I&M BANK (RWANDA) PLC INTEGRATED ANNUAL REPORT AND FINANCIAL STATEMENTS

2023

STRONG FOUNDATION | FUTURE FOCUS

CONTENTS

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;

- Business model
- Strategy
- Governance
- Financial performance

Reporting scope and boundary

Reporting period

The report is published annually and covers the period spanning 1 January 2023 to 31 December 2023. 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 company'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.

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

AT A GLANCE
Financial highlights

1) FINANCIAL PERFORMANCE

Profit before tax

Frw **15.6**Bn

+15%

- Dec 2023 **15.6Bn**
- Dec 2022 **13.4Bn**
- Dec 2021 **10.9Bn**

Total assets

Frw **678.8**Bn

+38%

- Dec 2023 **678.8Bn**
- Dec 2022 **491.3Bn**
- Dec 2021 **466.9Bn**

2) SHAREHOLDER VALUE

Earnings per share

Frw **7.06**

+15%

- Dec 2023 **7.06**
- Dec 2022 **6.15**
- Dec 2021 **6.61**

Return on Equity

14.39%

+3.4%

- Dec 2023 **14.39%**
- Dec 2022 **13.92%**
- Dec 2021 **15.69%**

3) MARKET POSITIONING

Customer loans

Frw **313.9**Bn

+35%

- Dec 2023 **313.9Bn**
- Dec 2022 **231.7Bn**
- Dec 2021 **222.4Bn**

Customer deposits

Frw **539.1**Bn

+51%

- Dec 2023 **539.1Bn**
- Dec 2022 **295.2Bn**
- Dec 2021 **266.5Bn**

4) ASSET QUALITY & CAPITALIZATION

Gross NPL ratio

2.4%

- Dec 2023 **2.4%**
- Dec 2022 **4.2%**
- Dec 2021 **3.5%**

Capital adequacy ratio

18.01%

- Dec 2023 **18.01%**
- Dec 2022 **20.65%**
- Dec 2021 **20.75%**

CORPORATE INFORMATION

AT A GLANCE
Non-Financial highlights

SHAREHOLDERS AND INVESTORS

Share price:
Frw **43** per share

Market capitalisation on Rwanda Stock Exchange:
Frw **65 bn**

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

CUSTOMERS

82,400
Total customers

85%
Transaction done on digital channel vs OTC

92%
Customer Satisfaction Score

EMPLOYEES

467
Total workforce

45-55
Workforce Gender Ratio (Female - Male)

83
Employee Engagement Score Index

SOCIETIES AND COMMUNITIES

FRW **86**Mn +68%
Amount spent on Donations and CSR

REGULATORS

Frw **115.6**Mn
Regulatory Fees Paid

CORPORATE INFORMATION

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 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

OUR BEHAVIOURS

Agile, Candid, Collaborative, Data-driven, Empowered, Risk-intelligent.

OUR CORE VALUES

Courage, Innovation, Integrity, Respect and Trust

CORPORATE INFORMATION

FINANCIAL SERVICES

The Bank provides the following services:

- Commercial Banking (Retail, SME, Corporate & Institutional)
- Treasury (Custody and investment services)
- 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

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**
ii) Payroll services
ii) Online business account opening
iii) Bulk payment
iv) Diaspora Banking
e) Select Banking
f)

TREASURY

Custodial services and Investment services

Foreign Exchange trading

Spot & forward deals

BANCASSURANCE

Insurance intermediary / brokerage services

Professional insurance advisory services

Claims handling services

CORPORATE INFORMATION

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.

OUR LEADERSHIP TEAM

REFLECTIONS FROM THE BOARD CHAIRPERSON

Dear stakeholders, welcome to our Annual Report for 2023.
This past year has been a testament to our unwavering commitment to becoming Rwanda's leading financial partner for growth.

Every business unit within our bank rose to the challenge, achieving significant progress and reaching key milestones along the way. This collective effort has propelled I&M Bank Rwanda to new heights. We closed the year with an excellent turnover of Frw 45.8 billion, a 17% increase compared to 2022. Profit After Tax followed suit with a 15% growth year-over-year, reaching Frw 10.7 billion. This achievement is a landmark for our bank, and a reflection of the trust you, our valued stakeholders, have placed in us.

These figures are not just numbers on a page; they represent the countless Rwandan businesses and individuals we've empowered to achieve their financial dreams. As we move forward, we remain dedicated to serving you better, fostering growth in every corner of this beautiful nation.

"Our focus now centers on driving transformative initiatives that solidify our foundation, unlock promising growth opportunities, and leverage our existing strengths."

OUR DYNAMIC OPERATING ENVIRONMENT

2023 presented both opportunities and challenges for the Rwandan banking sector. Rwanda's economy continued its growth trajectory, fueled by infrastructure investment, sectoral growth in tourism and agriculture, and government initiatives promoting financial inclusion. This led to increased loan demand from businesses and individuals seeking to invest and expand. Additionally, digital banking adoption flourished due to government efforts and rising smartphone penetration.

Global and regional interest rate fluctuations, inflationary pressures, and intensified competition from bank acquisitions, microfinance institutions and fintech companies demanded strategic responses from I&M Bank. We prioritized aligning with the government's vision and continued expanding access to financial services for the unbanked and underbanked. As a global trend, we prioritized strong risk management practices to mitigate potential loan defaults and ensure financial stability.

The devaluation of local currencies cast a shadow by intensifying inflationary pressure and eroding purchasing power, but we successfully navigated inflationary pressures, maintaining interest rates, which highlighted our financial strength.

Fiscal deficit reduction in the last financial year, coupled with strong growth, led to a decrease in Rwanda's debt-to-GDP ratio. The outlook for sustained growth remains positive, with anticipated enhancements in both the fiscal and debt situations over the coming years.

FINANCIAL PERFORMANCE

I&M Bank Rwanda capped off a successful 2023 with a 16% increase in profit before tax (PBT) to reach Frw 15.6 billion. This strong performance, driven by significant revenue growth and a customer-centric approach, resulted in a return to shareholders of Frw 7.06 per share which is a 15% increase from last year.

The Bank maintained its financial strength throughout a dynamic economic environment, evidenced by its continued liquidity, profitability, and capitalization. I&M Bank's total assets also surged by 38% year-on-year, solidifying its market share in loans and advances.

Beyond financial results, I&M Bank Rwanda remained committed to financial inclusion efforts aligned with the government's vision. The Bank also embraced digital innovation by integrating online services for a seamless customer experience, while prioritizing strong risk management practices to ensure financial stability.

The leadership and management teams played a pivotal role in achieving these results, positioning I&M Bank for sustained growth and future success through strategic technology investments and profitability optimization.

THE BANKING SECTOR

Rwanda's banking sector defied socio-economic challenges in 2023, achieving strong growth of 18%.

This success story is underscored by strong revenue and earnings, with average headline earnings surging by 21% year-on-year on the back of increased loan volumes. The financial sector's balance sheet expanded significantly, with total assets growing by 20% year-on-year. This expansion was driven by a 17% rise in both individual and business loans, alongside a 3% increase in investments. Notably, loans comprised a dominant 43% of the overall asset growth.

The sector's deepening financial inclusion is evident in its asset growth surpassing GDP growth, reaching 66.7% of GDP in 2023 (up from 64.9% in 2022). This highlights the expanding role banking plays in financing the Rwandan economy. Despite asset growth, the industry maintained a well-managed average Non-Performing Loan (NPL) ratio of 4.1%, with I&M Bank achieving an even lower ratio of 2.41%.

Increased macroeconomic pressures did lead to higher industry-wide credit impairment expenses exceeding RWF 37 billion, but the sector navigated these challenges effectively. I&M Bank holds a solid 12% market share for assets and deposits, demonstrating a strong presence within the Rwandan banking landscape. However, the bank's overall net revenue market share sits at 9%, indicating potential for further growth.

DELIVERING FOR OUR SHAREHOLDERS

In 2023, we remained committed to creating value for you, our shareholders. This commitment is reflected in the overall return to shareholders of 14.39%. Following the 2022 financial year, we distributed the approved dividend in 2023.

Our focus on driving business growth and profitability remains steadfast. To further demonstrate this commitment, the Board has recommended a dividend payment of RWF 1.41 per share, subject to approval at the upcoming Annual General Meeting. This proposal ensures that a significant portion of our profits is returned to you.

STRATEGY

2023 marked the culmination of our successful three-year strategic plan, iMara 2.0. This period was defined by a relentless focus on innovation, digital transformation, and customer-centricity. These core values fueled the launch of several new products and services, along with significant enhancements to our existing offerings.

Customer satisfaction remained at the heart of iMara 2.0. We strategically invested in technology, data, and digital solutions to broaden access to banking services and streamline the customer experience.

2023 also saw the development of a new roadmap, guiding us for the next three years. This meticulously crafted plan outlines our key business priorities and strategically allocates resources to maximize returns on investment.

The new strategic vision acknowledges the significant shifts in the operating environment since the previous plan. Our focus now centers on driving transformative initiatives that solidify our foundation, unlock promising growth opportunities, and leverage our existing strengths. With this renewed vision in place, I&M Bank Rwanda is well-positioned for continued success in the years to come.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

The increasing prominence of sustainability and climate risk management is reshaping global economies. Financial institutions, businesses, and governments alike are challenged to develop strategies for climate preparedness. Preparing for climate change necessitates recognizing the interconnected web of threats and opportunities it presents. Integrating climate considerations into our business strategy demands a well-trained workforce across all functional areas to assess the effectiveness and resilience of our climate strategies.

Climate risk remains a complex challenge for institutions, investors, analysts, and regulators globally. Data limitations and the potential for misleading or uncertain analytics can further complicate aspects like transactional due diligence, risk exposure calculations, and reporting requirements.

I&M Bank Rwanda is committed to complying with and implementing international climate management standards. These include the Global Reporting Initiative, IFC Performance Standards, the Equator Principles, and relevant local regulations guiding sustainable investment practices.

We believe strong corporate governance practices, processes, and culture are essential for investor confidence, long-term value creation, and stakeholder protection. The Board remains dedicated to enhancing board practices and fostering prudent risk-taking. This includes integrating environmental, social, and governance (ESG) factors into our decision-making processes.

Furthermore, we prioritize diversity and talent development within our leadership team. The recent expansion and strategic appointments to the executive team exemplify this commitment. These measures strengthen our leadership and position the Bank for sustained growth and prosperity, while upholding inclusion and skills development.

In addition to our core business activities, the Bank is actively engaged in Corporate Social Responsibility (CSR) initiatives. We strive to go beyond traditional philanthropy by fostering measurable and long-term positive change within our communities. The Bank is committed to empowering vulnerable populations and equipping them with the tools they need to build a more equitable and inclusive future.

Looking ahead, I&M Bank Rwanda remains committed to navigating the evolving ESG landscape and contributing to a more sustainable and prosperous future.

THE WAY FORWARD

Moving forward, the global economic outlook presents challenges with projected slowdowns and persistent inflation. However, Rwanda's economic momentum remains impressive, with a forecasted growth of 7.2% in 2023 compared to 6.2% the previous year. I&M Bank Rwanda is confident in its ability to not only weather these global headwinds but also drive forward with its new growth strategy "iMara 3.0".

The Board fully supports the transition to a sustainable business model. We are committed to supporting all our customers, from micro-businesses to established institutions, by leveraging our expertise in credit, market analysis, and savings solutions.

Investing in our people is equally important. We will continue to foster a positive work environment that upholds our values, develops our workforce's capabilities, and builds a future-ready team.

Despite a cautious global economic outlook, I&M Bank Rwanda remains optimistic. We are committed to strategic technology investments as a key driver of customer engagement and long-term resilience and profitability optimization while ensuring long-term sustainability.

By focusing on these key areas, we are confident in our ability to thrive in the dynamic Rwandan financial market and contribute to the nation's continued success.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to commend the management team for their unwavering dedication and commitment to achieving service excellence.

We are delighted to welcome Benjamin Mutimura as our new CEO. His leadership and expertise were crucial in navigating the dynamic environment of the past year and driving further growth for the Bank.

To all our stakeholders – shareholders, employees, business partners, customers, and others – we extend our gratitude for your continued trust and support. Your belief in I&M Bank Rwanda is invaluable.

We also commend the Rwandan government for fostering a supportive and forward-looking business environment. This commitment to promoting investment is a cornerstone of the nation's success, and its positive impact was particularly evident this past year.

With gratitude and optimism, I extend my best wishes to you all.

Thank you.

Bonaventure NIYIBIZI
Board Chairman

OUR LEADERSHIP TEAM

BOARD OF DIRECTORS

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

Age: 70
Tenure on Board: Appointed on January 11, 2021
Profile: 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 Chief Executive Officer 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.

Benjamin Mutimura Chief Executive Officer

Age: 46
Tenure on Board: Appointed on July 01, 2023
Profile: Benjamin Mutimura is a highly experienced banker with 16 years in the financial sector. He has held senior positions at I&M Bank (Rwanda) Plc and the Bank of Kigali, including roles as Development Finance Officer, Head of Retail, and Head of Corporate and Institutional Banking. Since 2020, he has been the Chief Commercial Officer at the Bank of Kigali. Mr. Mutimura holds a master's degree in development economics from Louvain La Neuve & Namur University and a bachelor's degree in Economics from the former National University of Rwanda. He is a certified Credit Officer and has completed the Senior Executive Program at Harvard Business School.

OUR LEADERSHIP TEAM

BOARD OF DIRECTORS

Julius Tichelaar Non-Executive Director

Age: 40
Tenure on Board: Appointed on May 8, 2020
Profile: 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

Age: 65
Tenure on Board: Appointed on September 19, 2018
Profile: 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

Age: 65
Tenure on Board: Appointed on February 11, 2019
Profile: Nikhil is the Regional Representative of the Eastern Africa Association, a partner at Kody Africa LLP 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 Non-Executive Director on the board of I&M Bank Kenya, Chairman of the board of GA Insurance Ltd in Kenya and a board member of two private companies - Securex Agencies (K) Ltd and Shalimar Fresh 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.

OUR LEADERSHIP TEAM

BOARD OF DIRECTORS

Alice Nkulikiyinka Independent Director

Age: 58
Tenure on Board: Appointed on April 17, 2019
Profile: Alice is the Chief Executive Officer 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 James Dodd Independent Director

Age: 69
Tenure on Board: Appointed on September 8, 2021
Profile: 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.

Crystal Rugege Independent Director

Age: 45
Tenure on Board: Appointed on November 20, 2017
Profile: 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 Chief Executive Officer. 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.

OUR LEADERSHIP TEAM

BOARD OF DIRECTORS

Kihara Maina Non-Executive Director

Age: 55
Tenure on Board: Appointed on May 22, 2023
Profile: Mr Kihara Maina became the Regional Chief Executive Officer in January 2023. He joined I&M Bank Kenya as the Chief Executive Officer and Board member in May 2016. He holds a Bachelor's degree in Mathematics from Moi University and an Executive MBA from the University of Chicago – Booth School of Business. Mr Maina, began his banking career in June 1993 at Stanbic Bank Kenya then moved to Barclays Bank Kenya in 1997 where he served extensively over the years ultimately taking up senior leadership positions. Prior to joining I&M Bank, Kihara was the Chief Executive Officer of Barclays Bank Tanzania.

Iddy Rugamba Company Secretary

Profile: Iddy has 12 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.

Former Directors who served on the Board within the year

1. Robin C. Bairstow	Resigned effective on 23rd August 2023
2. Christopher Allan Low	Resigned effective on 17th February 2023

OUR LEADERSHIP TEAM

STATEMENT ON CORPORATE GOVERNANCE

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 2023 is as below:

No.	INVESTOR NAMES	Total No. of Shares	Total shareholding (%)
1	BCR INVESTMENT COMPANY LTD	825,252,800	54.47%
2	AFRICINVEST EVERGREEN INVESTMENTS	375,114,000	24.76%
3	FINANCIAL AND STRATEGIC INVESTMENTS GROUP	91,111,000	6.01%
4	RWANDA SOCIAL SECURITY BOARD	74,982,700	4.95%
5	NILE HOLDING COMPANY FOR DEVELOPMENT AND INVESTMENT	30,931,000	2.04%
6	AGDF CORPORATE TRUST LTD	27,888,000	1.84%
7	DYER AND BLAIR INVESTMENT BANK LTD	10,867,500	0.72%
8	RWANDA MOUNTAIN TEA LTD	9,214,500	0.61%
9	GA INSURANCE LIMITED	5,725,000	0.38%
10	ESOP (I&M EMPLOYEES)	4,245,200	0.28%
	OTHER SHAREHOLDERS	59,668,300	3.94%
	TOTAL	**1,515,000,000**	**100.00%**

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)".

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

OUR LEGAL STATUS (CONTINUED)

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 stable 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 Bank and deliver sustainable shareholder value. The Board has ultimate responsibility for the management, direction, governance and performance of the Bank, and leads and oversees the Bank's business. The Board plays a critical role in ensuring that the tone for the Bank'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 Bank'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 2023, 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 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 regarding 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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)
OUR BOARD (CONTINUED)

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.

Like 2022, in 2023, meetings took place in virtual, hybrid, and physical formats. The Shareholders' Annual General Meeting was virtually held for the third time on 24th May 2023. During the year ended 31st December 2023, the Board held four (4) Board meetings several directors attended ad-hoc meetings, Budget discussions 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	STRATEGY AND STEERING	IT	Nomination, Remuneration and Governance
No. of Meetings	4	4	4	4	4	4	4
Bonaventure Niyibizi	4	1	3	4	4	1	4
Crystal Rugege	4	N/A	4	N/A	2	4	4
Alan James Dodd	4	4	4	4	2	N/A	N/A
Kihara Maina	2	N/A	2	N/A	2	2	2
Julius Tichelaar	4	N/A	4	N/A	3	3	4
Paul Simon Morris	4	4	4	4	1	N/A	N/A
Alice Nkulikiyinka	4	4	N/A	N/A	1	4	4
Nikhil Hira	4	4	N/A	4	4	N/A	N/A
Benjamin Mutimura	2	N/A	2	2	2	2	N/A

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)
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 change the Assets & Liabilities Committee (BALCO) to the Strategy and Steering Committee (BSSC). 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, considering 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.

