowance for ECL (FRW'000)			
2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Sector				
Constructions	1,517	119,000	1,694,555	1,815,073
Wholesale	34,995	704,053	628,645	1,367,693
Transport and communication	162,445	22	214,201	376,667
Agriculture	2,472	-	-	2,472
Manufacturing	815	147,848	1,002,862	1,151,525
Others	1,241,246	527,834	3,408,764	5,177,845
Total	**1,443,491**	**1,498,757**	**6,949,027**	**9,891,275**

	ECL Coverage %			
2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Sector				
Constructions	0	2	70	13.5
Wholesale	1	2	55	3.5
Transport and communication	1	2	54	1.2
Agriculture	0	0	0	0.0
Manufacturing	0	0	41	2.5
Others	2	20	76	5.8
Total	**0.7**	**22.7**	**52.7**	**4.1**

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.1. Credit risk (continued)
(iii)Amounts arising from ECL - continued
Credit risk analysis on the maximum exposure by Sector and segment (Continued)

	Gross carrying amount (FRW'000)			
2021:	**Stage 1**	**Stage 2**	**Stage 3**	**Total exposure**
Segments				
Business	24,391,161	5,830,081	2,466,503	32,687,745
Corporate	103,291,882	17,659,509	3,705,787	124,657,178
Retail	68,071,581	4,227,622	3,754,819	76,054,022
Total	**195,754,624**	**27,717,212**	**9,927,109**	**233,398,945**

	Allowance for ECL (FRW'000)			
2021:	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Segments				
Business	980,755	200,609	1,351,300	2,532,664
Corporate	321,763	514,183	3,363,386	4,199,333
Retail	659,793	755,870	2,828,239	4,243,902
Total	**1,962,311**	**1,470,663**	**7,542,924**	**10,975,898**

	ECL Coverage %			
2021:	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Segments				
Business	4.0	23.2	54.8	7.7
Corporate	0.3	19.0	90.8	3.4
Retail	1.0	66.9	75.3	5.6
Total	**1.0**	**5.3**	**76.0**	**4.7**

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.1. Credit risk (continued)
(iii)Amounts arising from ECL - continued
Credit risk analysis on the maximum exposure by Sector and segment (Continued)

	Gross carrying amount (FRW'000)			
2021:	**Stage 1**	**Stage 2**	**Stage 3**	**Total exposure**
Sector				
Constructions	71,055,826	17,592,146	7,567,097	96,215,069
Wholesale	24,806,522	4,511,408	1,147,221	30,465,151
Transport and communication	28,672,367	1,979,292	166,758	30,818,417
Agriculture	17,705,709	276,521	-	17,982,230
Manufacturing	38,285,629	2,915,708	736,576	41,937,913
Others	15,228,571	442,136	309,458	15,980,165
Total	**195,754,624**	**27,717,211**	**9,927,110**	**233,398,945**

	Allowance for ECL (FRW'000)			
2021:	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Sector				
Constructions	843,174	1,072,651	6,298,184	8,214,009
Wholesale	49,683	146,081	532,272	728,036
Transport and communication	149,726	16,235	52,659	218,620
Agriculture	32,507	5	-	32,512
Manufacturing	9,282	18,397	397,921	425,600
Others	1,056,945	38,288	261,888	1,357,121
Total	**2,141,317**	**1,291,657**	**7,542,924**	**10,975,898**

	ECL Coverage %			
2021:	**Stage1**	**Stage2**	**Stage3**	**Total ECL**
Sector				
Constructions	1.2	35.8	83.2	8.5
Wholesale	0.2	11.8	0.0	2.4
Transport and communication	0.5	2.7	31.6	0.7
Agriculture	0.2	0.0	0.0	0.2
Manufacturing	0.0	13.6	0.0	1.0
Others	6.9	59.2	84.6	0.0
Total	**1.1%**	**4.7**	**76.0**	**4.7**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.1. Credit risk (continued)
(iii)Amounts arising from ECL - continued

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

	Impact: Increase/(Decrease)		
2022	**Stage 1**	**Stage 2**	**Stage 3**
Loans and advances to customers at amortised cost			
Increase in loans portfolio from Corporate and institutional Banking by 19% from New and existing customers	(384,216)	420,338	(416,999)
Stage 3 exposure increase in corporate banking segment			(722,863)
2021	**Stage1**	**Stage2**	**Stage3**
Loans and advances to customers at amortised cost			
Increase in loans portfolio from Corporate and institutional Banking by 10% from New and existing customers	135,643	293,592	624,125
Stage 3 exposure increase in corporate banking segment			1,850,365

The following table provides a reconciliation between the opening and closing balances of loss allowance per class of financial instrument.