BOARD AUDIT COMMITTEE

Nikhil Hira Chairperson - (Independent NED)

Membership
Alan James Dodd (Independent NED), Paul Simon Morris (Independent NED), Alice Nkulikiyinka (Independent NED)

Role and Responsibility
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 2023, the BAC met four 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 BAC chairman held regular meetings with external auditors.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)
ROLE OF OUR BOARD COMMITTEES

BOARD STRATEGY AND STEERING COMMITTEE

Kihara Maina Chairperson - (NED)

Membership
Crystal Rugege - (Independent NED), Nikhil Hira - (Independent NED), Julius Tichelaar- (NED), Benjamin Mutimura - CEO

Role and Responsibility
BSSC is ultimately responsible for effective strategy management. Its first responsibility is to assist and provide guidance to the Board in fulfilling its responsibilities by considering matters pertaining to the Bank's overall long term strategic direction as well as corporate objectives. The BSSC assists the Board in review of the optimum level of the Bank's capital structure to support the Bank's strategic and financial goals and review the Bank's major and strategic investment decisions.
This committee is not a compulsory committee as per the BNR regulation.
During the year under review, the Committee met four times.

BOARD IT COMMITTEE

Crystal Rugege Chairperson - (Independent NED)

Membership
Alice Nkulikiyinka - (Independent NED), Kihara Maina - (NED), Julius Tichelaar (NED), Benjamin Mutimura - CEO

Role and Responsibility
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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)
ROLE OF OUR BOARD COMMITTEES

BOARD NOMINATION, REMUNERATION AND GOVERNANCE COMMITTEE

Alice Nkulikiyinka Chairperson (Independent NED)

Membership
Crystal Rugege - (Independent NED), Kihara Maina - (NED), Julius Tichelaar - (NED)

Role and Responsibility
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.

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)
ROLE OF OUR BOARD COMMITTEES

BOARD RISK COMMITTEE

Paul Simon Morris Chairperson (Independent NED)

Membership
Alan James Dodd (Independent NED), Crystal Rugege (Independent NED), Kihara Maina (NED), Julius Tichelaar (NED) Benjamin Mutimura (CEO)

Role and Responsibility
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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)
ROLE OF OUR BOARD COMMITTEES

BOARD CREDIT COMMITTEE

Alan James Dodd Chairperson (Independent NED)

Membership
Bonaventure Niyibizi (Independent Board Chairman), Nikhil Hira (Independent NED), Paul Simon Morris (Independent NED), Benjamin Mutimura (CEO)

Role and Responsibility
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.

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. The following table shows the total remuneration of each Director for 2023.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Names	Q1 2023 ($)	Q2 2023 ($)	Q3 2023 ($)	Q4 2023 ($)	Total ($)
Bonaventure Niyibizi	11,053	14,215	13,420	11,420	50,108
Crystal Rugege	8,140	13,140	10,140	11,140	42,560
Alan James Dodd	12,625	19,142	12,130	12,130	56,027
Kihara Maina	-	-	10,140	8,140	18,280
Julius Tichelaar	6,875	13,140	8,875	7,875	36,765
Paul Simon Morris	9,935	18,832	11,935	14,935	55,637
Alice Nkulikiyinka	8,405	15,730	8,405	10,405	42,945
Nikhil Hira	9,900	17,027	10,900	9,900	47,727
Chris Low	9,140	-	-	-	9,140
TOTAL FEES	**76,073**	**111,226**	**85,945**	**85,945**	**359,189**

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 Manager 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.

ANNUAL 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).

STAKEHOLDERS RELATIONS

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.

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.

Benjamin Mutimura Chief Executive Officer

Mr. Benjamin Mutimura is a highly experienced banker with 16 years in the financial sector. He has held senior positions at I&M Bank (Rwanda) Plc and the Bank of Kigali, including roles as Development Finance Officer, Head of Retail, and Head of Corporate and Institutional Banking. Since 2020, he has been the Chief Commercial Officer at the Bank of Kigali. Mr. Mutimura holds a master's degree in development economics from Louvain La Neuve & Namur University and a bachelor's degree in Economics from the former National University of Rwanda. He is a certified Credit Officer and has completed the Senior Executive Program at Harvard Business School

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 40 years.

Dederi Wimana Chief Finance Officer

Dederi is a chartered certified accountant with more than 25 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 21 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

EXECUTIVE COMMITTEE

Pacifique Nkongoli Head Of Credit

Pacifique is a professional Banker with over 18 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)

Cynthia Rwamamara Head Of Internal Control And Compliance

Cynthia is the Head of Internal Control and Compliance with over 17 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 7 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 19 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 19 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 8 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.

Steve Mutsinzi Head Of Automation And Ecommerce

Steve is a professional banker with 17 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 15 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 National University of Rwanda. She has built skills in Audit, Accounting, Governance, Risk Management, Leadership, Strategic management and Bank operations.

Former EXCO member who served within the year

Robin C. Bairstow	Resigned effective on 23rd August 2023
Olivier Gakuba	Resigned effective 15th December 2023

OUR STRATEGY

OUR STRATEGY (CONTINUED)

REVIEW OF OUR STRATEGY - IMARA 2.0

I&M Bank Rwanda successfully concluded the second phase of its iMara strategy in 2023. Launched in 2021, iMara 2.0 aimed to propel the growth of emerging businesses by diversifying revenue streams and scaling new businesses. Here's a look back at our key focus areas and how they align with our commitment to serving stakeholders:

WHERE TO PLAY

SEGMENT

Strategic Choice Adopted

- Diversified segment strategy (Corporate, SME and Consumer) with distinctive propositions
- Expand into MSME
- Growth in mid-tier consumer space through cash-flow based lending

Achievement

- Rolled out new MSME and retail CVPs, leading to growth in Business, customer base, and strategic partnerships
- MSME business revamped,
- Process Automation, Retail Loan Center and Digital onboarding.

HOW TO PLAY

NEW BUSINESS LINES

Strategic Choice Adopted

- Develop solutions that compliment and offer value enhancement to current offerings
- Provide an overall improved client experience across all their financial needs

Achievement

- Development and roll out of novel products, earned market share & new income streams e.g; bancassurance, merchant acquiring and ecosystem.

DIGITIZATION & INNOVATION

Strategic Choice Adopted

- Become Digital to the Core
- Expand service offerings by partnering with various Service Providers / Fintechs

Achievement

- SPENN interoperability, online customer onboarding and online loan Application
- Enhancement of strategic Partnerships through Automation

PEOPLE & CULTURE

Strategic Choice Adopted

- Focus on building world class leadership, talent upskilling and modernizing its HR practices
- Manage the organizational dynamic and culture to scale and sustain transformation

Achievement

- Implementation of Culture Transformation initiative.
- Hi-Po & Manager's learning development Working from home policies

OUR STRATEGY (CONTINUED)

IMARA 3.0 - BUILDING ON OUR STRATEGIC ACHIEVEMENTS

Anchored in our proven business model, we look to reaffirm our vision – making a lasting impact in the lives of all our stakeholders.

Moving forward, the Bank's focus is evolving beyond traditional segmentation to enhance its service to customers and their ecosystems. This entails leveraging both traditional channels and digital platforms to deliver a seamless, value driven experience.

ASPIRATION

RWANDA'S LEADING FINANCIAL PARTNER FOR GROWTH

STRATEGIC PILLARS & INITIATIVES

1. **Develop Leadership in our Core Segments (Corporate & Commercial)**
2. **Build Relevance in Emerging customer Segments (Retail & SME)**
3. **Become a market leader in ecosystems**

ENABLERS

- Brand Relevance
- Leverage Group Synergies
- Resilience
- Digitization
- Cultural Transformation

KPIs

- PBT
- Net Promoter Score
- % of Digitally Active customers
- % of revenue from new business initiatives
- Employee engagement
- No of lives impacted

INTERVIEW WITH OUR CEO

Looking back, what stands out the most about I&M Bank Rwanda's FY2023?

I&M Bank Rwanda truly made its mark in FY2023! It marked the successful completion of iMara 2.0, I&M Bank Rwanda's strategic plan. This strategic phase, saw the Bank deliver a strong financial performance, fueled by disciplined execution, a commendable organizational culture, and sound corporate governance.

At the heart of iMara 2.0 was a customer-centric approach. Through strategic investments in technology, data, and digital solutions, we broadened access to banking services and made the banking experience simpler and more enjoyable. This focus on digital transformation bared fruits, with a remarkable 86% customer adoption rate for our digital channels. This shift in customer behavior is evident in the surge of digital transactions, reaching 85% of all bank transactions in 2023.

The iMara 2.0 strategy, centered on innovation, customer experience, and strategic partnerships, yielded impressive results, unlocking nine new revenue streams, and contributing an average of 10% annually across business segments. This translated to significant market share gains. Total Net Revenue: 9%; Loans and Advances: 11%; Deposits and Assets: 12%. The Bank maintained its leading position in foreign exchange trade (second-best market share), fueled by Rwanda's economic recovery, particularly in tourism and trade.

This accomplishment is even more impressive considering the challenging global environment in FY2023. Currency devaluation, inflation, and constrained liquidity presented significant hurdles. However, I&M Bank Rwanda demonstrated remarkable resilience. Strategic investments in technology allowed us to connect with modern consumers, positioning us for future profitability and growth.

"We closed the year with an excellent turnover of **Frw 45.8 billion**, a **17% increase** compared to 2022. Profit After Tax followed suit with a **15% growth** year-over-year, reaching **Frw 10.7 billion."**

What were the key operational and commercial achievements of I&M Bank Rwanda in FY2023?

Throughout the year, the Bank sustained strong performance, with our Profit before tax increasing by 16 percent year-on-year to RWF 15.6 billion. Key drivers of this growth included a 10 percent surge in net interest income, fueled by a 35 percent expansion of our loan book, and a 23 percent increase in fees and commissions income, driven by digital transactions.

Our commitment to digital adoption was evident as 85 percent of all transactions were conducted digitally, contributing to overall revenue growth. Revenue from foreign currency trading also rose by 74 percent, supported by increased trading volume and strong customer relationships.

Despite a rise in total operating expenses by 18 percent, attributed to investments in human capital development and digitization, we successfully reduced net impairment losses by 17 percent, demonstrating effective credit risk management.

Operational metrics reflected our solid performance, with a 35% increase in our loan portfolio, demonstrating our commitment to supporting Rwanda's economic development. Customer confidence is also reflected in a 51% rise in deposits, solidifying our position as a trusted financial partner in Rwanda. Our Non-Performing Loan (NPL) ratio decreased from 4.2 percent to 2.4 percent, showcasing our effective risk management practices.

In terms of capital adequacy and liquidity, our Tier I and total CAR remained robust at 16.65 percent and 18.01 percent respectively. Despite a decrease in the liquidity coverage ratio due to maturing deposits, overall liquidity stability was maintained, supported by strong liquidity in foreign currency assets.

Our cost-to-income ratio remained stable at 62.79 percent, reflecting continuous investment in information systems to support strategic initiatives.

Overall, our financial performance in 2023 reflects unwavering dedication to financial excellence, strategic foresight, and resilience in a dynamic business landscape.

Has I&M Bank Rwanda made significant progress toward its goal of becoming Rwanda's Leading Financial Partner for Growth in FY2023?

The Bank played a vital role in fostering Rwanda's thriving entrepreneurial landscape through impactful partnerships. Our collaboration with SIDA secured a $5 million portfolio guarantee specifically designed to accelerate the growth and resilience of MSMEs. This initiative will unlock greater financial access for qualified MSME customers by mobilizing lending and easing collateral constraints. Additionally, partnering with FMO through the NASIRA Portfolio Guarantee strengthens our commitment to MSME development by increasing lending to underserved demographics like smallholder farmers, youth, and women entrepreneurs. This targeted approach aligns perfectly with our vision of delivering tailored financial solutions.

Leveraging our partnerships and customer focus, the Bank launched groundbreaking initiatives designed to empower businesses. The “Agiserera na I&M Bank” campaign offers tailored financing solutions for local enterprises, revolutionizing the business landscape by addressing their diverse asset financing needs. Furthermore, the "Iyubake" campaign provides MSMEs with an opportunity for growth by facilitating access to financing. Businesses can leverage the value of their houses to qualify for loans, unlocking resources for expansion and development.

To further empower MSMEs and remove barriers to their success, I&M Bank Rwanda joined forces with Old Mutual to introduce “Icyashara” and “Heza Care” – groundbreaking insurance solutions designed to address specific challenges faced by small and medium-sized enterprises.

In collaboration with the Rwandan Embassy in the Nordic Countries, we launched a targeted customer engagement campaign specifically designed for the Rwandan diaspora community. This initiative showcases our innovative diaspora customer value proposition, successfully on-boarding hundreds of customers, including businesses. This ongoing engagement empowers Rwandans abroad to reconnect with their roots through a trusted financial partner, and we're excited to expand this initiative globally.

2023 saw significant investment in our human capital, focusing on professional development, workforce diversity, and creating a positive work environment. Partnering with Women in Finance Rwanda and CISI, we proudly awarded scholarships to 20 women, including four from our Bank, enabling them to pursue professional qualifications in Sustainable and Responsible Investment and Fundamentals of the Financial Sector.

Leveraging our collaboration with the Rwanda Banker's Association, a dedicated group of staff members (from junior officers to middle-level managers) successfully graduated from the Rwanda Finance Academy Levels 1 and 2 programs. This achievement adds to the impressive roster of 29 previous graduates, underlining our ongoing commitment to employee growth.

Underscoring our vision as an employer of choice, we partnered with Nielsen to conduct an employee engagement survey. Our results demonstrate continued high employee engagement, morale, and trust in leadership, with an impressive 83% engagement score.

Does I&M Bank Rwanda's new strategy align with its long-term vision for growth?

I&M Bank Rwanda's new strategic roadmap aligns seamlessly with our long-term vision for growth. Recognizing significant shifts in the operating environment, we concluded the successful iMara 2.0 strategy. This led to the meticulous creation of a new three-year vision iMara 3.0 prioritizing transformative initiatives that solidify our foundation, unlock promising opportunities, and leverage existing strengths – all critical elements for sustainable growth.

Expanding our reach is a key pillar of this strategy. We're strategically bridging gaps in our current network by establishing new branches in Kigali and secondary cities. This targeted expansion increases access to financial services, driving customer acquisition and growth.

2023 saw an intensification of competition within the banking sector, with acquisitions and banks driving up industry depreciation costs through branch expansion and digital investments. We anticipate this competitive pressure to continue as players leverage cutting-edge technologies to deliver innovative value propositions. Navigating this increasingly competitive landscape will be crucial for success.

Furthermore, the new strategy empowers local decision-making. An improved operating model grants local branches greater authority. This fosters a more responsive and customer-centric approach, ultimately enhancing customer satisfaction and loyalty – key drivers of long-term growth.

In essence, the new strategy focuses on building a stronger foundation, capturing new opportunities, and prioritizing customer experience – all essential ingredients for achieving our long-term vision for growth.

I&M Bank Rwanda has emphasized its commitment to sustainability. Can you elaborate on how sustainability is integrated into the new strategy? Additionally, how is I&M Bank Rwanda addressing the growing concerns around environmental, social, and governance (ESG) factors?

Moving beyond traditional Corporate Social Responsibility (CSR), I&M Bank Rwanda's new strategy prioritizes impact alongside financial success. We're actively integrating Environmental, Social, and Governance (ESG) principles into our daily operations, transitioning towards sustainable banking practices.

At I&M Bank Rwanda, sustainability is the cornerstone of everything we do. It's woven into our business strategy, guiding every decision and action. From fostering financial inclusion and empowering local communities to minimizing our environmental footprint and promoting ethical practices, we are committed to making a positive impact that transcends mere financial performance.

Our commitment is clear. We actively participated in developing the groundbreaking Rwanda Sustainable Finance Taxonomy championed by Kigali International Financial Center (KIFC). This landmark initiative, the second of its kind in Africa and the first to include agriculture, will channel financial resources towards green and sustainable projects. This is a game-changer, accelerating Rwanda's progress towards a greener future.

Our ambition extends beyond financial results. We're aiming to positively impact over 2 million lives by 2026. This ambitious goal will be achieved through targeted investments in initiatives aligned with 13 of the UN's Sustainable Development Goals. By tackling critical local environmental and social challenges, we're taking a comprehensive approach to building a more sustainable future for Rwanda, one where economic prosperity and social well-being go together.

This year's integrated annual report marks a significant milestone as we present our first comprehensive account of I&M Bank's sustainability efforts and achievements. Sustainability isn't just a corporate initiative; it's a core value, reflecting our dedication to creating long-term value for all stakeholders – customers, employees, shareholders, communities, and the environment.

Given the momentum from FY2023, what are the prospects for I&M Bank Rwanda in FY2024?

Looking ahead to 2024, I&M Bank Rwanda is positioned for promising prospects, building upon the momentum achieved in FY2023. Our strategic focus is on enhancing market position and driving sustained growth, with a strong foundation already established. We are dedicated to bolstering our presence in core segments and capitalizing on opportunities in emerging markets.

Building on our impressive 2023 performance, we've set ambitious yet achievable long-term targets, striving for an 18% ROE and a 17% CAGR for PBT by 2026. These targets prioritize creating value for our shareholders.

Our new strategy strengthens our position in core segments while capitalizing on exciting opportunities in emerging markets. In the Corporate segment, key initiatives will solidify our leadership by driving increased cross-selling and attracting new clients. Sustainability remains a core value, and we'll promote sustainable banking practices across our entire value chain.

For the Retail and SME segments, we'll refine our value propositions and optimize our distribution network to better serve these markets. Strategic partnerships will be key to driving lending in sectors like agriculture, women's entrepreneurship, youth initiatives, and solar energy.

We aim to become a market leader in ecosystems by building a robust framework, identifying high-potential partners, and creating seamless, digital customer journeys. This will unlock significant potential for growth across our balance sheet, revenue, and customer acquisition.

We are proud of our recent achievements, including being awarded the Best taxpayer by Rwanda Revenue Authority and recognized as Rwanda's Best Bank for the third consecutive year by Capital Finance International in 2023. This recognition underscores our unwavering commitment to customer satisfaction through decentralized sales strategies, digitalization, and robust credit and risk management practices.

Our commitment to continuous investment in our people, technology, and communities reflects our long-term vision. We're dedicated to leveraging technology and information management systems effectively, with robust processes to manage emerging data protection risks. These investments will fuel further growth and solidify I&M Bank Rwanda's position as Rwanda's leading financial partner for growth in FY2024 and beyond.

We express our sincere gratitude to our dedicated employees, valued customers, the investment community, regulators, and all stakeholders. Together, we are confident in solidifying our role as Rwanda’s leading financial partner for growth.

Thank you.

Benjamin MUTIMURA
Chief Executive Officer

SUSTAINABILITY REPORT

1. Introduction

This inaugural Sustainability Report from I&M Bank Rwanda PLC provides a detailed overview of non-financial performance and disclosures for the financial year 2023. It complements the comprehensive presentation of the overall Bank's performance in both our Integrated Report and Financial Statements.

The report emphasizes the Bank's dedication to integrating Environmental, Social, and Governance (ESG) principles into all aspects of its operations and functions, in line with our shared commitment to advancing the Sustainable Development Goals.

To align with both the fundamental principles of the UN Global Compact, of which we are a signatory, and the guidance provided by the National Bank of Rwanda on addressing climate-related financial risks, the information presented across various disclosure categories reaffirms the Bank's commitment to engaging with stakeholders responsibly and transparently.

This report was developed by adhering to the Core Reporting option of the Global Reporting Initiative (GRI) standards and following the recommendations of the Taskforce for Climate-Related Financial Disclosures. These two standards are widely recognized for providing comprehensive global climate-related and sustainability reporting guidelines. To enhance transparency. It's important to note that GRI has not certified this report. Additionally, the report drew upon other standards, such as the IFC performance standards and the Equator Principles, that guide the Bank's sustainable investment practices.

The foundational findings and objectives emphasized in this inaugural sustainability report align with the requirements of climate change mitigation and adaptation, social inclusivity, and ethical business practices at local, national, and international levels. I&M Bank Rwanda PLC is enthusiastic about using its influential position as a mindful market leader and collaborator to help achieve a low-carbon economy and promote sustainable investment in Rwanda.

This report has undergone review and approval by the I&M Bank Rwanda PLC Board of Directors.

1.1. Strategic Aspiration

Consciously develop an image of an institution genuinely interested in long-term relationships, being proactive and responsive to customers' requirements and expectations.

1.2. Bank Awards

I&M Bank (Rwanda) Plc's quality and impressive growth, as well as progressive management practices, have been recognized with many awards over the years. We are a regular recipient of several awards in the annually held Banking Awards Ceremony in Nairobi, including several awards for Product Innovation and for the Most Efficient Bank. We have also been recognized in several Company of The Year Awards in every year that we have participated in them.

OUR STRATEGY (CONTINUED)

SUSTAINABILITY REPORT (CONTINUED)

2. Customer Experience Outlook

2.1. Introduction

Embracing sustainability involves going beyond conventional practices and looking into every facet of our operations, including our interactions with those we serve. We aspire to be the best Bank in customer experience, and our 6 core pillars are summarized by the unifying banner *"Customer First"* or *"C-FIRST"* pivotal in the delivery of our aspiration. The Bank prioritizes:

- Effective **Communication:** fostering clarity, conciseness, and transparency in our dialogues.
- **Feedback**: We proactively seek customer and stakeholder feedback to gain insights and continually enhance our services.
- **Innovation**: We embrace innovation by leveraging cutting-edge technologies and striving to improve existing processes, systems, and the development of market-leading products and services.
- **Reliability**: We operate with unwavering **reliability, ensuring to always meet our customer promises while** prioritizing
- **Speed:** to ensure we have leading market turnaround times.
- **Togetherness:** we cherish cultivating an environment of collaboration amongst all stakeholders – both internal teams and with our customers.

2.2. Customer Experience Highlights

The net promoter score (NPS) and customer satisfaction score (C-SAT) are metrics used by the bank to track our customer experience. While NPS measures the willingness of customers to recommend the business, CSAT measures customers' satisfaction level with the business.

	FY 20	FY 21	FY 22	FY 23
NPS	80.9%	92.6	91	92

Our NPS score has been significantly increased due to the permanent solution that the bank had put in place to seamless service and resolve repetitive complaints like loan delay and push Pull, that were there. Introduction of platforms like Online Account opening and instant card issuance to enhance service experience. Regular customer service training to remind everyone of our aim which is Customer Delight.

SUSTAINABILITY REPORT (CONTINUED)
2. Customer Experience Outlook (Continued)
2.3. NPS Per segment

Segment	Sample (n)	NPS	Positive Drivers	Negative Feedback (Causes of detraction)
Retail Banking	6490	70	• Good Customer Service • Staff expertise. • Good CDM Machine • Brand. • Speed of service/Fast service • Good online account opening process • Brand • Service Fulfilment	• Pricing/ High loan interest • Delayed Loan service • Long service at Branch • Sometimes Delayed OTPs • Non-responsiveness from some ARM calls
Corporate Banking	449	100	• Good Customer Service (100%) • Brand • Staff Expertise: Friendly, helpful, knowledgeable and professional staff • Speed of service/Fast service & reliability	• Scarcity of dollars which affects transfers
Business Banking	368	98	• Good Customer Service • Speed of service/Fast service • Friendly, Helpful and Professional staff • Call center support • Brand • Good Relationship management	• Scarcity of dollars which affect transfers • Long service time at branch • Delays-Credit Cards application for Business, • Pricing

The positive drivers behind our NPS and CSAT stem from various factors. These factors include our secure, seamless, and user-friendly online banking platform. Likewise, our branches and contact center also offer a positive in-person experience while our customers commend our adaptability to customer needs and swift response to inquiries. Moreover, our transparent, trustworthy dealings and wide range of financial products tailored to individual needs contribute to the overall reliability and suitability of our service, ensuring customers have access to the necessary tools and resources for their financial well-being.

Speed of service is key to customer experience, and in line with that, the bank has continuously endeavored to provide market-leading turnaround times. I&M boasts of the best turnaround times in customer onboarding, payments, lending, and trade services.

2.4. Ongoing Customer Service Initiatives

In 2023, our efforts have been focused on real-time customer feedback based on key customer journeys. These included:

- Onboarding (Retail & Corporate account opening),
- Payment (RTGS and international),
- Unsecured personal lending
- Channels (online banking, Contact Centre, Courier Card Delivery, ATM, CDM & POS) process experiences.

We continuously track the experience of the above journeys, and this unique model has allowed us to identify customer concerns and issues, leading to faster resolution and increased customer satisfaction. This model has also led to enhanced customer engagements, increased opportunities for continuous improvements, and proactive decision-making following the sharing of valuable real-time customer insights.

SUSTAINABILITY REPORT (CONTINUED)
2. Customer Experience Outlook (Continued)
2.5. I&M Bank (Rwanda) Plc Complaints Management

I&M Bank (Rwanda) Plc has set up stringent Complaint Management Standards that ensure effective resolution of customer complaints, resulting in improved customer service levels.

The Complaints Management process is modelled on the key principles of:

- Customer Focus,
- Visibility,
- Accessibility,
- Responsiveness,
- Objectivity and Fairness,
- Confidentiality,
- Competence,
- Compliance,
- Review and Remedy.

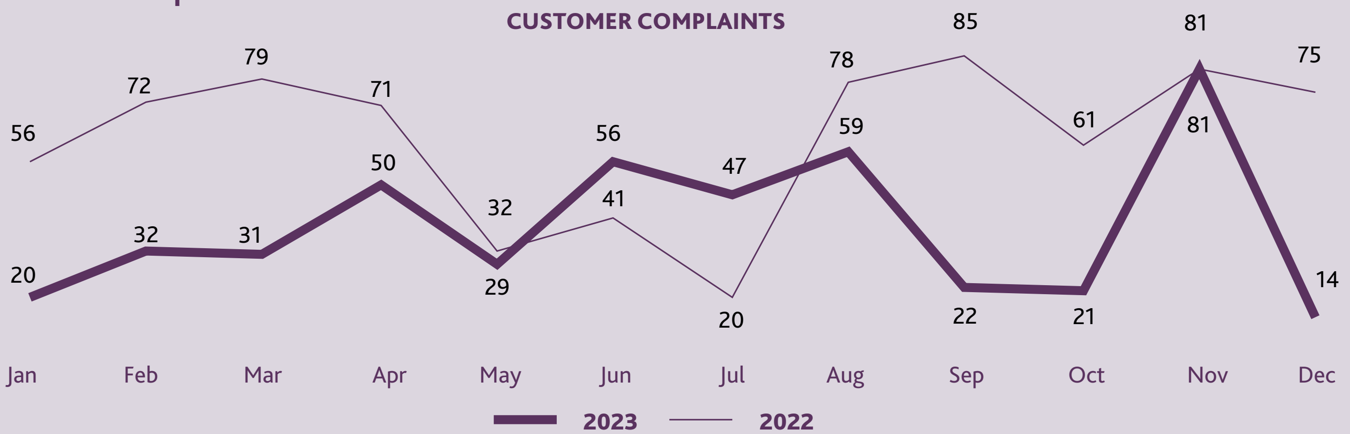
Additionally, on the back end, the bank has invested in a robust complaints management system that ensures all complaints are handled efficiently.

2.6. Top Complaints

Our top complaints in 2023 have been:

- Bank charges
- ATM issues (other banks)
- Loan delay
- Loan charges

Customer Complaints Resolution Performance



We continue to observe an improvement in the resolution performance putting us on track to be the best in class when it comes to our turnaround time and turning poor customer experience into great experiences.

SUSTAINABILITY REPORT (CONTINUED)

2. Customer Experience Outlook (Continued)

2.7. Consumer protection update

This year, we prioritized strengthening consumer protection through several key initiatives:

2.7.1. Accessibility and Transparency:

- All bank forms and contracts are now translated into Kinyarwanda for better understanding.
- Our service charter, outlining your rights and our commitments, is readily available at all branches and on our website.
- We uploaded our tariff and fee structure to the Web comparator system, allowing for easy price comparisons.

2.7.2. Compliance and Reporting:

- We have implemented policies covering fair treatment, pricing, customer care, service delivery, and customer empowerment, all approved by the Board and submitted to the Central Bank.
- Regular surveys are conducted and submitted to the Central Bank, alongside quarterly reports on consumer protection and Market Conduct Discipline (MCD) self-assessment.
- We update the Web Comparator system quarterly to ensure continued fairness and transparency.

2.7.3. Building a Culture of Fair Treatment:

- We established a clear complaint handling procedure, communicated through various channels, including a Messenger Chatbot on our website for easy reporting and immediate assistance.
- A central Complaint Management System (Mantis) allows both staff and customers to lodge and track complaints effectively.
- We invest in employee education, encouraging them to utilize the complaint system for continuous improvement.
- A dedicated service committee regularly reviews complaint reports to identify areas for enhancement.
- Looking forward, we acknowledge the September 2023 update to the Competition and Consumer Protection policy, and we fully embrace its focus on emerging trends like digital finance and online consumer protection. Our commitment remains steadfast: adhering to evolving regulations, strengthening customer engagement and communication, and empowering consumers through financial literacy initiatives.

By prioritizing these measures, we aim to build trust and confidence, allowing you to make informed financial decisions.

3. Environmental Governance

3.1. Environment & Carbon Footprint

The I&M Bank (Rwanda) Plc is firmly committed to promoting sustainable business growth by integrating ESG principles into our business model and daily operations. Our sustainability strategy is centered on achieving positive environmental, social, financial, and economic outcomes in all the markets where we operate, aligning with our Brand Promise to move beyond mere financial solutions and pursue sustainable business growth with all our stakeholders.

Our environmental data collection practices within the Bank adhere to ESG guiding principles and reporting standards that are consistent with the United Nations Sustainability development goals, (SDGs), the Global Reporting Initiative (GRI), the Taskforce for Climate-related Financial Disclosures (TCFD), and the National Environment and climate targets in our operational markets.

Our resilient culture of sustainability is characterized by a shared belief in the importance of balancing economic efficiency, social equity, and environmental responsibility. We nurture this culture through a combination of formal and informal awareness initiatives aimed at engaging our staff, board members, and other stakeholders in the pursuit of positive environmental outcomes.

3.2. Green Buildings

The head office of I&M Bank's (Rwanda) Plc, is a structure designed with a strong emphasis on environmental considerations, ensuring both visual appeal and comfort for occupants and visitors. Notably, the Head office, boasts a substantial rooftop solar installation with an energy production capacity of 166.212 MWh for the year 2023, resulting in the avoidance of 291.15t CO_2 emissions since commissioning the solar system in June 2021. Additionally, the building's roof allows natural light to penetrate the atrium. The building is designed with an open roof on the sides allowing natural ventilation from the rooftop all the way to the ground floor area and this reduces energy consumption while enhancing the property's value.

SUSTAINABILITY REPORT (CONTINUED)
3. Environmental Governance (Continued)
3.2. Green Buildings (Continued)
I&M Bank (Rwanda) Plc Headquarters

Furthermore, the building has implemented a secure waste management model that adheres to the principles of reduce, reuse, and recycle (3R), contributing to its eco-friendly operation. In addition to this, our integrated water management systems incorporate treating the wastewater and reusing it in gardening, ensuring efficient and sustainable water usage and management practices.

3.3. Resource use efficiency

3.3.1. Paper use

The Bank has adopted various measures to decrease paper waste and minimize its carbon footprint in alignment with our digital growth strategy. These actions encompass practices such as double-sided printing, promoting the use of electronic document sharing, and relying on online working platforms to facilitate real-time information sharing, thus enhancing productivity and efficiency.

In 2023, I&M Bank's (Rwanda) Plc formed a partnership with COPED LTD, for waste Management company, to serve as an authorized collection waste. Additionally, we are in the process of reviewing our procurement procedures to incorporate environmental and social assessment criteria when evaluating potential suppliers.

3.3.2. Water use management

We acknowledge the potential impact of our operations on local water resources and are committed to reducing our environmental footprint. To achieve this, we actively monitor our water consumption, upgrade our systems for better water efficiency, and contribute to water conservation efforts in the regions where we operate. Our dedication to environmental stewardship drives us to encourage responsible and collaborative actions that lead to positive conservation results.

During this reporting period, I&M Bank (Rwanda) Plc's utilized 178,246.5 cubic meters of water. Notably, the I&M Bank (Rwanda) Plc Head office building has implemented water-sensor technologies to ensure a reduction in water wastage, and we have a 30,000 cubic meters rainwater harvesting tank.

3.3.3. Energy Consumption

In alignment with our strong commitment to sustainability and our comprehensive monitoring and reporting of Scope 1, 2, and 3 carbon emissions, our organization places a significant focus on implementing energy-efficient practices.

We have already taken the initial steps in monitoring our energy consumption for I&M Bank (Rwanda) Plc, which stood at a baseline energy consumption of 171.782 MWh in 2022 and 166.212 in 2023. Our intention is to further develop our data-driven approach to inform and enhance our energy management strategy and set emission reduction targets. Consequently, we are actively working on the development of carbon accounting and resource utilization data collection and management processes. These efforts will ultimately equip us with the means to calculate our carbon emissions.

Environmental and social (E&S) risks encompass both human-induced and natural environmental elements that can result from business activities. These risks can manifest as environmental issues like deteriorating water quality, the accumulation of solid waste, climate change implications, and biodiversity loss. Additionally, they can lead to social concerns such as substandard working conditions, violations of fundamental rights, and non-compliance with established labor laws. It's important to acknowledge that E&S risks can emerge either directly or indirectly from our business operations, investments, and supply chain. Both direct and indirect impacts on communities have the potential to result in operational risks, reputational risks, and credit risks.

SUSTAINABILITY REPORT (CONTINUED)
3. Environmental Governance (Continued)
3.3.4. Sustainable Finance
In 2023, we implemented an Environmental and Social Management System (ESMS) to oversee environmental and social risks connected to our operations. This system not only aids in making credit decisions through the uniform application of environmental and social due diligence tools but also extends its positive influence on our client relationships. It has evolved beyond merely advancing credit and has fostered a collaborative and responsible business partnership that promotes favorable environmental and social outcomes. For example, we offer specialized tools and expertise tailored to specific sectors as a collective commitment to delivering sustainable financial services that align with the aspirations and requirements of our clients.

The Bank's management of Environmental and Social Management Systems (ESMS) involves a comprehensive approach that encompasses overarching policies, procedures, processes, and tools. These elements are designed to provide guidance for the implementation of ESMS by all key stakeholders. Within our Enterprise Risk Management (ERM) framework, our governance of Environmental and Social (E&S) risks is structured around the identification, measurement, management, and reporting of E&S risks associated with the Bank's financing activities. We draw upon internationally recognized best practices, including the Equator Principles, IFC Performance Standards, the World Bank's Health & Safety Guidelines, compliance with local environmental and social regulations, and the use of an exclusion list. These measures are employed to assess, prevent, and mitigate adverse social and environmental impacts resulting from our lending activities.

3.3.5. E&S Risk Assessment Process Flow
The E&S Risk Assessment Process Flow is a comprehensive undertaking that involves the collaborative participation of our clients and partners throughout the investment relationship. The process unfolds as follows:

Pre-transaction Screening: Before any transaction proceeds, our Credit Risk Management Committee (CRMC) plays a pivotal role in identifying lending applications that need screening for Environmental and Social (E&S) risk factors. This screening process encompasses several critical components:

- Adherence to our Exclusion list, which aligns with the standards of organizations like IFC, FMO, and BII.
- Compliance with national laws and regulations, as well as our Bank's Environmental and Social Management System (ESMS) policy and procedures.

The objective of this screening is to pinpoint the inherent E&S risks associated with the client's industry or sector and assess the capacity to effectively manage any significant issues that may arise. The results of this screening process lead to an E&S risk rating, providing a precise diagnostic for the subsequent due diligence. Our E&S risk rating is determined based on the Equator Principles and is categorized as follows:

- ***Category A (High Risk):*** This category pertains to lending with environmental and/or social risks that are deemed highly significant and irreversible.
- ***Category B (Medium Risk):*** Medium-risk lending involves risks with a moderate probability of occurrence and/or severity of impact.
- ***Category C (Low Risk):*** Lending in this category is associated with minimal or no adverse risks or impacts on society or the environment.