(i) Cash and balances with Central Bank	**2022**	**2021**
	FRW'000	**FRW'000**
Balance at 1 January	399	587
Net remeasurement of loss allowance	(176)	(188)
New financial assets originated or purchased	-	-
Financial assets that have been derecognised	-	-
	223	**399**
(ii) Dues from Banks		
Balance at 1 January	22,301	3,414
Net remeasurement of loss allowance	(22,152)	15,899
New financial assets originated or purchased	6,055	2,988
Financial assets that have been derecognised	(6,147)	
	57	**22,301**

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.1. Credit risk (continued)
(iii)Amounts arising from ECL - continued

	2022	2021
(iii) Dues from group companies	**FRW'000**	**FRW'000**
Balance at 1 January	61	42
Net remeasurement of loss allowance	76	19
	137	**61**
(iv) Financial assets measured at fair value through other comprehensive income (FVOCI)		
Balance at 1 January	2,348	4,176
Net remeasurement of loss allowance	10,312	(1,880)
New financial assets originated or purchased	-	237
Financial assets that have been derecognised	(110)	(184)
	12,550	**2,348**
(v) Financial assets at amortized cost		
Balance at 1 January	69,920	59,718
Net remeasurement of loss allowance	(57,115)	4,268
New financial assets originated or purchased	35,707	33,262
Financial assets that have been derecognised	(4,688)	(27,328)
	43,824	**69,920**

38.2. Liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Asset and Liabilities Committee. The Asset and Liabilities Committee (ALCO) also monitors the liquidity gap and at first instance would source funds from market using interbank borrowings and as a last resort, use repo and reverse repo arrangements with the National Bank of Rwanda. The Bank has also arranged for long term funding as disclosed under ***Note 30*** and ***Note 31.***

The liquidity ratios at the reporting date and during the reporting period (based on month end ratios) were as follows;

	2022	2021
At close of the year (at 31 December)	42%	57%
Average for the period	46%	54%
Highest for the period	54%	58%
Lowest for the period	39%	51%
Minimum statutory requirement	20%	20%
Liquidity coverage ratio	339%	504%
NSFR ratio	147%	156%
Cash reserve requirement	4%	4%

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.2. Liquidity risk (Continued)

The table below analyses the undiscounted amounts of financial liabilities and financial assets into relevant maturity groupings based on the remaining period as at 31 December 2022 to the contractual maturity date.

31 Decaember 2022	**Within 1 month**	**Due within 1-3 months**	**Due between 3-12 months**	**Due between 1-5 years**	**Due after 5 years**	**Total**
	FRW'000	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
LIABILITIES						
Deposits from banks	16,094,794	5,937,082	9,675,950	17,007,642	18,441,927	**67,157,395**
Deposits from customers	30,326,041	37,906,372	86,203,483	73,166,874	76,494,379	**304,097,149**
Due to group companies	-	-	-	-	-	**-**
Other liabilities	-	10,276,134	-	-	-	**10,276,134**
Long term debt	-	-	2,504,949	33,312,663	3,816,834	**39,634,446**
Subordinated debt	-	-	11,623,791	-	-	**11,623,791**
Outstanding spot/forward contracts	7,915,352	746,408	8,790,865	767,407	677,139	**18,897,171**
Letters of credit	9,477,488	7,315,967	5,800,329	4,445,009	-	**27,038,793**
Guarantees	1,280,313	14,843,472	20,751,915	10,313,950	-	**47,189,649**
Capital commitments	-	-	1,370,223	-	-	**1,370,223**
Leases	-	-	508,098	325,526	3,900	**837,524**
At 31 December	**65,093,988**	**77,025,434**	**147,229,602**	**139,339,071**	**99,434,179**	**528,122,274**
ASSETS						
Cash and balances with National Bank of Rwanda	16,767,428	-	-	-	-	**16,767,428**
Due from banks	39,760,365	-	11,675,841	11,563,696	-	**62,999,902**
Due from group companies	2,995,560	-	-	-	-	**2,995,560**
Financial assets at fair value through other comprehensive income	-	60,470,600	-	-	-	**60,470,600**
Financial assets at fair value through profit or loss	-	-	1,820,163	-	-	**1,820,163**
Financial assets at amortised cost	1,596,000	7,646,867	32,421,507	26,207,561	44,564,246	**112,436,181**
Loans and advances to customers	12,142,226	11,654,598	51,323,678	169,048,179	134,800,672	**378,969,352**
Other assets	-	-	9,856,340	-	-	**9,856,340**
At 31 December	**73,261,579**	**79,772,064**	**107,097,528**	**206,819,436**	**179,364,918**	**646,315,525**
Liquidity Gap	**8,167,591**	**2,746,630**	**(40,132,074)**	**67,480,366**	**79,930,738**	**118,193,251**

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.2. Liquidity risk (continued)