3.3.6. E&S Due Diligence & Monitoring
The Bank utilizes its Environmental and Social Management System (ESMS) procedures to assess the appropriate level of due diligence in alignment with the E&S risk screening tool and applicable standards, based on the screening results. Our relevant stakeholders, including the Credit, Business team, and Risk teams, engage in an enhanced due diligence process. This process includes client interactions, site visits, the exploration of sector-specific environmental and social concerns, and the potential use of independent expert assessments. The result of this process involves the development of a Recommended Action Plan (CAP) designed to facilitate ongoing environmental and social monitoring throughout the duration of the credit relationship.

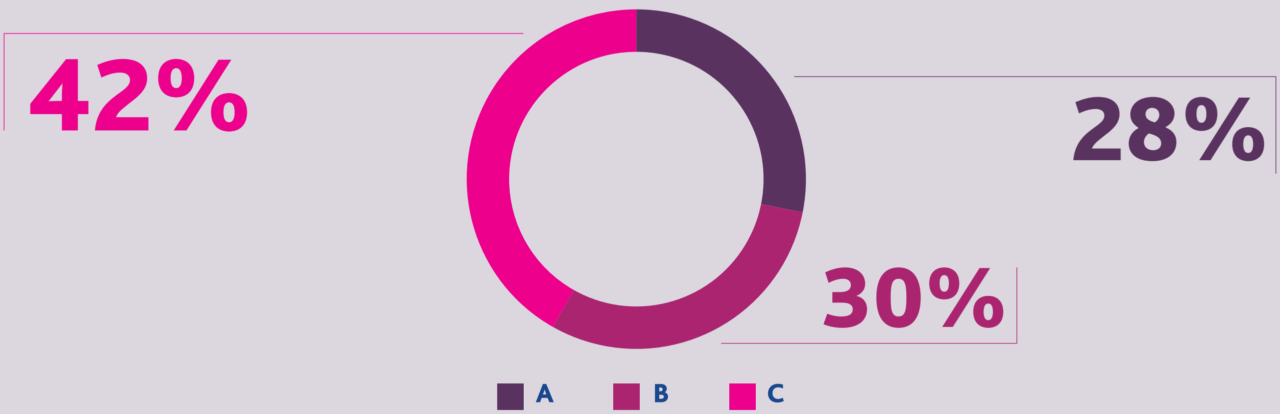
3.3.7. E&S highlights
In 2023, our E&S lending portfolio is classified as follows:

- ***Category A:*** High Risk (28%)
- ***Category B:*** Medium Risks (30%) and
- ***Category C:*** Low Risks (42%)

SUSTAINABILITY REPORT (CONTINUED)
3. Environmental Governance (Continued)
3.3.7. E&S highlights (Continued)

The below shows our E&S lending portfolio distribution.

E&S LENDING PORTFOLIO



The Bank further seeks to consistently elevate the capacities of its stakeholders on environmental and social issues within the various business lines and in liaison with our development partners, we delivered E&S Risk Management Training to a total of 40 Business staff members in 2023.

3.3.8. Climate-related risk assessment outcomes

We completed the mapping of the climate risk taxonomy, specifically physical and transition risks, with the aim of gauging the vulnerability of our portfolio and operations. Consequently, we integrated a climate risk profile as shown below.

Taxonomy	Risks Type	Climate-related Risks	Probable Impacts to the Bank
Physical	Acute	• Increasingly severe weather events such as coastal flood, river flood, heat stress, cold stress, wildfire; and chronic risks of water stress, drought, and erosion.	• Reduction or disruption in production capacity (e.g., shutdowns, or difficulties, and supply-chain interruptions) • Impact on workforce management and planning (e.g., health, safety, and absenteeism) • Write-offs and early retirement of existing assets (e.g., damage to property and assets in high-risk locations) • Increased operating costs (e.g., inadequate water supply for hydroelectric plants or for cooling nuclear and fossil-fuel plants) • Increased capital costs (e.g., damage to facilities) Reduced revenues from lower sales/output • Increased insurance premiums and potential for reduced availability of insurance on assets in high-risk locations
	Chronic	• Changes in precipitation patterns and extreme • variability in weather patterns • Rising mean temperatures Rising sea levels • Erosion • Water stress • Drought	

SUSTAINABILITY REPORT (CONTINUED)
3. Environmental Governance (Continued)
3.3.8. Climate-related risk assessment outcomes (Continued)

Taxonomy	Risks Type	Climate-related Risks	Probable Impacts to the Bank
Transition	Policy & Legal	• Increased pricing of greenhouse-gas emissions • Enhanced emissions-reporting obligations • Mandates on and regulation of existing products and services • Exposure to litigation	• Increased operating costs (e.g., compliance costs) • Write-offs and early retirement of existing assets due to policy change • Impaired assets • Increased insurance premiums • Fines and judgments
	Technology	• Substitution of existing products and services with lower-emission options • Unsuccessful investment in new technologies • Upfront costs to transition to lower emission technology	• Write-offs and early retirement of existing assets • Reduced demand for products and services • Upfront research and development expenditures in new and alternative technologies • Upfront capital investments in technology development • Upfront costs to adopt/deploy new practices and processes
	Market	• Changing customer behaviour • Uncertainty in market signals • Increased cost of raw materials	• Reduced demand for goods and services due to shift in consumer preferences. • Increased production costs due to changing input prices (e.g., energy and water) and output requirements (e.g., waste treatment) • Abrupt and unexpected shifts in energy costs • Changing revenue mix and sources • Repricing of assets and speed of repricing (e.g., fossil-fuel reserves, land valuations, and securities valuations)
	Reputation	• Shifting consumer preferences • Stigmatization of sector • Increased stakeholder concern & negative stakeholder feedback	• Reduced demand for high emitting goods/services • Reduction or disruption in production capacity (e.g., shutdowns, delayed planning approvals, and interruptions to the supply chain) • Impacts on workforce management and planning (e.g., employee attraction and retention) • Reduction in capital availability

SUSTAINABILITY REPORT (CONTINUED)
3. Environmental Governance (Continued)
3.3.8. Climate-related risk assessment outcomes (Continued)

We intend to use the insights from this analysis to create a client-specific climate risk assessment process, which will take into account factors such as adaptive capacities, portfolio diversification, early warning systems, and the evolution of risks, among others. As a result, in 2023, we have outlined the performance of our climate-sensitive portfolio as follows:

Sector	Proportion (%) of the loan book
Agriculture	3%
Civil Contractors	7%
Coffee	6%
Energy and water	7%
Government and Parastatals	9%
Manufacturing	14%
Oil and Gas	6%
Pharmacy and hospitals	1%
Real Estate	1%
School and religious	1%
Tea	2%
Telecommunication	2%
Tourism Hotel and Restaurant	1%
Trade and Commerce	6%

4. Social Commitments
4.1. Our People and Culture

We acknowledge the strong connection between our sustained performance, market reputation, and our staff members' overall well-being. This connection is deeply linked with our ability to attract and retain talented individuals, foster an engaged workforce, and maintain a culture that values respect, inclusivity, and continuous learning. Our employee value proposition serves as a guiding principle, directing us in developing and implementing initiatives aimed at enhancing satisfaction and a sense of belonging among our employees.

During the reporting period, we increased our workforce by 11%. This growth aligns with our digital expansion and investment strategy, which necessitates acquiring new skills and capabilities. We firmly believe that a digitally proficient workforce will empower us to harness technology to enhance operational efficiency, reduce social and environmental impacts, and improve our product and service offerings. Notably, we initiated a job evaluation process that informed the creation of an internally equitable and externally competitive job grading structure.

The table 1.0 below shows our workforce between 2021 and 2023

Year	2023	2022	2021
Employee	467	422	414
Employee turnover	10.7%	10.6%	9.8%
Employment terms			
Permanent	354	344	312
Contracted	113	78	102

To define and maintain a highly capable, driven, and proficient workforce that shares our commitment to sustainability, we put the subsequent strategies into action.

SUSTAINABILITY REPORT (CONTINUED)
4. Social Commitments (Continued)
4.1. Our People and Culture (Continued)
4.2. Employee Well-Being & Work-life Balance

At I&M Bank (Rwanda) PLC, we strongly believe in creating a sustainable work environment that prioritizes our workforce's well-being and work-life balance (SDG'S 3, Good health and well being). We are convinced that this approach positively impacts their job satisfaction, productivity, and interactions with customers, colleagues, and clients. We are dedicated to continually nurturing an environment that supports our employees' personal and professional wellness through open communication, flexibility, support systems, wellness programs, and engagement initiatives. Our deliberate efforts aim to cultivate a responsive culture that values courage and encourages respectful and empathetic conversations as we work toward a sustainable future.

In our commitment to the well-being of our employees, we have implemented the following initiatives during this period:
Work from Home Policy (WFHP) Approval: This initiative is designed to provide flexibility and enhance the balance between our staff's professional and personal responsibilities while maintaining a strong commitment to delivering accountable and high-quality service to our customers. We are excited about the potential reduction in stress related to commuting, improved family relationships, and self-care, which we anticipate will lead to increased overall productivity and job satisfaction among our employees. This role-specific and day-specific Work from Home Policy (WFHP) aligns with our Foundation's focus on environmental stewardship. This policy promises a positive environmental impact by reducing the carbon footprint associated with employee commuting and office-related activities, contributing to our collective efforts to mitigate climate change.

Employee Engagement: By embracing the I&M Way, our primary goal is to foster a culture marked by collaboration, empathy, and respect. This culture is designed to ensure that our employees are deeply involved and trusted to deliver their best performance and instill a strong sense of pride and belonging. Furthermore, it encourages adaptability and the development of unique skills and capabilities to facilitate their professional growth.

On an annual basis, we conduct an employee engagement survey with a specific focus on safeguarding employee well-being and welfare, supporting career planning and development, as well as creating opportunities for learning and growth. During this reporting period, the I&M Bank (Rwanda) Plc achieved an average score of 83% slightly higher than the 79% recorded in 2022.

Table 2.0: Employee Engagement Surveys Scores between 2023 & 2021

	2023	2022	2021
Score (%)	83%	79%	78%

Table 2: Employee Engagement Survey Score

- **Employee Benefits:** The Bank provides a comprehensive selection of appealing benefits designed to retain, motivate, and ensure the satisfaction of our workforce. Our benefits packages align with market trends, cultural considerations, and principles of fairness and equality. During this period, we offered enticing benefits like monetary incentives such as staff loans, a pension plan, competitive compensation, and medical insurance. Specifically, the Bank reviewed and lowered staff loan interest rates to increase uptake. Our staff are further encouraged to uptake various financial investment products and services the Bank offers. Additionally, we provided statutory benefits such as parental(paternity & maternity), compassionate, sick, study and vocational leave., Regional medical insurance, subsidiarized loans, leave allowance, Bonus & annual salary increments.

- **Physical & Medical Wellness:** We are aware of our "employees" susceptibility to potential adverse health effects associated with a sedentary work lifestyle, as well as their limited access to safe, convenient, and reasonably priced fitness and recreational facilities. Prioritizing the physical well-being of our employees through routines involving regular exercise, improved nutrition, and healthier lifestyle choices is of utmost importance to us. In 2022, I&M Bank Rwanda Plc successfully arranged for discounted gym memberships with specific service providers throughout our network in Rwanda. Additionally, our Bank has remained committed to its annual health promotion program, which encompasses voluntary and convenient onsite health screenings, informative health talks, and complimentary medical examinations.

SUSTAINABILITY REPORT (CONTINUED)

4. Social Commitments (Continued)

- **4.1. Our People and Culture (Continued)**
- **Occupational Health & Safety:** We adopted a precautionary approach principle to ensure the provision of a healthy and safe work environment for all our stakeholders. Our Bank health and safety policy is also guided by legal and policy requirements and international industry best practices in the regions where we operate. As we strive to continuously improve our occupational health, safety, and environmental performance, we are guided by following principles:
  - Develop and improve programs and procedures to ensure compliance with all applicable laws and regulations.
  - Adequate staff training and provision of appropriate safety and emergency equipment, where applicable
  - Taking appropriate action to correct hazards or conditions that endanger health, safety, and the environment.
  - Safety and environmental factors are considerations in all operating decisions, including planning and material acquisitions.
  - Encourage personal accountability and emphasize compliance with standards and conformance with departmental policies and best practices during staff training and in performance reviews.
  - Communicating our desire to improve our performance continuously and fostering the expectation that every staff follows our safety procedures and reports any environmental, health, or safety concerns.
  - Monitoring progress through periodic evaluations.

Our OSH performance in 2023 is as demonstrated:

OSH Performance/Activity	Impact(s)/ Quantity
OSH Related Incidents reported	0
OSH related injuries	0
OSH related manhours lost	0
Staff Fire marshals & General OSH training	33 Champions
OSH Committee training	0
Annual Statutory OSH & Fire safety audits *I&M Bank (Rwanda) Plc*	14 Branches including the I&M head office

4.3. Diversity & Inclusion

I&M Bank (Rwanda) Plc is committed to promoting equality and fairness, we embrace the values of honesty and courage as we strive to create a workplace that is both diverse and inclusive. We aim to ensure that our employees feel valued and that a wide range of perspectives are respected. We have deliberately positioned ourselves that empower our staff to reach their full potential by encouraging them to voice their thoughts and take the lead in their professional and personal endeavors within their roles.

We are equally dedicated to fostering a collaborative and diverse workforce that encompasses individuals of various cultural, religious, age, and gender backgrounds to mirror the communities where we are located and better assist us in addressing the evolving needs of our consumers. Diversity and inclusion play a crucial role in supporting our digital growth strategy, enhancing our resilience, increasing operational efficiency, and enhancing our value proposition to consumers.

Our company's corporate governance framework emphasizes the importance of creating a responsible, accountable, fair, and equitable workplace built on the principles of open communication and regular feedback. We have a strict zero tolerance policy for any form of discrimination, victimization, sexual harassment, or bullying.

To engrain this focus, we joined the UN Global Compact as a member and committed to adhering to and reporting on our performance per the ten principles. As a part of our corporate responsibility, we affirm our obligation to Sustainable Development Goal (SDG's 5).which aims to ensure women's full and effective participation and equal opportunities for leadership in all levels of decision-making in political, economic, and public life. We demonstrate this commitment by incorporating diversity and inclusion criteria into our recruitment, onboarding, and talent development programs.Top of Form

In 2023, our diversity and inclusion performance are as demonstrated.

SUSTAINABILITY REPORT (CONTINUED)
4. Social Commitments (Continued)
4.4. Diversity & Inclusion by Age

Age	Employees
18-29	32.9%
30-39	39.1%
40-49	19.8%
50-59	8.0%
Above 60	0.2%

4.5. Diversity and Inclusion

	Gender	2023	2022	2021
Permanent	Male	56.6%	53.9%	45.6%
	Female	43.4%	46.1%	54.4%
Contracted	Male	49.1%	46.9%	39.2%
	Female	50.9%	53.1%	60.8%
Senior management roles	Male	66.7%	64.3%	64.3%
	Female	33.3%	35.7%	35.7%

4.6. Talent Development, Management & Retention
4.6.1. Training & Capacity Building

The Bank has invested in role-specific upskilling and development programs to cultivate and maintain a highly skilled workforce that contributes to sustainable business growth. These initiatives have been designed to prepare our staff to address both current and emerging challenges in various business sectors and society as a whole. We support our" employees" learning needs by offering sponsored certified courses and a dedicated e-learning platform.

Our self-paced e-learning platform empowers our staff to take ownership of their learning and development plans. We offer a wide range of courses focusing on skill development, ethical principles in business, and solutions tailored to meet the needs of the ever-evolving Internet and digital banking sectors. We encourage the adoption of e-learning by recognizing and rewarding staff members who demonstrate exceptional commitment to enhancing their skills. As a result, in 2023, we witnessed that our staff graduated by Rwanda Academy Finance.

SUSTAINABILITY REPORT (CONTINUED)

4. Social Commitments (Continued)

4.6. Talent Development, Management & Retention (Continued)

4.6.1. Training & Capacity Building (Continued)

Furthermore, a significant number of our staff, at least 40 individuals, participated in environmental social management system sessions in 2023. In 2024, the organization plans to expand focused classroom-based sustainable finance training for first- and second-line employees. Additionally, we aim to integrate sustainability-related courses into our e-learning platform to enhance our commitment to sustainable business practices further.

Women in Finance Rwanda

SUSTAINABILITY REPORT (CONTINUED)

4. Social Commitments (Continued)

4.6. Talent Development, Management & Retention (Continued)

4.6.2. The High Potential (Hi-Po) Talent Development

As a Bank, we believe that an on-job-developed employees with greater insights into our corporate culture is the surest way to sustain growth in this competitive market. We are responsible for insistently developing, and improving their existing skills, and training them on new ideas consistent with our purpose and receptive to their personal and professional development. Our succession planning process is designed to support the recognition of highly talented staff across the various business lines. We periodically identify and evaluate the critical roles as the foundation of our succession planning and assurance of a stable future.

The Hi-Po talent development and management program is designed to equip the benefiting staff with prerequisite skills to support a seamless succession process and readiness to uptake various leadership positions within the Bank. The hi-Po program is one of the Bank's strategic initiatives to ensure career progression and preservation of organizational knowledge and culture through cross-departmental training, mentorship, and knowledge transfer. Additionally, we demonstrated our continued devotion to growth and recognition by promoting staff members internally.

Hi-Po Leadership training.

4.7. Anti-Bribery and Corruption Policy

Anti-Bribery and Corruption Policy ("Policy") is to outline and explain the prohibitions against bribery and corruption in all Bank operations, to highlight the specific compliance requirements relating to these prohibitions, and to reinforce the Bank's commitment to conducting business with the highest level of honesty and integrity. Violating applicable anti-corruption laws potentially exposes the Bank, its staff, and any third-party (regardless of nationality or location of residence) to significant criminal and civil liability, fines, and penalties.