31 December 2021	Within 1 month FRW'000	Due within 1-3 months FRW'000	Due between 3-12 months FRW'000	Due between 1-5 years FRW'000	Due after 5 years FRW'000	Total FRW'000
LIABILITIES						
Deposits from banks	36,024,684	4,501,486	7,788,181	6,174,990	5,941,427	**60,430,768**
Deposits from customers	75,037,970	30,492,694	78,907,186	43,564,427	38,460,068	**266,462,345**
Other liabilities	-	13,313,408	-	-	-	**13,313,408**
Long term debt	425,099	19,749	11,898,642	5,280,455	33,283,115	**50,907,060**
Subordinated debt	-	-	30,495	10,096,178	-	**10,126,673**
Outstanding spot/forward contracts	-	-	10,374,536	-	-	**10,374,536**
Letters of credit	-	-	19,692,072	-	-	**19,692,072**
Guarantees	-	-	42,538,490	-	-	**42,538,490**
Capital commitments	-	-	31,635,976	-	-	**31,635,976**
Leases	48,259	96,718	432,884	925,474	27,300	**1,530,635**
At 31 December	**111,536,012**	**48,424,055**	**205,670,379**	**66,041,524**	**77,711,910**	**509,383,880**
ASSETS						
Cash and balances with National Bank of Rwanda	30,502,283	-	-	-	-	**30,502,283**
Due from banks	43,879,695	15,975,026	10,110,776	5,055,388	-	**75,020,885**
Due from group companies	1,303,319	-	-	-	-	**1,303,319**
Financial assets at fair value through other comprehensive income	-	56,270,151	-	-	-	**56,270,151**
Financial assets at fair value through profit or loss	-	-	1,354,856	-	-	**1,354,856**
Financial assets at amortised cost	1,957,121	5,807,926	2,135,900	9,754,782	14,225,486	**33,881,215**
Loans and advances to customers	39,581,341	9,242,012	27,050,914	102,695,163	43,853,618	**222,423,048**
Other assets	-	-	3,279,764	-	-	**3,279,764**
At 31 December	**117,223,759**	**87,295,115**	**43,932,210**	**117,505,333**	**58,079,104**	**424,035,521**
Liquidity Gap	**5,687,747**	**38,871,060**	**(161,738,169)**	**51,463,809**	**(19,632,806)**	**(85,348,359)**

Deposits from customers represent business transaction, personal transaction, savings, call and fixed deposit balances, which past experience has elated shown to be stable.

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.2. Liquidity risk (continued)

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Traded market risk: the risk of the Bank being impacted by changes in the level or volatility of positions in the trading book. The bank currently holds financial assets at fair value through other comprehensive income amounting to FRW 53.7 billion (2021: FRW 56.2 billion).

Market risk on the currency swap is based on the differential of the interest rates between the two currency swaps. This interest rate is fixed at the onset of the contract. The Bank holds a derivative financial instrument valued at notional amount of FRW 15.7 Billion (2021: FRW 30 billion).

Management of market risk

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the Bank is managed by the Treasury Department. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolio for risk management purposes.

Overall authority for market risk is vested in the Board. The Finance and Treasury Departments in collaboration with the Risk Management Department are responsible for the development of detailed risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation. Management actively engages with their clients to continually roll forward their deposits.

Exposure to market risks – trading portfolio

The bank holds financial assets at fair value through other comprehensive income amounting to FRW 53.7 billion (2021: FRW 56.2 Billion) that is exposed to market risk. Management adopted the use of the yield curve as it is a better representation of fair value.

The Bank perform interpolation of yield on government securities in comparison to the yields of Bank's financial assets at FVOCI and the results are converted into clean prices of the bonds to determine the basis of the fair valuation.

Below table shows the impact using modified duration approach on Bank's trading portfolios at 31 December 2022 based on a 99% confidence level.

Assumption	Impact on Equity/OCI FRW'000
± 1% movement in the interest rate would cause ± 4.76% decrease in the price	± 2,458,196

Exposure to interest rate risk – non-trading portfolio

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. All of the interest rate risk is due to fair value. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Treasury back office and Finance Department is the monitoring body for compliance with these limits.

38. Financial instruments - Fair values and risk management (continued)
C. Financial risk management (Continued)
38.2. Market Risk
Exposure to interest rate risk

A summary of the Bank's interest rate gap position reflecting assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates is shown below.

31 December 2022	Within 1 month FRW'000	Due within 1-3 months FRW'000	Due between 3-12 months FRW'000	Due between 1-5 years FRW'000	Due after 5 years FRW'000	Non-interest bearing FRW'000	Total FRW'000
ASSETS							
Cash and balances with National Bank of Rwanda	-	-	-	-	-	16,767,428	**16,767,428**
Dues from Banks	38,231,121	-	10,810,964	5,353,562	-	-	**54,395,647**
Loans and advances to customers	46,877,244	5,087,258	27,208,269	109,005,349	43,541,687	-	**231,719,807**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	1,685,336	-	-	**1,685,336**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	213,900	-	17,603,091	35,934,653	-	**53,751,644**
Other financial assets at amortised cost	1,762,080	4,141,433	11,819,520	35,320,463	28,503,153	-	**81,546,649**
Due from group companies	-	-	-	-	-	2,995,560	**2,995,560**
Other assets	-	-	-	-	-	6,307,513	**6,307,513**

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.3. Market risk (continued)
Exposure to interest rate risk (continued)