4.7.1. Reporting of bribery and corruption incidences

All Bank staff, directors and third parties shall be required to report any identified incidences of bribery and corruption to the Head of Compliance or via the whistleblowing platform within 24 hours in line with the whistleblowing policy provisions. Such incidences may also be reported to Compliance or the relevant management personnel. The Bank through the Compliance department shall report all known or suspected bribery and corruption incidents to the Financial Intelligence Center. The Bank acknowledges the need to provide feedback to the reporting party. Thus, subject to legal constraints, the Bank shall inform the whistle-blower/reporting party, if known of the remedial action taken to resolve the case.

4.7.2. Whistleblower Protection and Incentive Program

The Bank and employees shall not retaliate or threaten to retaliate in any way including via demotion, admonishment, dismissal, or transfer, against a whistle-blower for reporting incidences of bribery and corruption or any other irregularity. Any complaint, of retaliation will be promptly investigated and appropriate disciplinary measures taken accordingly. This protection from retaliation is not intended to prohibit managers or supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors, The bank shall treat as confidential the identity of a whistleblower, witness, and/or informant. The Bank may provide an incentive/reward for the reporting of bribery and corruption incidents. The value and form of such a reward shall be in line with the whistleblowing policy provisions.

5. Corporate Governance

5.1. I&M Bank (Rwanda) Plc Corporate Governance

The Board of Directors provides leadership and strategic guidance to I&M Bank (Rwanda) PLC to ensure long-term sustainable growth, adherence to high standards of ethical behaviour, and creation of sustainable stakeholder value within a framework of good governance. The Board has ultimate responsibility and accountability for the Bank's activities and performance and is at the core of the corporate governance practices within the Bank. The Board remains committed to the highest standards of governance, ensuring that the Bank complies with the laws, regulations, and practices applicable to it.

In undertaking its statutory duty to promote the success of the Company, the Bank applies good governance practices as it guides the strategic decision making to ensure that the interests of all stakeholders are considered. The Board ensures effective engagement with stakeholders by continuously monitoring the macro environment to address emerging risks and capitalize on opportunities as they arise. On the other hand, Management is entrusted with the day-to-day running of the Company to ensure the successful execution of the strategy with clear and measurable performance indicators.

The Board reviews the Bank's corporate governance framework and practices on a regular basis to ensure continuous alignment with regulatory changes, best practices, and shareholder expectations. The framework outlines the key principles of the Bank's corporate governance practices and provides guidance to the Board, Management, and employees of the Bank. It sets out how the Company has applied the principles of good governance.

SUSTAINABILITY REPORT (CONTINUED)
5. Corporate Governance (Continued)
5.2. Board Composition

Aspect	Proportion (%)
Executive Directors	20%
Non-Executive Directors	30%
Independent Directors	50%

5.3. Board Diversity by Gender

Gender	Proportion (%)
Male	78%
Female	22%

5.4. Our Board remuneration

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 2023 - $	Q2 2023 - $	Q3 2023 - $	Q4 2023 - $	Total
Bonaventure Niyibizi	11,053	14,215	13,420	11,420	50,108
Crystal Rugege	8,140	13,140	10,140	11,140	42,560
Alan James Dodd	12,625	19,142	12,130	12,130	56,027
Kihara Maina	0	0	10,140	8,140	18,280
Julius Tichelaar	6,875	13,140	8,875	7,875	36,765
Paul Simon Morris	9,935	18,832	11,935	14,935	55,637
Alice Nkulikiyinka	8,405	15,730	8,405	10,405	42,945
Nikhil Hira	9,900	17,027	10,900	9,900	47,727
Chris Low	9,140	-	-	-	9,140
TOTAL FEES	**76,073**	**111,226**	**85,945**	**85,945**	**359,189**

SUSTAINABILITY REPORT (CONTINUED)
5. Corporate Governance (Continued)
5.5. Integrating Climate-related risks and opportunities into Our Business
5.5.1. Board oversight
Climate change can have significant impacts on the financial and non-financial aspects of the Bank's operations, strategic decisions, and planning. Consequently, the Bank is purposefully working towards contributing to both national and international climate goals (SDG,s 13), such as the Paris Agreements and Nationally Determined Contributions (NDC) in the regions where we operate.

Sustainability is a central focus of I&M Bank (Rwanda) Plc's core, we are dedicated to implementing recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), while also remaining responsive to evolving standards and frameworks like the Taskforce for Nature related Financial Disclosures (TNFD).

The governance of climate-related risks and opportunities within the Bank is integrated into our overall enterprise risk management framework. This approach allows us to align the management of climate risks with conventional risks, support comprehensive strategic objective setting, and incorporate climate risk considerations into our decision-making processes.

To incorporate climate related risks and opportunities into our business operations, and proactively mitigate and adapt to climate change and forge sustainability, the bank to be taken the following steps:

Strategic Partnerships
- Signatory to the UN Global Compact as part of our commitment to SDG principles

Monitoring Carbon Footprint
- Overseeing carbon footprint across our operations and throughout the supply chain

Supporting our clients' transition towards climate friendly businesses
- Providing green lending products and services.

Our Board of Directors bears the responsibility for the following tasks in fulfilling our commitments to address climate-related risks and responsible investment:
1. Assess specific climate-related risks and their potential impact on the Bank's business strategy using appropriate metrics and benchmarks aligned with both national and international targets.
2. Allocate adequate resources, including financial and non-financial resources, to support the management of climate risks and opportunities. This includes activities such as enhancing staff capabilities, seeking expert input, and improving data systems and frameworks.
3. Establish the Bank's risk appetite in relation to climate-related financial risks and ensure effective management and control of these risks.
4. Engage with key stakeholders to gain a better understanding of their concerns and expectations, and in turn, communicate how the Bank is positioning itself regarding climate-related risks and opportunities.

In 2023, our Board of Directors supervised climate-related initiatives, which included the following:
- **Policy Approvals:** The Board endorsed policies related to Environmental, Social, and Governance (ESG) and Environmental and Social Management Systems (ESMS). These policies not only guide our sustainable lending practices but also define the responsibilities of all our stakeholders in adhering to the principles of sustainable development.

5.5.2. Roles of Senior Management
The Bank's Chief Risk Officer is responsible for guiding and organizing the execution and alignment of TCFD principles across different Management Committees. Their specific duties related to the integration of climate-related risks involve:

5. Assessing and quantifying the Bank's exposure to climate-related risks stemming from various business lines.
6. Defining and assigning roles and responsibilities within the Bank's organizational structure to implement the climate-related risk management framework.
7. Executing the Bank's Climate-Risks Strategy by providing regular updates and managing information related to it.
8. Supporting the implementation of the Bank's appetite for climate-related financial risks and ensuring effective risk management and control.
9. Implementing the Bank's strategies in a way that minimizes climate-related risks associated with the different business lines.

SUSTAINABILITY REPORT (CONTINUED)
5. Corporate Governance (Continued)
5.6. Our Corporate and Social Responsibilities

10. Embracing capacity-building programs designed to enhance awareness of climate-related risks among the business lines, with relevance to policies, processes, controls, and risk monitoring systems.
11. Ensuring the allocation of appropriate resources, processes, systems, and controls to support the implementation of the climate-related risk strategy.Top of Form

Through our Corporate and Social Responsibilities, Bank aims to contribute to economic growth as well as long-terms social progress that creates shared value for all. The pursuit of these goals is well aligned with bank's partners for shared growth philosophy which is embedded into its business strategy. The thematic areas that the bank considers are environmental protection, economic empowerment, education, and capacity building and enabling giving. The bank increased its Corporate and Social Responsibility activities for the year 2023, with a total amount of around Frw 100 million. Below are some of them.

5.6.1. I&M Bank (Rwanda) Plc commemorates employees killed during the 1994 Genocide.

The staff at I&M Bank (Rwanda) Plc visited Kigali Genocide Memorial on June 9 to pay their respects to victims of the 1994 Genocide against the Tutsi.

They held discussions regarding the 1994 genocide, how the country healed from it, and what lessons were learned from the country's dark history. The commemoration ceremony kicked off at I&M Bank Head offices, where the Bank's directors, management, and families laid wreaths beneath a tombstone with the names of the 25 employees of former BCR killed during the 1994 Genocide against the Tutsi.

The Chief Executive Officer of I&M Bank (Rwanda) Plc, Robin Bairstow, acknowledged the 25 employees of former BCR who lost their lives during the 1994 Genocide against the Tutsi and commended the efforts of the Rwandan government in rebuilding the nation.

He conveyed the Bank's support of initiatives that foster development and commemoration.

Bairstow said: "The progress and transformation we have witnessed in Rwanda are a testament to the strong spirit of its people and their unwavering determination to create a society rooted in peace, prosperity and unity.

"We pledge our unwavering support to the government of Rwanda as they continue to shape a nation that exemplifies progress, inclusion and unity".

OUR STRATEGY (CONTINUED)

SUSTAINABILITY REPORT (CONTINUED)

5. Corporate Governance (Continued)

5.6.2. Emergency National Fund

In May, the Bank supported to the government of Rwanda in response to the natural disasters that struck the country in April and May 2023. Tragically, more than 150 lives were lost, and more than 5,100 houses were destroyed. The Bank's assistance played a crucial role in helping the country mitigate the immediate effects of the disasters and in supporting the affected communities in their recovery efforts.

5.6.3. Edified Generation Rwanda

In February 2023, I&M Bank proudly announced its continued partnership with Edified Generation Rwanda for the 9th consecutive year. Edified Generation Rwanda is a non-governmental organization with a core mission and vision to promote education for underprivileged students who demonstrate exceptional performance in primary and secondary schools.

5.6.4. Rotary Club

On 6th May 2023, I&M Bank Rwanda was pleased to take part in the annual fundraising gala dinner and donated to charity for the incredible support of community projects to impact lives positively.

SUSTAINABILITY REPORT (CONTINUED)

5. Corporate Governance (Continued)

5.6.5. Health Alert Organization

On 13th June 2023, in celebration of International Albinism Awareness Day, I&M Bank Rwanda donated, for the purchase of vision assistive devices and photochromic glasses to 80 children living with Albinism in Musanze and Kirehe districts, hence improving eye vision to enable them to see, read and study without challenges

SUSTAINABILITY REPORT (CONTINUED)
5. Corporate Governance (Continued)
5.6.6. Youth Racing Cup sponsored by I&M Bank (Rwanda) Plc

On 20th August 2023, I&M Bank celebrated another incredible episode of the Youth Racing Cup 2023 where the partnership with cycling Rwanda continues to pedal the dreams of young cyclists in Rwanda. The project is expected to attract more than 4,000 young cyclists by 2025 and I&M Bank has made its commitment to be part of the journey of raising new cycling stars from a very young age. The partnership matches the Bank's ambition of supporting and contributing to the development of the youth as the future of this country and the world in general.

SUSTAINABILITY REPORT (CONTINUED)
5. Corporate Governance (Continued)
5.6.7. UN Day 2023 – Umuganda Tree Planting

On 21st November, I&M Bank Rwanda partnered with United Nations Rwanda on UN Rwanda Day and took part in a special Umuganda – Tree planting in Mbyo Unity and Reconciliation Village, embracing the day with a green touch together with the vibrant local Community in Bugesera district. In the event, Mr. Ozonnia Ojielo, the United Nations Resident Coordinator in Rwanda said by planting trees, the collective intention was to symbolize growth, vitality, and rejuvenation. These represent the fundamental facets of Rwanda's aspiration for societal renewal, community revitalization, and a brighter future.

SUSTAINABILITY REPORT (CONTINUED)
5. Corporate Governance (Continued)
5.6.8. Christmas With SOS Children

I&M Bank (Rwanda) Plc, with Serena Hotel, celebrated Christmas with Children from SOS Village des Enfants located in Byumba, Gicumbi District, on 22nd December 2023 at the Kigali Serena Hotel. The event was a celebration filled with presents and festive cheers, where our very own Chief Executive Officer, Mr. Benjamin Mutimura was quoted saying: "At I&M Bank (Rwanda) Plc, we believe in giving back to society, especially during the festive season. It is our privilege to organize this Christmas party for the children of SOS Village des Enfants and hope to bring them happiness and create lasting memories.

OUR STRATEGY (CONTINUED)

OUR STAKEHOLDERS

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

OUR STRATEGY (CONTINUED)

OUR STAKEHOLDERS (CONTINUED)

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
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

OUR STRATEGY (CONTINUED)

RISK MANAGEMENT APPROACH

The Board of Directors has adopted a Risk Management approach/program of holistic and integrated risk management 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 originators and underwriters of credit applications and are 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 MANAGEMENT

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 Risk Committee has the oversight function for the 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 maintaining 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 risks 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 the 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 unfavorable 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.

Country Risk: is the risk that economic, social, and political conditions and events in a foreign country will adversely affect an institution's financial condition.

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 an inherent risk assessment of their third party services, outsourcing, project management activities, processes, products, people, and systems 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:

OUR STRATEGY (CONTINUED)

OPERATIONAL RISK MANAGEMENT (CONTINUED)

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 exercise 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 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 defense. The Bank manages its liquidity risk using metrics and measurement tools such as Liquidity Ratio, Loan 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 scorecard, Budget, and Key Performance Indicators (Return on Equity, Profit Before Tax, 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 practices approved by the Board IT Committee. The Bank organizes a 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 the 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.

MANAGEMENT OF CYBER RISK (CONTINUED)

• **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 an 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 the 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 ongoing basis.

Compliance risk arises from legal or regulatory sanctions, material financial loss, or loss of reputation as a result of failure to comply with laws, regulations, rules, and relevant codes of conduct.

REPUTATIONAL RISK MANAGEMENT

Reputational risk is the potential that negative publicity regarding a Bank's brand, and 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 reputational/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 the 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 to minimize the effects of reputational events, thereby averting the likelihood of major reputational crises with the view of ultimately ensuring the survival of the organization.

NEWS

THE LAUNCH OF THE ICONIC 9 ON THE AVENUE

The Prime Minister of the Republic of Rwanda Dr. Edouard Ngirente inaugurated the I&M Bank (Rwanda) Plc iconic green building, NINE ON THE AVENUE. The event was also graced by the Minister of Finance and Economic Planning, the CEO of the Rwanda Development Board, and the Deputy Governor of the Central Bank.

NASIRA Agreement of 2023

In the signing ceremony led by our Former CEO, Robin Bairstow, the bank signed $10 Million worth agreement dubbed the NASIRA Risk Sharing Facility with the European Commission, EU Delegation and FMO to further support the growth and development of MSMEs in Rwanda. The ceremony was held at the EU-Rwanda Business Forum.

Board Appreciation Gala

As this has become a calendar event for the past 7 years, our Board of Directors hosted our top customers for a client appreciation gala. 2023 gala was special because it was a great opportunity to welcome our new CEO Mr. Benjamin Mutimura and introduce him to our key customers and stakeholders. It was also a great occasion to bid farewell to Robin Bairstow in absentia from the I&M Bank (Rwanda) Plc Family and to officially hand him over to I&M Bank Uganda. We were honored to have the Deputy Governor of the Central Bank who said great things about our bank.

Agiserera na I&M Bank (Rwanda) Plc Campaign Launch

Our campaign of the year became Agiserera na I&M Bank, a vehicle finance loan offering designed to empower Small and Medium sized Enterprises (SMEs) like never before. We enabled businesses successfully to secure the vehicles essential for powering their operations and propelling their business to new heights, all while offering flexible financing rates and quick turnaround time of only 24 hours. Agiserera na I&M Bank immediately became the talk of town while it also achieved its 1-year projections in just 3 months.

Best Bank in Rwanda, 2023!

We did it again! For the 3rd year in a row, we were honored with the prestigious title of Best Bank in Rwanda. The esteemed recognition came from Capital Finance International (CFI.co), a renowned global journal and online resource reporting on business, economics, and finance. We aim to continue striving for excellence and set new standards of success.

Best TaxPayer Award

We were awarded the ***"Best Taxpayer 2022"*** in the Large Taxpayers Category at the 21st National Taxpayers Appreciation Day. This achievement underscores our commitment to excellence and fiscal responsibility.