At 31 December	**86,870,445**	**9,442,591**	**49,838,753**	**168,967,801**	**107,979,493**	**26,070,501**	**449,169,584**
LIABILITIES							
Deposits from banks	10,004,505	47,505,665	-	-	-	4,672,602	**62,182,772**
Deposits from customers	2,980,940	79,804,010	42,065,751	1,935,237	-	168,454,013	**295,239,951**
Other liabilities	-	-	-	-	-	6,813,307	**6,813,307**
Long term debt	14,692	-	29,785,123	-	6,898,746	-	**36,698,561**
Subordinated debt	-	-	10,762,769	-	-	-	**10,762,769**
At 31 December	**13,000,137**	**127,309,675**	**82,613,643**	**1,935,237**	**6,898,746**	**179,939,922**	**411,697,360**
Interest rate gap	**73,870,308**	**(117,867,084)**	**(32,774,890)**	**167,032,564**	**101,080,747**	**(153,869,421)**	**37,472,224**

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.3. Market risk (continued)
Exposure to interest rate risk (continued)

31 December 2021	Within 1 month FRW'000	Due within 1-3 months FRW'000	Due between 3-12 months FRW'000	Due between 1-5 years FRW'000	Due after 5 years FRW'000	Non-interest bearing FRW'000	Total FRW'000
ASSETS							
Cash and balances with National Bank of Rwanda	-	-	-	-	-	30,502,283	**30,502,283**
Due from banks	-	43,174,017	-	-	-	31,846,868	**75,020,885**
Loans and advances to customers	39,752,954	9,276,798	18,942,021	105,190,778	50,309,285	(1,048,789)	**222,423,047**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	1,354,856	-	-	**1,354,856**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	2,123,234	15,309,216	38,837,701	-	**56,270,151**
Other financial assets at amortised cost	1,957,121	5,807,926	2,135,900	9,754,782	14,225,486	-	**33,881,215**
Due from group companies	-	-	-	-	-	1,303,319	**1,303,319**
Other assets	-	-	-	-	-	3,159,069	**3,159,069**

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.3. Market risk (continued)
Exposure to interest rate risk (continued)

At 31 December	**41,710,075**	**58,258,741**	**23,201,155**	**131,609,632**	**103,372,472**	**65,762,750**	**423,914,825**
LIABILITIES							
Deposits from banks	53,207,323	1,557,079	4,000,000	-	-	1,666,366	**60,430,768**
Deposits from customers	48,560,280	33,549,902	41,993,084	53,371	-	142,305,708	**266,462,345**
Other liabilities	-	-	-	-	-	11,383,043	**11,383,043**
Long term debt	425,099	19,749	11,898,642	5,280,455	31,786,383	1,496,732	**50,907,060**
Subordinated debt	-	-	30,495	10,096,178	-	-	**10,126,673**
At 31 December	**102,192,702**	**35,126,730**	**57,922,221**	**15,430,004**	**31,786,383**	**156,851,849**	**399,309,889**
Interest rate gap	**60,482,627**	**(23,132,011)**	**34,721,066**	**(116,179,628)**	**(71,586,089)**	**91,089,099**	**(24,604,936)**

Customer deposits up to three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long-term nature.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that the interest earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Bank's business strategies.

Sensitivity Analysis
A change of 200 basis points in interest rates at the reporting date would have increased / decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

31 December 2022	Profit or loss	Equity net of tax
200 basis points	**Increase/decrease in basis points ('000)**	**Increase/decrease in basis points ('000)**
Assets	8,461,982	5,923,387
Liabilities	(4,635,149)	(3,244,604)
Net position	**3,826,833**	**2,678,783**

31 December 2021	Profit or loss	Equity net of tax
200 basis points	**Increase/decrease in basis points ('000)**	**Increase/decrease in basis points ('000)**
Assets	7,163,042	5,014,129
Liabilities	(4,849,161)	(3,394,413)
Net position	**2,313,881**	**1,619,716**

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.3. Market risk (continued)
Currency Risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's transactional exposure gives rise to foreign currency gains and losses that are recognised in the profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. The table below analyses the currencies which the Bank is exposed to as at 31 December 2022 and 31 December 2021.

At 31 December 2022	USD	GBP	Euro	Other	Total
	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
ASSETS					
Cash and balances with National Bank of Rwanda	3,696,339	154,523	1,233,018	33,015	**5,116,895**
Loans and advances to banks	44,080,357	426,326	9,784,684	104,280	**54,395,647**
Loans and advances to customers	36,336,499	-	63	-	**36,336,562**
Due from group companies	2,363,933	111,900	507,406	12,319	**2,995,558**
Other assets	4,504,886	297	306,042	9,655	**4,820,880**
At 31 December	**130,721,851**	**693,046**	**11,831,213**	**159,269**	**143,405,379**
LIABILITIES					
Deposits from banks	10,779,506	77,979	412,948	-	**11,270,433**
Deposits from customers	82,932,958	514,915	10,887,970	7,752	**94,343,595**
Other liabilities	6,834,978	-	1,603,172	2,433	**8,440,583**
Long-term borrowings	25,079,144	-	-	-	**25,079,144**
Subordinated debt	10,762,769	-	-	-	**10,762,769**
At 31 December	**136,389,355**	**592,894**	**12,904,090**	**10,185**	**149,896,524**
Net on statement of financial position	**(5,667,504)**	**100,152**	**(1,072,877)**	**149,084**	**(6,491,145)**
Net notional off-balance sheet position	**52,272,714**	**-**	**7,558,294**	**2,299,016**	**62,130,024**
Overall net position	**46,605,210**	**100,152**	**6,485,417**	**2,448,100**	**55,638,879**

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.3. Market risk (continued)
Currency rate risk – continued

At 31 December 2021	USD	GBP	Euro	Other	Total
	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
ASSETS					
Cash and balances with National Bank of Rwanda	10,832,935	268,576	1,399,633	25,310	12,526,454
Due from Banks	64,622,684	76,803	10,241,391	80,007	75,020,885
Loans and advances to customers	31,685,664	-	-	-	31,685,664
Due from group companies	1,143,852	68,223	60,871	30,373	1,303,319
Other assets	30,885,947	-	50,676	-	30,936,623
At 31 December 2021	**139,171,082**	**413,602**	**11,752,571**	**135,690**	**151,472,945**
LIABILITIES					
Deposits from banks	8,337,410	-	138,893	-	8,476,303
Deposits from customers	83,756,283	341,434	8,948,361	17,211	93,063,289
Other liabilities	728,221	-	3,001,533	61	3,729,815
Due to group companies	-	-	-	-	-
Long-term borrowings	35,336,622	-	-	-	35,336,622
Subordinated debt	10,096,178	-	-	-	10,096,178
At 31 December 2021	**138,254,714**	**341,434**	**12,088,787**	**17,272**	**150,702,207**
Net on statement of financial position	**916,368**	**72,168**	**(336,216)**	**118,418**	**770,738**
Net notional off balance sheet position	**40,836,760**	**-**	**4,397,246**	**-**	**45,234,006**
Overall net position	**41,753,128**	**72,168**	**4,061,030**	**118,418**	**46,004,744**

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.3. Market risk (continued)
Currency rate risk - continued
Sensitivity Analysis

A reasonable possible strengthening or weakening of the USD, GBP, EUR against the Rwanda Francs (FRW) would have affected the measurement of financial instruments denominated in foreign currency and effected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates remain constant.

At 31 December 2022	Profit or loss Strengthening/weakening of currency	Equity net of tax Strengthening/weakening of currency
	FRW'000	FRW'000
USD (± 2.5% movement)	1,830,523	1,281,366
GBP (± 2.5% movement)	2,526	1,768
EUR (± 2.5% movement)	169,827	118,879

At 31 December 2021	Profit or loss Strengthening/weakening of currency	Equity net of tax Strengthening/weakening of currency
	FRW'000	FRW'000
USD (± 2.5% movement)	1,043,828	730,680
GBP (± 2.5% movement)	1,804	1,263
EUR (± 2.5% movement)	101,526	71,068

38.4. Capital management
Regulatory capital – Rwanda

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the balance sheet, are:

- To comply with the capital requirements set by the National Bank of Rwanda;
- To safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business.

The National Bank of Rwanda (BNR) sets and monitors capital requirements for the banking industry as a whole. In implementing its current capital requirements, BNR, requires Banks in Rwanda to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank's regulatory capital consists of Tier 1 capital and supplementary capital (Tier 2 Capital).

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.4. Capital management (continued)

		2022	2021
		FRW'000	FRW'000
Core capital (Tier 1)			
Share capital		15,150,000	15,150,000
Share premium		6,249,832	6,249,832
Retained earnings		44,866,018	38,335,409
		66,265,850	59,735,241
Less: Other reserves		301,158	606,828
Intangible assets		(1,853,297)	(2,943,460)
Total Core capital		**64,713,711**	**57,398,609**
Supplementary capital (Tier 2)			
Revaluation reserve		486,476	465,474
Loans / Financing provision		4,201,934	3,967,961
Subordinated debt		-	4,038,471
		4,688,410	**8,471,906**
Total capital		**69,402,120**	**65,870,515**
Risk weighted assets			
Operational risk weighted assets		336,154,741	317,436,863
Total risk weighted assets		**336,154,741**	**317,436,863**
Deposits from customers		**295,239,951**	**266,462,345**
Capital ratios	Minimum*		
Core capital / Total risk weighted assets	**10.0%**	**19.25%**	**18.08%**
Total capital / Total risk weighted assets	**15.0%**	**20.65%**	**20.75%**

The minimum level of regulatory capital is FRW20 billion by end 2023 as defined by the National Bank of Rwanda

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.5. Country risk
Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank, directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank. Generally, these occurrences relate, but are not limited, to: sovereign events such as defaults or restructuring; political events such as contested elections or referendums; restrictions on currency movements; non–market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

The Bank's risk management framework incorporates a number of measures and tools to monitor this risk. These measures include: stress testing of concentrated portfolios; various limits by country and a risk rating by country which determines the frequency of a country's review (weekly, bi–weekly, monthly, or quarterly). The country risk is generally identified with the domicile of the legal entity which is the Bank's counterparty, unless the majority of assets or revenues of such entity are located in another country, in which case reference is made to such different country.

38.6. Operational and business risk
Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

38.7. Compliance and regulatory risk
Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Bank incurs financial or reputational risk through imposition of penalties or fines as a result of not adhering to applicable laws, rules and regulations and good market practice (including ethical standards). The Bank's compliance function proactively seeks to enhance compliance risk management and the supporting control framework. The Bank operates in a market where there is a significant level of regulatory change activity, therefore, compliance risk is a key area of focus for Senior Management. The compliance function monitors this risk through reference to metrics relevant to the Bank, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, results of regulatory assessments, and review of results internal audit and external audit reports. Remediation of controls is conducted in a timely manner.