Financial Statements

CORPORATE INFORMATION
BOARD OF DIRECTORS

BOARD OF DIRECTORS

RWANDAN

BONAVENTURE NIYIBIZI
Chairman – Independent Director

BENJAMIN MUTIMURA
Chief executive officer
(Appointed effective on 1st July 2023)

ALICE NKULIKIYINKA
Independent Director

CRYSTAL RUGEGE
Independent Director

KENYAN

NIKHIL HIRA
Independent Director

KIHARA MAINA
Non-executive director
(Appointed effective on 22nd May 2023)

DUTCH

JULIUS TICHELAAR
Non-executive Director

BRITISH

ALAN JAMES DODD
Independent Director

PAUL SIMON MORRIS
Independent Director

COMPANY SECRETARY

Iddy Rugamba
Nine on the Avenue
KN 3 AV/9
P O Box 354
Kigali - Rwanda

AUDITOR

KPMG Rwanda Limited
Grand Pension Plaza
KN 3 AV
P O Box 6755
Kigali -Rwanda

REGISTERED OFFICE

I&M Bank (Rwanda) PLC
Nine on the Avenue
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P O Box 354
Kigali - Rwanda

CORRESPONDENT BANKS

NORTH AMERICA

CITIBANK, N.A
3800 Citibank Center
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AFRICA

NATIONAL BANK OF RWANDA
P.O. Box 531
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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

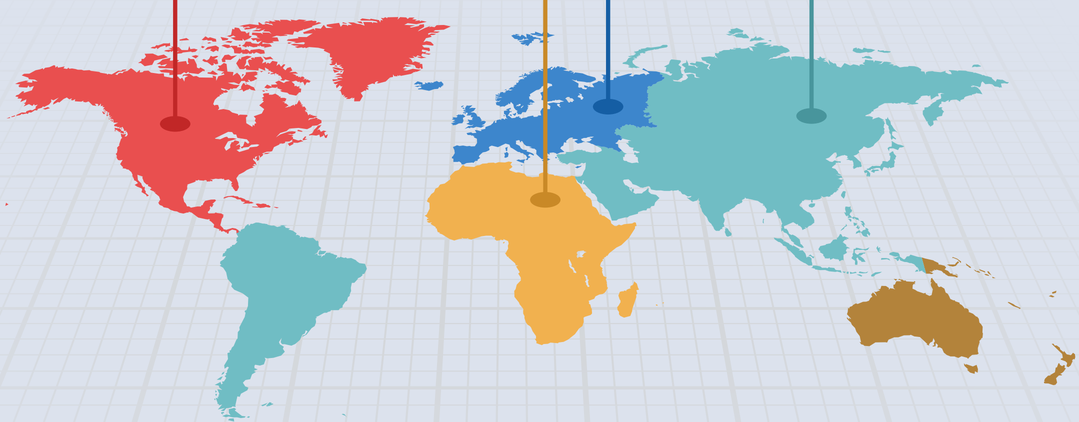
CITIBANK N.A LONDON
E14 5LB
25 Canada Square,
Citibank Center
London

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



RWANDA

WESTERN

RUSIZI BRANCH
Rusizi District
Tel: +250 788 162 164

RUBAVU BRANCH
Rubavu District
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KARONGI BRANCH
Karongi District
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NORTHERN

MUSANZE BRANCH
Musanze District
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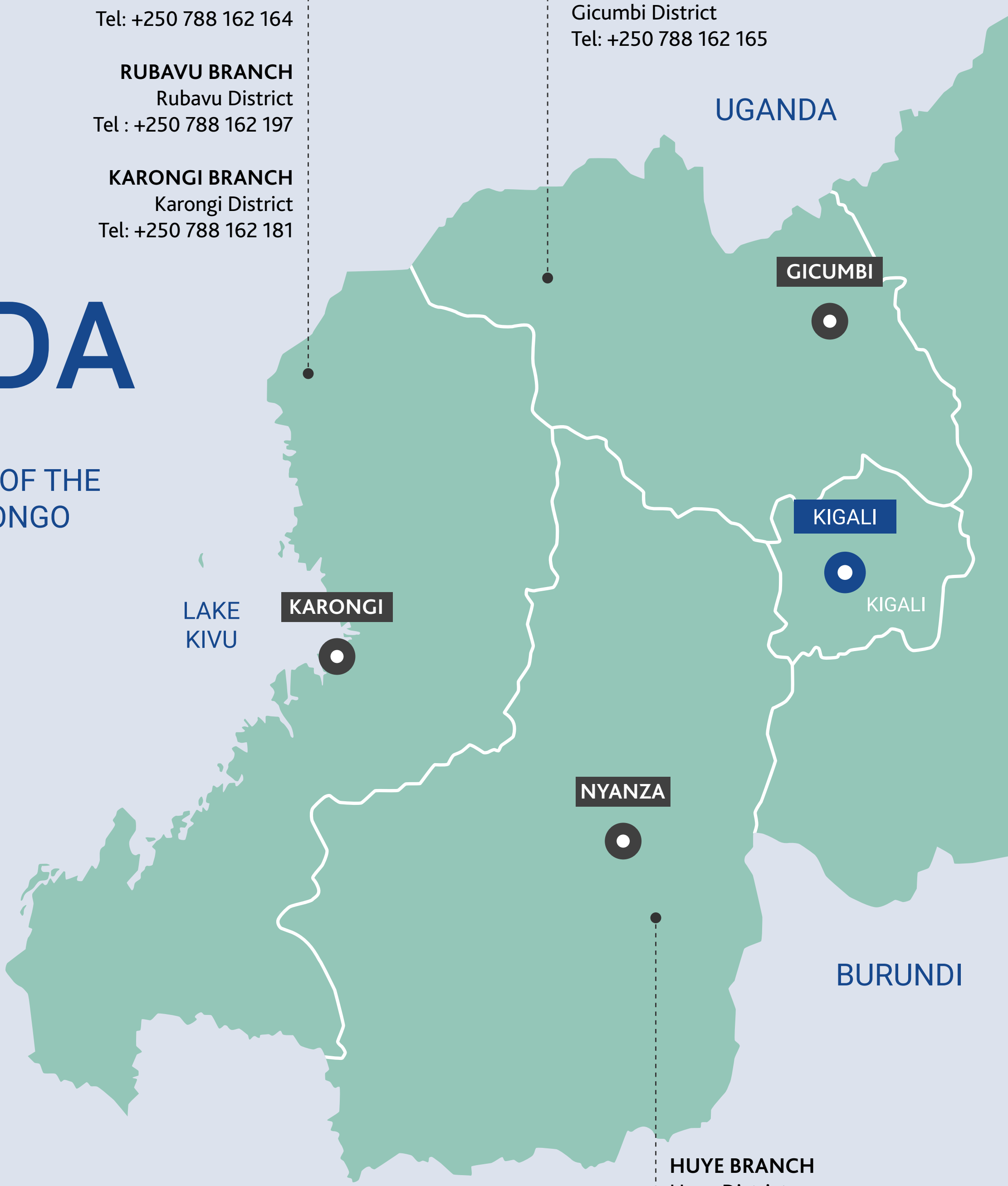
GICUMBI BRANCH
Gicumbi District
Tel: +250 788 162 165



HUYE BRANCH
Huye District
Tel: +250 788 162 163

SOUTHERN

EASTERN

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CHIC COMPLEX BRANCH
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NYAMIRAMBO BRANCH
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CASH AND DEPOSIT COUNTERS

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KIREHE
Kirehe District
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REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of the I&M Bank (Rwanda) Plc (the "Bank").

1. 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.

2. Results / Business review

Profit before income tax for the year was Frw 15.6 billion (2022: Frw 13.4 billion). Net interest income increased from Frw 32 billion in 2022 to Frw 35 billion in 2023 in correlation to the increase in loans and advances to customers from Frw 231 billion to Frw 313 billion in 2023.

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

	2023 Frw'000	2022 Frw'000
Profit before income tax	15,575,180	13,423,412
Income tax expense	(4,885,157)	(4,110,037)
Net profit for the year	**10,690,023**	**9,313,375**

The detailed results of the Bank for the year are set out on page 83.

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.

3. Dividends

The Directors have recommended payment of dividend with respect of the year ended 31 December 2023 of Frw 2,138,000 (2022: Frw 2,794,000).

4. Directors

The Directors who served during the year and up to the date of this report are set out on page 16-19. The Bank provides professional indemnity for all the Directors as set out on page 54.

5. Auditor

KPMG Rwanda Limited was appointed as Auditor of the Bank commencing 2020 in accordance with regulation No 14/2017 of 23/11/2017 and an extension of two years was granted by National Bank of Rwanda as per regulation No 44/2022 of 02/06/2022 determining requirements and other conditions for accreditation of external auditors for regulated institutions.

6. 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.

7. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 28/02/2024.

BY ORDER OF THE BOARD
Company secretary

Date: 28/03/2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2023

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 83 to 186 which comprise the statement of profit or loss and other comprehensive income and the financial position as at 31 December 2023, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of material accounting policies and other explanatory notes, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 28/02/2024.

Nikhil Hira

Director **Director**

Date: 28/03/2024

KPMG

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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 83 to 186, which comprise the statement of financial position as at 31 December 2023, 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, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 in determining and forecasting the economic scenarios used and the probability weightings applied to them.

- Significant increase in credit risk ("SICR") –, 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 above 30 days and incorporating all relevant, reasonable and supportable information, including forward-looking information of the customer's 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' 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 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 Financial risk management specialists to independently recompute probability of default modelling based on historical days past due reports and tested the forward-looking information used to adjust the probability of default by assessing the model governance and documentation, assessed the consistency of the macro-economic data, assessed the macroeconomic variable selection process where correlation analysis was determined, performance of correlation and regression analyses and assessment of performance of macroeconomic variable, NPL forecasting and scenario analysis
- We assessed the reasonableness of loss given default 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.
- We assessed the inputs in Exposure at Default which included outstanding balances and assessed the mathematical accuracy of the computation of exposure at default.

INDEPENDENT AUDITOR'S REPORT

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

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

- 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.

- 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 its historical and the overall market growth, as well as externally available information.

Challenging the accuracy of key inputs like days in arrears and assumptions into the ECL models by:

- Evaluating the whether the Bank's SICR determination is in line with IFRS 9 by assessing the qualitative and quantitative factors used by management in their evaluation of the staging criteria. This included re-aging of loans on a sample basis for quantitative factors and inspecting a sample of credit files to assess if there are any qualitative aspects that indicated that there was any SICR; and

- 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. This includes tracing of disclosures to supporting schedules and workings and assessing the disclosure in financial statements are in line with the minimal requirements using a checklist.

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 2023 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.

KPMG

INDEPENDENT AUDITOR'S REPORT

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

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 Accounting 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.

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.

KPMG

INDEPENDENT AUDITOR'S REPORT

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

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.

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: 30 March 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 Frw'000	2022 Frw'000
Interest income calculated using the effective interest method	8	56,102,518	50,352,640
Interest expense	9	(20,772,466)	(18,284,610)
Net interest income		**35,330,052**	**32,068,030**
Fee and commission income	10 (i)	6,198,237	5,028,575
Fee and commission expense	10 (ii)	(3,841,152)	(2,660,308)
Net fee and commission income		**2,357,085**	**2,368,267**
Revenue		**37,687,137**	**34,436,297**
Net trading income	11	8,994,974	5,158,421
Other operating income	12	1,923,065	2,834,922
Net operating income before change in expected credit losses and other credit impairment charges		**48,605,176**	**42,429,640**
Net impairment charge on loans and advances	21(ii)	(2,803,467)	(3,373,077)
Net operating income		**45,801,709**	**39,056,563**
Employee benefits	13(i)	(12,011,898)	(10,277,519)
Other operating expenses	13(ii)	(13,683,544)	(11,024,355)
Depreciation and amortisation	13(iii)	(4,531,087)	(4,331,277)
Operating expenses		**(30,226,529)**	**(25,633,151)**
Profit before income tax		**15,575,180**	**13,423,412**
Income tax expense	14(i)	(4,885,157)	(4,110,037)
Net profit for the year after tax		**10,690,023**	**9,313,375**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Fair Value through the Other Comprehensive Income (FVOCI)	33(iv)	(832,304)	(290,609)
Deferred tax - FVOCI	29	247,289	87,183
Revaluation of land and building	29	-	(26,057)
Deferred tax on revaluation	29	16,604	7,817
Total other comprehensive income for the year		**(568,411)**	**(221,666)**
Total comprehensive income for the year		**10,121,612**	**9,091,709**
Basic and diluted earnings per share - (Frw)	15	**7.06**	**6.15**

The notes set out on pages 90 to 185 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

ASSETS	Note	2023 Frw'000	2022 Frw'000
Cash and balances with National Bank of Rwanda	17	85,543,980	16,767,428
Due from banks	18	74,462,501	54,395,647
Due from group companies	19(i)	9,745,444	2,995,560
Financial assets measured at fair value through other comprehensive income	20(i)	58,910,155	53,751,644
Financial assets at fair value through profit or loss	20(ii)	1,872,070	1,685,336
Debt securities at amortised cost	20(iii)	85,436,329	81,546,649
Loans and advances to customers	21(i)	313,892,313	231,719,807
Other assets	22	11,121,541	9,856,340
Intangible assets	23	2,985,829	3,181,176
Property and equipment and right of use assets	24	21,215,402	21,559,957
Investment Property	25	13,588,671	13,874,622
TOTAL ASSETS		**678,774,235**	**491,334,166**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits from banks	26	162,522,953	62,182,772
Deposits from customers	27	376,545,358	295,239,951
Current income tax	14(ii)	1,180,051	1,725,939
Other liabilities	28	13,737,015	10,276,134
Deferred income tax	29	1,758,737	3,126,307
Long term debt	30	44,380,776	36,698,561
Subordinated debt	31	-	10,762,769
		600,124,890	**420,012,433**
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)	55,570,864	47,674,841
Revaluation reserves	33(iii)	1,962,506	1,945,902
Fair value reserve	33(iv)	(283,857)	301,158
		78,649,345	**71,321,733**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**678,774,235**	**491,334,166**

The financial statements on pages 90 to 185 were approved and authorized for issue by the Board of Directors on 28/02/2024 and were signed on their behalf by:

Nikhil Hira

Chief Executive Officer **Chairperson of the Board Audit Committee**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	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 2023		**15,150,000**	**6,249,832**	**1,945,902**	**47,674,841**	**301,158**	**71,321,733**
Total comprehensive income for the year							
Net Profit after income tax		-	-	-	10,690,023	-	10,690,023
		-	**-**	**-**	**10,690,023**	**-**	**10,690,023**
Other comprehensive income							
Effect of change in corporate tax rate on deferred tax of land and building	**33(iii)**	-	-	16,604	-	-	16,604
Net change in fair value through the other comprehensive income	**33(iv)**	-	-	-	-	(585,015)	(585,015)
Total other comprehensive income		**-**	**-**	**16,604**	**-**	**(585,015)**	**(568,411)**
Total comprehensive income		**-**	**-**	**16,604**	**10,690,023**	**(585,015)**	**10,121,612**
Dividend declared and paid - 2022		-	-	-	(2,794,000)	-	(2,794,000)
Total transactions with owners for the year		**-**	**-**	**-**	**(2,794,000)**	**-**	**(2,794,000)**
Balance as at 31 December 2023		**15,150,000**	**6,249,832**	**1,962,506**	**55,570,864**	**(283,857)**	**78,649,345**

The notes set out on pages 90 to 185 form an integral part of these financial statements.

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

	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 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 disposal land and building	**33(ii)**	-	-	(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 90 to 185 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023	2022
		Frw'000	Frw'000
Net cash flows generated from/ (used in) operating activities	34(i)	**100,194,492**	**(10,089,620)**
Cash flows from investing activities			
Purchase of property and equipment	24	(2,519,298)	(2,020,126)
Purchase of intangible assets	23	(1,514,847)	(548,120)
Proceeds from disposal of property and equipment		-	240,751
Net cash used in investing activities		**(4,034,145)**	**(2,327,495)**
Cash flows from financing activities			
Dividend paid		(2,794,000)	(1,812,001)
Repayment of principal of lease liabilities	32	(845,140)	(526,488)
Proceeds from long term debt	30	11,659,000	467,531
Principal repayment on subordinated and long-term debt	30,31	(20,961,082)	(16,792,400)
Net cash outflows from financing activities		**(12,941,221)**	**(18,663,358)**
Net increase / (decrease) in cash and cash equivalents	**34(ii)**	**83,219,126**	**(31,080,473)**
Cash and cash equivalents at start of the year	**34(ii)**	**69,097,552**	**100,178,025**
Cash and cash equivalents at end of the year	**34(ii)**	**152,316,678**	**69,097,552**

The notes set out on pages 90 to 185 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 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) 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. The regulatory requirements do not any way deviate from IFRS Accounting Standards.

These financial statements are prepared on a going concern basis, as management is satisfied that the Bank has adequate resources to continue as going concern of the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Bank.

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 35).***

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 2023 were approved and authorised for issue in accordance with a

resolution of the Directors on 28/02/2024.

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 2023 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.

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 material accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

In addition, the Bank adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require disclosure of material rather than 'significant' accounting policies. The amendments did not result in any changes to the 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.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

5.2. Income sources and classification

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).

5.2.2. Calculation of interest income and expense

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.

5. Summary of material accounting policies (continued)
5.2. Income sources and classification (continued)
5.2.2. Calculation of interest income and expense (continued)

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 Interest and similar income and Interest and similar expense under loans and advances to banks and deposits from banks.

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:

- **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 material accounting policies (continued)
5.2. Income sources and classification (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.

5.3.3. Contract balances

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.

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.

5. Summary of material accounting policies (continued)

5.6. Net loss on derecognition of financial assets measured at amortised cost or FVOCI (continued)

For financial assets measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue under the effective interest method
- ECL and reversals; and
- Foreign exchange gains and losses

When financial assets measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

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. Financial instruments - Initial Recognition

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. Summary of material accounting policies (continued)

5.8. Financial instruments- Initial Recognitions (continued)

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***.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL or derivative instruments and measured at fair value through profit or loss, 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, and 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.

5. Summary of material accounting policies (continued)

5.9. Determination of fair value (continued)

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.

The Bank's business segments comprise primarily loans to customers that are held for collecting contractual cash flows. Certain debt securities are held by the Bank's central treasury in a separate portfolio for long term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objectives is to hold assets to collect cash flows.

5. Summary of material accounting policies (continued)

5.10. Financial assets and liabilities per financial statement line (continued)

5.10.1.1. Business model assessment (continued)

Certain other debt securities are held by the Bank central treasury in separate portfolio to meet everyday liquidity needs. The Bank central treasury seeks to minimize the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Bank considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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; Contingent events are conditions or occurrences that could affect the timing or amount of cash flows. When assessing SPPI, the presence of contingent events raises concerns about whether the cash flows are solely determined by the contractual terms. If contingent events could result in cash flows that are not consistent with principal and interest payments, the SPPI condition may not be met.

- leverage features; Leverage features, such as options, guarantees, or embedded derivatives, introduce complexity into the cash flow structure of financial instruments. These features may lead to cash flows that are not solely representative of principal and interest. For example, guarantees or options that result in additional payments beyond principal and interest could fail the SPPI test as they introduce variability in cash flows that is not consistent with SPPI

- prepayment and extension terms; Prepayment and extension terms allow borrowers to adjust the timing and amount of payments. While standard prepayment options like deferrals are generally consistent with SPPI criteria, more complex prepayment or extension features may introduce variability that goes beyond what is considered SPPI. For instance, prepayment penalties or extension options with significant fees could lead to cash flows that fail the SPPI test.

- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements) Non-recourse asset arrangements limit the lender's claim to specific assets or collateral. If the terms of the arrangement restrict the lender's recourse to only certain assets, it may affect the certainty and timing of cash flows. This can raise questions about whether the cash flows represent solely principal and interest payments or if they are contingent on the performance of specific assets; and

- features that modify consideration of the time value of money – e.g. periodical reset of interest rates. Features that modify the consideration of the time value of money, such as periodic reset of interest rates, can impact the SPPI assessment. While periodic reset features are common in variable-rate instruments, they must be structured in a way that maintains the SPPI nature of the cash flows. If the reset mechanism introduces variability beyond what is consistent with SPPI, it could impact the classification of the instrument.

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 material accounting policies (continued)

5.10. Financial assets and liabilities per financial statement line (continued)

5.10.2. 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 financial liabilities 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.