The Compliance function is responsible for establishing and maintaining an appropriate framework of Group compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers. The regulatory quantitative information is disclosed on appendix 1.

38.8. Environmental and social risks
Environmental and social risks are the risks that the Bank could bear the consequences of socio-environmental fall-out of transactions. Such risks could arise from failure of the bank to assess the impacts of activities (of both the group and its clients) which could harm the environment or have negative social impact.

The Bank is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts and is thus committed to ensure that such risks are sufficiently managed through its environmental and social management policy and by adopting the country's labour and environmental laws. The Bank also adheres to international best practice (IFC performance standards and ILO standards as ratified by the Rwanda government).

An environmental and social management system is being put in place to ensure due diligence and monitoring of the environmental and social risk is done efficiently. Compliance to these laws is monitored by the compliance function.

The Directors are responsible for selection and disclosure of the Bank's critical accounting policies and estimates and the application of these policies and estimates.

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.9. Interest rate benchmarking reform
Interbank offered rates ('IBORs') have previously been used extensively to set interest rates on different types of financial transactions and for valuation purposes, risk measurement and performance benchmarking. Following the UK's Financial Conduct Authority ('FCA') announcement in July 2017 that it would no longer continue to persuade or require panel banks to submit rates for the London interbank offered rate ('Libor') after 2021, we have been actively working to transition legacy contracts from IBORs to products linked to near risk-free replacement rates ('RFRs') or alternative reference rates. The publication of sterling, Swiss franc, euro and Japanese yen Libor interest rate benchmarks, as well as Euro Overnight Index Average ('Eonia'), ceased from the end of 2021.

The remaining 'tough legacy' sterling contracts have required protracted client discussions where contracts are complex or restructuring of facilities is required. The publication of 'synthetic' Japanese yen Libor ceased after 31 December 2022. In addition, the FCA announced, in September and November 2022, that one month and six-month 'synthetic' sterling Libor rates will cease to be published from 31 March 2023, and three-month 'synthetic' sterling Libor will cease to be published after 31 March 2024. We have or are prepared to transition or remediate the remaining few contracts relying on 'synthetic' sterling settings, outstanding as at 31 December 2022, in advance of those cessation dates.

For the cessation of the publication of US dollar Libor from 30 June 2023, the bank has implemented the majority of required processes, technology and RFR product capabilities in preparation for upcoming market events. We will continue to transition outstanding legacy contracts through the first half of 2023. We have completed the transition of the majority of our uncommitted lending facilities and continue to make steady progress with the transition of the outstanding legacy committed lending facilities. Transition of our derivatives portfolio is progressing well with most clients reliant on industry mechanisms to transition to RFRs. For the limited number of bilateral derivatives trades where an alternative transition path is required, client engagement is continuing. For certain products and contracts, including bonds and syndicated loans, we remain reliant on the continued support of agents and third parties, but we continue to progress those contracts requiring transition. We continue to monitor contracts that may be potentially more challenging to transition and may need to rely upon legislative solutions. Additionally, following the FCA's consultation in November 2022 proposing that US dollar Libor is to be published using a 'synthetic' methodology for a defined period, we will continue to work with our clients to support them through the transition of their products if transition is not completed by 30 June 2023.

For the Bank's own debt securities issuances, we continue to have instruments in US dollars where the terms provide for an IBOR benchmark to be used to reset the coupon rate if the Bank chooses not to redeem them on their call dates. We remain mindful of the various factors that have an impact on the IBOR remediation strategy for our regulatory capital including but not limited to timescales for cessation of relevant IBOR rates, constraints relating to the governing law of outstanding instruments, the potential relevance of legislative solutions and industry best practice guidance. We remain committed to seeking to remediate or mitigate relevant related risks on our outstanding regulatory capital before the relevant calculation dates, which may occur post-cessation of the relevant IBOR rate or rates.

For US dollar Libor and other demising IBORs, we continue to be exposed to, and actively monitor, risks including:

- Regulatory compliance and conduct risks, as the transition of legacy contracts to RFRs or alternative rates, or sales of products referencing RFRs, may not deliver fair client outcomes;
- Resilience and operational risks, as changes to manual and automated processes, made in support of new RFR methodologies, and the transition of large volumes of IBOR contracts may lead to operational issues;
- Legal risk, as issues arising from the use of legislative solutions and from legacy contracts that the Bank is unable to transition may result in unintended or unfavourable outcomes for clients and market participants, which could potentially increase the risk of disputes;
- Model risk, as there is a risk that changes to our models to replace IBOR-related data adversely affect the accuracy of model outputs; and
- Market risk, because as a result of differences in Libor and RFR interest rates, we are exposed to basis risk resulting from the asymmetric adoption of rates across assets, liabilities and products.