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 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, 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.***

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 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 Swap derivatives are included in net trading income and no hedge accounting has been applied to those transactions.

5.10.3. Financial assets at FVOCI

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. Summary of material accounting policies (continued)

5.10. Financial assets and liabilities per financial statement line (continued)

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 guarantees, letters of credit and undrawn loan commitments

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 that results in a change in how assets are managed and their resulting cash flow characteristics. Such changes are determined by the Bank's senior management as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties. Accordingly, a change in the Bank's business model will occur only when an entity either begins or ceases to perform an activity that is significant to its operations Financial liabilities are never reclassified. This reclassification is rare.

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

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.

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 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 material 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 contractual obligations are discharged or cancelled, or expired.

The Bank also 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. Transactions that are settled net are disclosed in ***Note 28*** of the financial statements as "Items in the course of collection". Those products include: Items in the course of collection and Fx swaps cleared through the central Bank clearing House.

Income and expenses are presented on a net basis only when permitted under IFRS accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activities.

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 material accounting policies (continued)

5.14. Impairment of financial assets (continued)

5.14.1. Overview of the ECL principles (continued)

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 ***Note 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 the effective interest rate. 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 material 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 on Loans exposures in stage 1 are calculated by multiplying the 12-month PD by LGD and EAD, this calculation is made for each of the three scenarios, as explained above. The methodology of estimating PDs is disclosed in **Note 38.1.(iii)**.

  The 12mECL on other financial instruments is calculated as the portion of LTECL that represent the ECL that result from default events on other financial instruments that are possible within the 12 months after the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by original EIR.

- **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 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 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.

5.14.3. Financial assets measured at fair value through OCI

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 measures ECL over a period longer than the maximum contractual period, 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.

5. Summary of material accounting policies (continued)

5.14. Impairment of financial assets (continued)

5.14.5. Credit cards and other revolving facilities (continued)

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.

5.14.6. Forward-looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

▪ Repo rate	▪ Inflation rates	▪ GDP
▪ Reverse repo rate	▪ Crude oil prices	▪ Currency exchange rate
▪ Interbank rate	▪ Deposit rates	▪ Public debt
▪ Treasury bills rate	▪ Lending rates	▪ GDP ratio
▪ Central bank rate		

5.14.7. Judgemental Adjustments

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.

Overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These are not calculated at a granular level through modelled analysis.

The Bank has internal governance frameworks and controls in place to assess the appropriateness of all judgemental adjustments. The aim of the Bank is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures. Total judgmental adjustments as at 31 December 2023 increased the loss allowance by Rwf 1.59billion (2022: Rwf 21.4million) and are aggregated to overall ECL of the Bank. 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 Accounting 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. Summary of material accounting policies (continued)

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.

5.17. 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 2,385,510,646 (2022: Frw 5,905,282,023) 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.

5. Summary of material accounting policies (continued)

5.18. Forborne and modified loans (continued)

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, any loan that is overdue for 90 days or more is considered credit-impaired.

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.

5. Summary of material accounting policies (continued)

5.21. Property and equipment (continued)

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 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 Rwf 102,244,241 in 2021 was recognised in other comprehensive income. Fair value measurement disclosures for revalued land and buildings are provided in Note 24 and 25. 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 Frw 14,172,797,851 (2022: Frw 13,820,629,000). These values are as per the independent valuation report by Sanko & Partners Ltd. Considering that market value of land and properties in Rwanda is not highly volatile no significant change assessed during the year.

5. Summary of material accounting policies (continued)

5.21. Property and equipment (continued)

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).

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.

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. Summary of material accounting policies (continued)

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 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 Rwf 184 million (2022:Frw 739 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.

	2023 Frw'000	2022 Frw'000
Balance at January	847,997	1,283,106
Additions	1,413,578	200,199
Depreciation charge for the year	(693,976)	(635,308)
Balance at 31 December	**1,567,599**	**847,997**

5. Summary of material accounting policies (continued)

5.23. Leases (continued)

5.23.2. Amounts recognised in profit or loss

	2023	2022
	Frw'000	Frw'000
Interest on lease liabilities	118,255	108,600
Expenses relating to short-term leases	128,870	111,355
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	141,584	168,155
Lease depreciation charge	693,976	635,308
	1,082,685	**1,023,418**

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	**(845,139)**	**(526,488)**

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.

5.23.5. 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 Rwf 938 million (2022: Rwf 722 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.

5. Summary of material 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) (continued)

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

	2023	2022
	Frw'000	Frw'000
Within one year	851,908	918,107
After one year but not more than five years	1,073,787	3,672,428
More than five years	-	-
	1,925,695	**4,590,535**

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.

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.

5.25. Employee benefits

(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***.

5. Summary of material accounting policies (continued)

5.25. Employee benefits (continued)

(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.

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.

5.28. Contingent liabilities

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.

5.30. 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.

5. Summary of material accounting policies (continued)

5.31. Taxes (continued)

5.31.1. Current tax (continued)

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.

5.32. 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 1,656,000 (2022: Frw 684,000) 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. Summary of material accounting policies (continued)

5.35. New standards, amendments and interpretations

5.35.1. New and revised IFRS effective for the current the year

The following new or amended standards and interpretations have become effective for financial year beginning on or after 1 January 2023:

Standard/Interpretation		Effective date Periods beginning on or after
IFRS 17	Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Amendments to IAS 12 Income taxes	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 12	International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12	23 May 2023

Except for the standards below, there were no other new standards or amendments to standards that had an effect on these financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

In October 2018, the IASB refined its definition of material to make it easier to understand and apply. This definition is now aligned across IFRS Accounting Standards and the Conceptual Framework. "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The refined definition of material complements the non-mandatory IFRS Practice Statement 2 guidance the IASB issued In 2017, which outlines a four-step process that preparers can use to help them make materiality judgements and provides guidance and examples on how to make materiality judgements in preparing their financial statements.

In February 2021 the IASB issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include: requiring companies to disclose their material accounting policies rather than their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to the Bank's financial statements.

The IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in Bank's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements".

The amendments are effective from 1 January 2023 but may be applied earlier.

Definition of Accounting Estimate (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty1. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that the Bank develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both:

5. Summary of material accounting policies (continued)

5.34. Comparative information (continued)

- Selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- Choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Bank applies the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Targeted amendments1 to IAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. Currently, there is diversity in practice when accounting for deferred tax on transactions that involve recognising both an asset and a liability with a single tax treatment related to both.

For example, The Bank may be entitled to a tax deduction on a cash basis for a lease transaction that involves recognising a right-of-use (ROU) asset and a corresponding lease liability under IFRS 16 Leases2. A temporary difference may then arise on initial recognition of the ROU asset and the lease liability. The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If the Bank previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments apply for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

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 2023 and have not been applied in preparing these financial statements.

Standard/Interpretation		**Effective date Periods beginning on or after**
IFRS 10 and IAS 28 amendments	Sale or contribution of assets between an investor and its associate or joint venture	Available for optional adoption/ effective date deferred indefinitely
Amendments to IAS 1	Non-current liabilities with covenants- Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
IFRS 16 amendments	Lease liability in a sale and leaseback (Amendment to IFRS 16)	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
IAS 21	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

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 materialt impact on the financial statements of the Bank.

5. Summary of material accounting policies (continued)

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.

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. Significant accounting judgements, estimates and assumptions (continued)

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)***.

6.5. 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.

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

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

6.2. Going concern (continued)

- 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. 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.

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:

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

2023:	Corporate and institutional Banking	Business Banking	Retail Banking	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Interest and similar income	33,662,359	7,895,131	14,545,028	**56,102,518**
Interest and similar expense	(12,699,174)	(3,189,040)	(4,884,252)	**(20,772,466)**
Net fees and commissions	1,414,286	331,705	611,094	**2,357,085**
Net foreign exchange income	5,499,046	1,380,931	2,114,998	**8,994,974**
Operating income	**27,876,517**	**6,418,726**	**12,386,868**	**46,682,111**
Other operating income	1,026,554	275,044	621,467	**1,923,065**
Impairment of financial assets	(1,496,523)	(400,962)	(905,982)	**(2,803,467)**
Employee benefit	(6,412,091)	(1,717,986)	(3,881,821)	**(12,011,898)**
Depreciation of property & equipment	(2,418,747)	(648,053)	(1,464,287)	**(4,531,087)**
Other operating expenses	(7,304,435)	(1,957,071)	(4,422,038)	**(13,683,544)**
Total operating expenses	**(16,135,273)**	**(4,323,109)**	**(9,768,147)**	**(30,226,529)**
Profit before income tax	**11,271,275**	**1,969,699**	**2,334,207**	**15,575,180**
Income tax expense	(3,535,237)	(617,796)	(732,124)	**(4,885,157)**
Net profit after tax	**7,736,038**	**1,351,903**	**1,602,082**	**10,690,023**

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 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)	**(2,698,567)**
Net profit after tax	**3,911,134**	**1,730,919**	**3,671,322**	**9,313,375**

7. Segmental reporting (continued)
Statement of financial position

2023:	Corporate and institutional banking	Business banking	Retail Banking	Total
	Frw'000	Frw'000	Frw'000	Frw'000
ASSETS				
Loans and advances to customers	189,620,917	44,473,472	79,797,924	**313,892,313**
LIABILITIES				
Customer deposits	230,199,673	57,808,174	88,537,511	**376,545,358**
Deposits from banks	162,522,953			**162,522,953**
2022:				
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**

8. Interest income calculated using effective interest rate

	2023	2022
	Frw '000	Frw'000
Financial assets measured at amortised cost		
Loans and advances to customers	38,827,288	36,913,325
Loans and advances to banks	2,293,592	1,451,762
Government investment securities	8,423,586	5,515,863
Financial assets measured at FVOCI		
Government investment securities	**6,558,052**	**6,471,690**
Total interest calculated under the effective interest rate method	**56,102,518**	**50,352,640**

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

9. Interest and similar expense

Deposits from customers	10,079,868	10,056,245
Deposits from banks	6,099,670	4,757,898
Long term debt	3,266,159	2,480,082
Subordinated debt	1,208,514	881,785
Lease liabilities (Note 32)	118,255	108,600
	20,772,466	**18,284,610**

9. Interest and similar expense (continued)

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.

	2023	2022
	Frw'000	Frw'000
Financial assets measured at amortised cost	49,544,466	43,880,950
Financial assets measured at FVOCI	6,558,052	6,471,690
Total	**56,102,518**	**50,352,640**
Financial liabilities measured at amortised cost	**20,772,466**	**18,284,610**

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.

(i) Major service lines		
Commission on services charge	3,265,812	2,504,590
Commission on guarantee issued	1,395,601	1,243,041
Current account ledger fees	1,125,699	888,931
Service fees on Transfers	75,671	58,609
Other commissions	335,454	333,404
	6,198,237	**5,028,575**
(ii) Fees and commission expense		
Interbank transaction fees	(227,674)	(383,740)
Other fees expense*	(3,613,478)	(2,276,568)
	(3,841,152)	**(2,660,308)**
Net fee and commission income	**2,357,085**	**2,368,267**

* 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'	**104,012**	**11,015**

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

	2023	2022
	Frw '000	Frw'000
Foreign exchange	13,293,153	6,569,612
Revaluation (loss)/gain	(4,298,179)	(1,411,191)
Net Trading Income	**8,994,974**	**5,158,421**

12. Other operating income

Profit on sale of property and equipment	-	105,621
Bad debt recoveries	459,869	1,897,202
Other income	30,657	353,528
Rental Income	938,398	722,734
Modification (loss) / Gain	494,141	(244,163)
	1,923,065	**2,834,922**

*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	9,361,501	8,244,598
Medical expenses	485,667	395,494
Statutory contribution	441,555	410,899
Mileage expenses	507,928	170,045
Training expenses	386,350	227,204
Staff leave allowance	545,986	466,625
Notional Benefits	209,171	184,109
Other staff costs	73,740	178,545
	12,011,898	**10,277,519**

13. Operating expenses (continued)

	2023	2022
(ii) Other operating expenses	**Frw'000**	**Frw'000**
Consultancy fees	2,562,398	1,670,333
Administrative expenses	1,251,225	1,160,042
Other general expenses	4,042,085	3,043,696
Repairs & maintenance	2,116,607	2,005,173
Marketing & publicity	599,196	554,959
Board expenses	770,400	545,018
Security	581,259	474,973
Utilities	694,143	577,726
Statutory fees	368,282	322,486
Communications expenses	210,560	192,849
Insurance	396,105	425,617
Donations and Membership fees	91,284	51,483
	13,683,544	**11,024,355**

(iii) Depreciation and Amortisation		
Depreciation on property and equipment (Note 24)	2,021,962	1,729,880
Amortisation of investment property (Note 25)	285,951	284,902
Amortisation of intangible assets (Note 23)	1,529,198	1,681,187
Depreciation of Right of use asset (Note 24)	693,976	635,308
	4,531,087	**4,331,277**

14. Income tax

The components of income tax expense is as follows:

(i) Amount recognized in profit or loss		
Income tax expense		
Current year charge	5,988,834	4,370,672
Deferred tax expense		
Origination and reversal of temporary differences	(1,103,677)	(260,635)
	(1,103,677)	**(260,635)**
Income tax expense	**4,885,157**	**4,110,037**

14. Income tax (continued)

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. A reconciliation between the tax expense and the accounting profit multiplied by domestic tax rate for the years ended 31 December 2023 and 2022 is, as follows:

		2023		2022
	Effective tax rate	**Frw'000**	**Effective tax rate**	**Frw'000**
Accounting profit before tax		**15,575,180**		**13,423,412**
Computed tax using the applicable corporation tax rate at 30% from 1 January to 13 September and 28% from 14 September to 31 December (2022:(30%))	29.4%	4,579,530	30%	4,027,024
Tax-exempt income	0.0%	-	-1.51%	(202,365)
Non-deductible expenses	0.8%	131,242	2.13%	285,378
Effect of change in tax rate	-1.0%	(47,485)		-
Prior year overprovision of temporary differences	4.8%	221,870		-
	31.3%	**4,885,157**	**30.6%**	**4,110,037**

The effective income tax rate for 2023 is 31.3% (2022: 30.6%).

	2023	2022
(ii) Tax Payable/(Recoverable)	**Frw'000**	**Frw'000**
At 1 January	1,725,939	(2,392,951)
Income tax expense (Note 14(i)	5,988,834	4,370,672
Tax paid (Note 34(a))	(6,534,722)	-
Prior year overprovision	-	(251,782)
At 31 December	**1,180,051**	**1,725,939**

During the year, there was a change in tax rate from 30% to 28% effective 14th September 2023, the effective tax rate during the period is the average of two rates before and after the change. The non-deductible expenses relate to expenses that are not deductible in determining taxable profit (tax loss) per the tax Law. These include donations, provisions, 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.

15. Basic and diluted earnings per share (continued)

	2023	2022
	Frw'000	Frw'000
Net profit after tax attributable to owners of the Bank (Frw '000')	**10,690,023**	**9,313,375**
Weighted average number of ordinary shares in issue during the year ('000)	**1,515,000**	**1,515,000**
Earnings per share (Frw)	**7.06**	**6.15**

16. Dividends per share

The calculation of dividend per share is based on:		
Final dividend proposed during the year (Frw'000)	2,138,000	2,794,000
Weighted average number of ordinary shares in issue during the year ('000)	**1,515,000**	**1,515,000**
Final dividend per share (Frw.)	**1.41**	**1.84**

*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

Cash on hand	8,887,784	6,041,906
Balances with National Bank of Rwanda:		
-Unrestricted balances	58,328,891	-
-Restricted balances (Cash reserve ratio)	18,327,305	10,725,522
	85,543,980	**16,767,428**

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	8,887,784	6,041,906
Balances with National Bank of Rwanda:		
-Unrestricted balances	58,328,891	-
	67,216,675	**6,041,906**

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 2023, the cash ratio requirement was 5% (2022: 4%). Unrestricted balances refer to remaining balances above the restricted amount with central Bank.

17. Cash and balances with Central Bank (continued)

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

31 December 2023	**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%	**1,824**	**-**	**-**	**1,824**
31 December 2022					
Internal rating grade					
Performing					
High grade	0.00% - 1.68%	**223**	**-**	**-**	**223**

18. Due from Banks

	2023	**2022**
	Frw'000	**Frw'000**
Placement with banking institutions	42,615,633	22,548,779
Balance with banking institutions	31,846,868	31,846,868
Due within 90 Days	**74,462,501**	**54,395,647**

The weighted average effective interest rate on placements and balances with other banks at 31 December 2023 was 5.81% (2022: 3.62%).

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 2023	**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%	**2,979**	**-**	**-**	**2,979**
31 December 2022					
Internal rating grade					
Performing					
High grade	0.00%-2.99%	**57**	**-**	**-**	**57**

19. Due from group companies

(i) Due from group companies

	2023	2022
	Frw'000	Frw'000
I&M Bank (Kenya) Limited	6,622,280	870,057
I&M Bank (Tanzania) Limited	733,320	259,468
Bank One	2,389,844	1,866,035
	9,745,444	**2,995,560**

The amount due to related parties is included in other liabilities (Refer to ***Note 28***).

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 2023	**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%	**47**	**-**	**-**	**47**
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**

20. Financial assets

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

	2023	2022
	Frw'000	Frw'000
Treasury Bonds	56,166,994	53,539,844
Sustainability corporate Bonds	2,743,161	211,800
	58,910,155	**53,751,644**

The Bank hold financial securities at FVOCI that are considered to have low credit risk as the government securities, 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 & Poor rating agency with Loss given default of 30%. The table below shows the expected credit loss on financial assets at FVOCI.