38. Financial instruments - Fair values and risk management (continued)
c. Financial risk management (Continued)
38.9. Interest rate benchmarking reform (Continued)

While the level of risk is diminishing in line with our process implementation and continued transition of contracts, we will monitor these risks through the remainder of the transition of legacy contracts. Throughout 2023, we plan to continue to engage with our clients and investors to complete an orderly transition of contracts that reference the remaining demising IBORs.

The amounts in the below table relate to unreformed financials instruments assets and liabilities (non-derivative and derivative) that provide an indication of the extent the Bank's exposure to the IBOR benchmarks that are due to be replaced. The amounts of trading assets and investment securities are shown in their carrying amount and the amounts of loans and advances to customers are shown at their gross carrying amounts. The amounts of loans commitments are shown at their committed amounts.

Amounts are in respect of financial instruments that:

- contractually reference an interest rate benchmark that is planned to transition to an alternative benchmark;
- have a contractual maturity date beyond the date by which the reference interest rate benchmark is expected to cease; and
- are recognised on the Bank's balance sheet.

The table below provides Financial instruments yet to transition to alternative benchmarks, by main benchmark;

At 31 Dec 2022	USD Libor		GBP Libor		JPY Libor	
	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
Non-derivative financial assets	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Loans and advances to customers	36,336,499	36,336,499				
Investment securities	-	-	-	-	-	-
Loan commitments	52,272,714	52,272,714	7,155,000	7,155,000	1,615,700	1,615,700
Total non-derivative financial assets	**88,609,213**	**88,609,213**	**7,155,000**	**7,155,000**	**1,615,700**	**1,615,700**
Non-derivative financial liabilities						
Long term debt	25,079,144	25,079,144	-	-	-	-
Subordinated debt	10,762,769	10,762,769	-	-	-	-
Total non-derivative financial liabilities	**35,841,913**	**35,841,913**	**-**	**-**	**-**	**-**
Derivative notional contract amount						
Foreign exchange	**14,830,981**	**-**	**-**	**-**	**-**	**-**

39. Events after the Reporting date
39.1. Geopolitical and macroeconomic risks

The Russia-Ukraine war has had far-reaching geopolitical and economic implications. The Bank is monitoring the impacts of the war and continues to respond to the further economic sanctions and trade restrictions that have been imposed on Russia in response. In particular, significant sanctions and trade restrictions imposed against Russia have been put in place by various countries. Such sanctions and restrictions have specifically targeted certain Russian government officials, politically exposed persons, businesspeople, Russian oil imports, energy products, financial institutions and other major Russian companies. In addition, there have been put in place more generally applicable investment, export, and import bans and restrictions. In response to such sanctions and trade restrictions, as well as asset flight, Russia has implemented certain countermeasures. Further sanctions, trade restrictions and Russian countermeasures may adversely impact the Bank, its customers and the markets in which the Bank operates by creating regulatory, reputational and market risks.

Global commodity markets have been significantly impacted by the Russia-Ukraine war and localised Covid-19 outbreaks, leading to continued supply chain disruptions. This has resulted in product shortages appearing across several regions, and increased prices for both energy and non-energy commodities, such as food. We do not expect these to ease significantly in the near term. In turn, this has had a significant impact on global inflation. Relatively mild weather, until recently, and diversification of fuel sources have nevertheless helped regions most dependent on Russian supply to substantially reduce risks of rationing over the winter months. China's policy measures issued at the end of 2022 have increased liquidity and the supply of credit to the mainland China commercial real estate sector. Recovery in the underlying domestic residential demand and improved customer sentiment will be necessary to support the ongoing health of the sector. We will continue to monitor the sector closely, notably the risk of further idiosyncratic real estate defaults and the potential associated impact on wider market, investor and consumer sentiment. Given that parts of the global economy are in, or close to, recession, the demand for Chinese exports may also diminish. Rising global inflation has prompted central banks to tighten monetary policy.

The National Bank of Rwanda has increased its lending rate from 4 percent to 7 percent in efforts to tame the persistent high prices. We continue to monitor our risk profile closely in the context of uncertainty over global macroeconomic policies. Higher inflation and interest rate expectations around the world and the resulting economic uncertainty have had an impact on expected credit losses and other credit impairment charges ('ECL'). The combined pressure of higher inflation and interest rates may impact the ability of our customers to repay debt.

Mitigating actions

We closely monitor geopolitical and economic developments in key markets and sectors and undertake scenario analysis where appropriate. This helps us to take portfolio actions where necessary, including through enhanced monitoring, amending our risk appetite and/or reducing limits and exposures.

We stress test portfolios of particular concern to identify sensitivity to loss under a range of scenarios, with management actions being taken to rebalance exposures and manage risk appetite where necessary.

We regularly review key portfolios to help ensure that individual customer or portfolio risks are understood and that our ability to manage the level of facilities offered through any downturn is appropriate.

We continue to manage sanctions and trade restrictions through use of screening tools, and enhancements to, our existing controls.

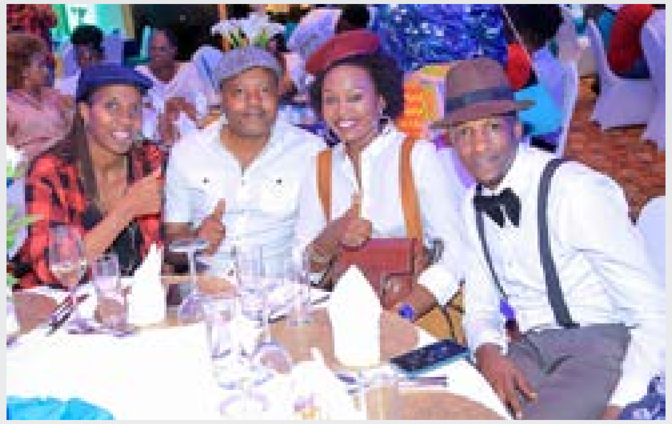
Fraudulent incident

Subsequent to year end, management of the Bank discovered incidents of fraudulent withdrawals through customer wallets amounting to USD 10.3 million during the period 1 November 2022 to 17 January 2023. As of the date of these financial statements, some recoveries have been made and investigations are still ongoing.

	2022	2021
I. Capital Strength	**FRW'000**	**FRW'000**
a. Core Capital (Tier 1)	64,728,521	57,398,611
b. Supplementary Capital (Tier 2)	4,688,410	8,471,906
c. Total Capital	69,416,931	65,870,517
d. Total Risk weighted assets	336,154,741	317,436,863
e. Core Capital/Total risk weighted assets ratio	19.26%	18.08%
f. Tier 2 ratio	1.39%	2.67%
g. Total Capital/Total risk weighted assets ratio	20.65%	20.75%
h. Leverage Ratio	12.34%	11.62%
II. Credit Risk		
1. Total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation	**314,268,373**	**287,522,503**
2. Average gross credit exposures, broken down by major types of credit exposure:		
a) loans, commitments and other non-derivative off-balance sheet exposures:	314,268,373	287,522,503
b) debt securities:	135,298,293	90,151,366
c) OTC derivatives:	1,685,336	1,354,856
3. Regional or geographic distribution of exposures, broken down in significant areas by major types of credit exposure:		
Northern	5,157,158	4,873,522
Southern	2,349,907	2,346,428
Eastern	2,208,951	2,433,866
Western	8,507,404	5,717,499
Kigali City	296,044,953	272,151,188
4. Sector distribution of exposures, broken down by major types of credit exposure and aggregated in the following areas:		
a) Government;	-	183,162
b) financial;	901	252,970
c) manufacturing;	51,138,912	56,219,723
d) infrastructure and construction;	64,485,082	81,909,415
e) services and commerce.	152,148,734	94,873,362
f) others	46,494,744	54,083,870
5. Off Balance sheet items	74,228,443	55,279,996
6. Non-Performing Loans		
(a) Non performing Loans	13,198,333	9,927,109
(b) NPL Ratio	4.20%	3.45%

7. Related Parties				
a. Loans to Directors, shareholders and subsidiaries		5,978,609		6,993,022
b. Loans to Employees		5,619,315		5,271,521
8. Restructured loans				
a. No. of borrowers		1,179		1,761
b. Amount outstanding (FRW '000)		42,925,569		56,160,720
c. Provision thereon (FRW '000) (regulatory):		1,177,987		1,520,671
d. Restructured loans as % of gross loans		13.7%		16.4%
III. Liquidity				
a. Liquidity Coverage ratio (LCR)		339%		504%
b. Net Stable Funding ratio (NSFR)		147%		156%
IV. Operational Risk				
Number and types of frauds and their corresponding amount				
Type	Number	Amount 'FRW000'	Number	Amount 'FRW000'
External - Use of forged payment order	2	54,028		-
Internal - Use of forged payment order				-
Internal - Theft			1	149,589
V. Market Risk				
1. Interest rate risk		2,004,389		2,143,591
2. Equity position risk				-
3. Foreign exchange risk		103,701		326,737
VI. COUNTRY RISK				
1. Credit exposures abroad		53,298,734		61,894,936
2. Other assets held abroad		-		-
3. Liabilities to abroad		41,182,125		53,567,062
VII. Management and Board Composition				
a. Number of Board members		9		9
b. Number of independent directors		6		6
c. Number of non-independent directors		3		3
d. Number of female directors		2		2
e. Number of male directors		7		7
f. Number of Senior Managers		13		14
g. Number of female senior managers		5		5
h. Number of male senior managers		8		9

2022 IN PICTURES

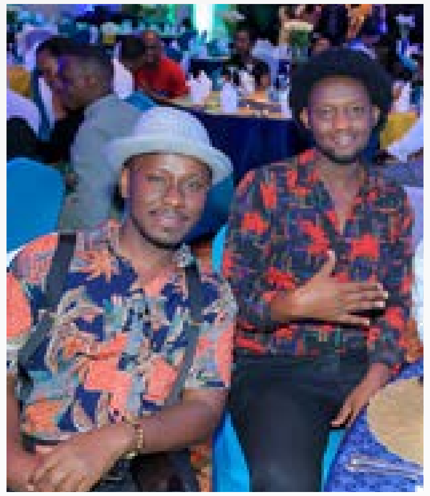












www.imbankgroup.com/rw