20. Financial assets (continued)

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

31 December 2023					
Grading: Performing	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade	0.00%-0.50%	**16,524**	-	-	**16,524**
31 December 2022					
Grading: Performing					
Investment grade	0.00%-0.50%	**12,550**	-	-	**12,550**

(ii). Financial assets at fair value through profit or loss (FVTPL)

2023	**Carrying value assets Frw'000**	**Notional amount**
Foreign exchange contracts	1,872,070	7,836,372

2022	**Carrying value assets Frw'000**	**Notional amount**
Foreign exchange contracts	1,685,336	15,160,037

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 2023, the fair value of the derivative financial instrument (swap) was a net asset of Frw 1,872,070,306 (2022: Frw 1,685,336,393). 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;

	2023	**2022**
	Frw'000	**Frw'000**
Balance as at 1 January	1,685,336	1,354,856
Disposals and maturities	(845,862)	(266,206)
Fair value	1,032,596	596,686
	1,872,070	**1,685,336**

(iii). Debt securities at amortised cost

Government securities		
Treasury Bonds	64,803,161	66,618,622
Treasury Bills	20,633,168	14,928,027
	85,436,329	**81,546,649**

20. Financial assets (continued)

(iii). Debt securities at amortised cost (continued)

The weighted average effective interest rate on investments securities and balances with other banks as at 31 December 2023 was 10.99% (2022: 10.94%)

The table below shows the expected credit loss on debt securities at amortized cost;

31 December 2023	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%	**44,442**	**-**	**-**	**44,442**
31 December 2022					
Grading: Performing					
Investment grade	0.00% - 1.48%	**43,823**	**-**	**-**	**43,823**

21. Loans and advances to customers

(i) Classification

	2023	2022
	Frw'000	**Frw'000**
Mortgage loans	37,592,221	42,758,474
Equipment loans	101,612,993	62,293,844
Consumer loans	119,304,222	92,477,559
Overdrafts	66,855,742	43,771,274
Gross loans and advances	**325,365,178**	**241,301,151**
Less: Impairment losses on loans and advances	(11,472,865)	(9,581,344)
Net loans and advances	**313,892,313**	**231,719,807**

(ii) Impairment loss allowance for the year

2023:	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	4,883,878	(186,991)	4,696,887
New financial assets originated or purchased	601,355	26,912	628,267
	5,485,233	**(160,079)**	**4,591,876**
Recoveries of loans and advances derecognised	(3,593,711)	(12,370)	(3,606,081)
Amounts directly written off during the year	1,084,394	-	1,084,394
	2,975,916	**(172,449)**	**2,803,467**

21. Loans and advances to customers (continued)

(ii) Impairment loss allowance for the year (continued)

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
	3,406,591	**19,690**	**3,373,077**

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

	2023	**2022**
	Frw'000	**Frw'000**
Interest on impaired loans and advances which has not yet been received in cash	**3,167,278**	**2,753,074**

(iii) Loans and advances concentration by sector

	2023		**2022**	
	Frw '000	**%**	**Frw '000**	**%**
Manufacturing	59,528,095	18%	45,868,840	19%
Wholesale and retail trade	55,898,715	17%	38,916,346	16%
Building and construction	29,836,814	9%	10,478,915	4%
Agriculture	41,811,344	13%	22,534,665	9%
Transport and communication	42,694,385	13%	28,184,149	12%
Personal/Household	83,336,929	26%	78,043,921	32%
Tourism,Restaurant and Hotels	6,043,601	2%	4,476,715	2%
Real estate	4,576,539	1%	8,968,129	4%
Others	1,638,756	1%	3,829,471	2%
	325,365,178	**100%**	**241,301,151**	**100%**

The weighted average effective interest rate on loans and advances as at 31 December 2023 was 16.5% (2022: 16.68%).

22. Other assets

	2023	2022
	Frw'000	Frw'000
Prepayments	1,879,415	1,699,816
Non-current asset held for sale*	-	25,163
Staff Notional Benefit	2,134,587	1,823,848
Other receivables	6,811,036	6,148,863
Rent receivable	296,503	158,650
	11,121,541	**9,856,340**

*The amount presented in 2022 as non- current assets held for sale in accordance with IFRS 5 were assets purchased through public auction and the Bank has realised the carrying amount principally through a sale transaction during the year.

23. Intangible assets

2023:	**Computer Software**	**Capital work in progress**	**Total**
Cost	**Frw'000**	**Frw'000**	**Frw'000**
At 1 January	**10,101,782**	**1,039,754**	**11,141,536**
Additions	1,047,912	466,935	1,514,847
Write offs	-	(180,996)	(180,996)
At 31 December at 31 December 2023	**11,149,694**	**1,325,693**	**12,475,387**
Amortisation			
At 1 January	**7,960,360**	**-**	**7,960,360**
Amortisation for the year	1,529,198	-	1,529,198
At 31 December	**9,489,558**	**-**	**9,489,558**
Carrying amount at 31 December 2023	**1,660,136**	**1,325,693**	**2,985,829**

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 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**

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		
2023:	**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	17,436,935	5,941,027	4,677,317	371,191	330,522	2,620,163	652,601	32,029,756
Additions	22,051	287,488	225,513	-	570,668	991,122	422,456	2,519,298
Write offs/back	-	-			(147,915)	-	-	(147,915)
At 31 December	**17,458,986**	**6,228,515**	**4,902,830**	**371,191**	**753,275**	**3,611,285**	**1,075,057**	**34,401,139**
Depreciation								
At 1 January	1,954,513	2,962,120	2,796,232	332,167	-	1,798,271	626,496	10,469,799
Charge for the year	550,156	642,525	803,924	25,357	-	512,939	181,037	2,715,938
At 31 December	**2,504,669**	**3,604,645**	**3,600,156**	**357,524**	**-**	**2,311,210**	**807,533**	**13,185,737**
Net book value at 31 December 2022	**14,954,317**	**2,623,870**	**1,302,674**	**13,667**	**753,275**	**1,300,075**	**267,524**	**21,215,402**

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

2022	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	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**

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 5.21.*** None of property and equipment has been pledged as security over borrowings.

25. Investment property

	2023 Frw'000	2022 Frw'000
Cost		
At 1 January	14,228,974	13,890,079
Reclassification from PPE	-	338,895
At 31 December	**14,228,974**	**14,228,974**
Depreciation		
At 1 January	354,352	69,450
Depreciation for the year	285,951	284,902
At 31 December	**640,303**	**354,352**
Net book value at 31 December	**13,588,671**	**13,874,622**

Investment property is 55% of the total cost of the new 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 Rwf 938Million (2022: 722Million). The fair value of investment property is approximated to Rwf 14,172,797,851 (2022: Rwf 13,820,629,000). These values are as per the independent valuation report by Sanko & Partners Ltd.

Direct operating expenses arising from investment property that generated rental income is Rwf 945Million (2022: 406Million) during the period.

26. Deposits from banks

Current and demand deposits	89,987,861	50,988,420
Saving deposit	1,002,738	1,189,847
Term Deposit	71,532,354	10,004,505
	162,522,953	**62,182,772**

Securities lending and repurchase agreements and assets held or pledged as collaterals.
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:

Asset type		
Assets pledged as collateral under securities borrowing and reverse repo agreements	40,550,000	10,000,000
Customer deposits held as collateral for irrevocable commitments under import letters of credit	822,976	2,837,526
	41,372,976	**12,837,526**

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.

27. Deposits from customers

	2023	2022
	Frw'000	**Frw'000**
Current and demand deposits	296,224,100	209,239,133
Saving deposit	40,838,616	34,335,507
Term Deposit	39,482,643	51,665,311
	376,545,358	**295,239,951**

As at December 2023, term deposits and savings constituted 71.6% (2022: 72.8%), 7.8% (2022:9.9%) and 20.6% (2022: 17.3%) to total demand deposits respectively.

28. Other liabilities

Accruals	4,204,079	2,691,695
Provisions for loan commitments* (Note 38.1.(iii))	115,228	287,984
Provisions	62,568	13,783
Lease liabilities (Note 32)	1,323,027	771,131
Other accounts payables	1,428,125	1,115,519
Dividend payable	36,742	29,825
Items in the course of collection	6,167,245	5,366,197
	13,337,015	**10,276,134**

* 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.

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

At 1 January	13,782	114,265
Movement during the year	62,568	(19,250)
Utilized during the period	(13,782)	(81,233)
Balances as at 31 December	**62,568**	**13,782**

* The outstanding provisions relates to legal cases provisions and outstanding leave allowance for employees.

29. Deferred tax

2023:	Balance at 1 January	Recognised in equity	Recognized in profit or loss	Balance at 31 December
	Frw'000	Frw'000	Frw'000	Frw'000
Deferred income tax asset				
Other provisions	1,529,036	-	1,040,289	2,569,325
Lease liability	231,339	-	157,666	389,005
	1,760,375	**-**	**1,197,955**	**2,958,330**
Deferred income tax liability				
Property and equipment	4,757,614	(16,604)	94,278	4,835,288
Financial asset at fair value through OCI	129,068	(247,289)		(118,221)
	4,886,682	**(263,893)**	**94,278**	**4,717,067**
Deferred income tax asset/(liability)	**3,126,307**	**(263,893)**	**(1,103,677)**	**1,758,737**

2022:	Balance at 1 January	Recognised in equity	Recognized 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	356,705	-	(125,366)	231,339
	1,730,234	**-**	**30,141**	**1,760,375**
Deferred income tax liability				
Property and equipment	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**

30. Long Term Debt

	2023	2022
	Frw'000	Frw'000
Less than one year	-	1,358,147
One to five years	44,380,776	35,340,414
	44,380,776	**36,698,561**
Loan movement schedule		
At 1 January	36,698,561	50,907,060
Funds received	11,659,000	467,531
Fair value Adjustment	749,732	420,836
Interest payable	2,326,229	2,326,229
Principal repayments	(8,261,081)	(16,792,400)
Interest repayment	(2,733,310)	(2,048,703)
Translation differences	3,941,645	1,418,008
At 31 December	**44,380,776**	**36,698,561**

30. Long Term Debt (continued)

European Investment Bank (EIB)	3,161,178	5,340,212
Rwanda Development Bank (BRD)	15,441,799	4,154,144
National Bank of Rwanda (Economic Recovery Fund)	1,675,541	2,125,061
Entrepreneurial Development Bank (FMO)	24,102,258	25,079,144
	44,380,776	**36,698,561**

Long term debt constituted the following:

(a). National Bank of Rwanda (Economic Recovery Fund facility)
The Bank received economic recovery fund facility 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 634 Million (2022: Frw 634 Million) 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 3.1 billion (2022: Frw 5.4 billion). They are unsecured loans.

(c). Rwanda Development Bank (BRD)
During the year, the Bank received new loan from BRD of Frw 11.5billion at average rate of 3.5% for access to finance for Recovery and resilience project. 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.

31. Subordinated debt

	2023	2022
	Frw'000	**Frw'000**
Less than one year	-	10,762,769
One to five years	-	-
	-	**10,762,769**
Loan movement schedule		
At 1 January	10,762,769	10,126,673
Principal repayments	(12,700,001)	-
Interest repayment	(1,264,160)	(856,635)
Interest during the period	1,208,514	881,785
Translation differences	1,992,877	610,946
At 31 December	**-**	**10,762,769**

In 2018, The Bank acquired a 5 year subordinated loan with IFC at an interest rate of 11% repayable in semi-annual instalments The purpose of the loan was 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 matured in October 2023 and was fully repaid.

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:

Balance as at 1 January	771,131	1,189,019
Additional during the period	1,278,781	-
Principal settlements during the period	(845,140)	(526,488)
Interest expense during the period	118,255	108,600
Balance as at 31 December	**1,323,027**	**771,131**

Undiscounted Maturity analysis

Less than one year	851,908	508,098
One to five years	1,045,197	325,526
Over five years	1,540	3,900
	1,898,645	**837,524**

33. Share capital and reserves

(i). Issue capital and share premium

Ordinal share capital

	31 December 2023		31 December 2022	
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

2023:	**Issued & fully paid shares**	**Share capital**	**Share premium**	**Total**
		Frw'000	**Frw'000**	**Frw'000**
At 01 January 2023	1,515,000,000	15,150,000	6,249,832	21,399,832
At 31 December 2023	**1,515,000,000**	**15,150,000**	**6,249,832**	**21,399,832**

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**

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

Ordinary shares

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;

	2023	**2022**
	Frw'000	**Frw'000**
As at 1 January	47,674,841	38,335,409
Profit for the year	10,690,023	9,313,375
Paid dividend during the year	(2,794,000)	-
Reclassification of revaluation reserve to retained earnings	-	26,057
As at 31 December	**55,570,864**	**47,674,841**

33. Share capital and reserves (continued)

(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;

As at 1 January	1,945,902	1,964,142
Effect of change in corporate tax rate on deferred tax of land and building	16,604	-
Reclassification of revaluation reserve to retained earnings on disposal	-	(18,240)
As at 31 December	**1,962,506**	**1,945,902**

(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	301,158	504,584
Change in financial assets measured at FVOCI	(832,304)	(290,609)
Deferred tax on financial assets measured at FVOCI	247,289	87,183
	(585,015)	**(203,426)**
As at 31 December	**(283,857)**	**301,158**

(v). Statutory credit risk reserve

Where impairment losses required by legislation or regulations exceed those computed under IFRS Accounting Standards, 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. 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	2023 Frw'000	2022 Frw'000
Cash flows from operating activities			
Profit before income tax		**15,775,180**	**13,423,412**
Adjustments for:			
Depreciation on property and equipment	24	2,715,937	2,365,188
Depreciation on investment property		285,952	284,902
Amortisation of intangible asset	23	1,529,198	1,681,187
(Loss)/Gain on disposal of property and equipment		-	105,621
Impairment charge in loans and advances	40	2,803,467	3,373,077
Interest income earned	9	(56,102,518)	(50,352,640)
Interest expense incurred	10	20,772,467	18,284,611
		(12,220,317)	**(10,834,642)**
Decrease in operating liabilities			
Movement in loans and advances to customers	22(a)	(82,172,506)	(9,296,760)
Movement in financial assets measured at (FVOCI)	21(a)	(5,158,511)	2,518,507
Movement in financial assets at fair value through profit or loss (FVTPL)	21(b)	(186,734)	(330,480)
Movement in financial assets at amortised cost	21(c)	(3,889,680)	(47,665,434)
Cash and balances with National Bank of Rwanda:		(7,601,783)	3,009,106
Other assets		(1,065,201)	(6,576,576)
		(100,074,415)	**(58,341,637)**
Increase in operating assets			
Customer deposits	27	81,305,407	28,777,606
Deposits from banks	26	100,340,181	1,752,004
Other payables	28	3,060,881	(3,037,274)
		184,706,469	**27,492,336**
Cash flows generated from/ (used in) operating activities		**72,411,737**	**(41,683,943)**
Interest received		55,097,939	50,025,332
Interest paid		(20,780,462)	(18,431,009)
Tax paid	14	(6,534,722)	-
Net cash flows generated from/ (used in) operating activities		**100,194,492**	**(10,089,620)**

34. Notes to the statement of cash flows (continued)

(ii) Analysis of cash and cash equivalents

	Note	2023 Frw'000 a	2022 Frw'000 b	Change Frw'000 c =(a – b)
Cash and balances with National Bank of Rwanda	17	67,216,675	6,041,906	61,174,769
Investment securities		5,190,237	7,075,630	(1,885,393)
Deposits from banks	18	74,462,501	54,395,647	20,066,854
Due from group companies	20(a)	9,745,444	2,995,560	6,749,884
		156,614,857	**70,508,743**	**86,106,114**
Net Foreign exchange difference on foreign denominated balances		(4,298,179)	(1,411,191)	(2,886,988)
		152,316,678	**69,097,552**	**83,219,126**

- 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.

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 amortization.

As at 31 December 2023	Within 12 months Frw'000	After 12 months Frw'000
ASSETS		
Cash and balances with National Bank of Rwanda	85,543,980	-
Due from banks	74,462,501	-
Due from group companies	9,745,444	-
Financial assets measured at fair value through other comprehensive income	58,910,155	-
Financial assets at fair value through profit or loss	1,872,070	-
Financial assets at amortised cost	28,579,153	56,857,176
Loans and advances to customers	120,339,782	193,552,531
Other assets	10,921,541	-
Intangible assets	-	2,985,829
Property and equipment and right of use assets	-	21,215,402
Investment Property	-	13,588,671
TOTAL ASSETS	**390,374,626**	**288,199,609**

35. Current/non-current distinction (continued)

	Within 12 months	After 12 months
LIABILITIES	**Frw'000**	**Frw'000**
Deposits from banks	104,268,630	58,254,323
Deposits from customers	178,300,916	198,244,442
Current income tax	1,180,051	-
Other liabilities	-	-
Deferred income tax	-	1,758,737
Long term debt	1,807,701	42,045,435
Subordinated debt	-	-
	285,557,298	**300,302,937**
Net	**105,017,328**	**(12,103,328)**

As at 31 December 2022

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**

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:

	2023	2022
	Frw'000	Frw'000
Contingencies related to:		
Letters of credit	28,458,781	27,038,793
Guarantees	59,060,375	47,189,649
	87,519,156	**74,228,442**
Commitments related to:		
Outstanding commitments related to utilized overdrafts and credit cards	8,114,464	18,897,171
	95,633,620	**93,125,613**

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's 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***.

		2023	2022
		Frw'000	Frw'000
(a)	**Transactions with directors/shareholders**		
(i)	Loans to directors/shareholders	3,616	1,087
(ii)	Interest income from Loans to directors/shareholders	-	-
(iii)	The Directors remunerations	599,196	554,959
	The non-executive directors do not receive pension entitlements from the Bank.		
(b)	**Transactions with related companies**		
(i)	Loans to related companies	3,545,463	5,035,011
(ii)	Interest income	1,362,637	1,281,104
(c)	**Transactions with key management personnel**		
	Key Management personnel loans	809,821	943,598
	Interest Income	53,255	50,973
	Staff loans	6,985,406	5,619,315
(d)	**Shared service cost**		
	Balances		
(i)	Due from group companies	9,745,444	2,995,560

Key management personnel compensation

Key management personnel compensation is comprised the followings.

Short term employee benefits	1,674,664	1,850,749
Other Long-term benefits	890,159	547,074
Share based payments	39,848	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 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 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 2023	**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	-	1,872,070	**1,872,070**	1,872,070		-	**1,872,070**
Financial assets measured at fair value through other comprehensive income	58,910,155	-	**58,910,155**	58,910,155	-	-	**58,910,155**
	58,910,155	**1,872,070**	**60,782,225**	**60,782,225**	**-**	**-**	**60,782,225**

	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**

38. Financial Instruments – Fair values and risk management (continued)

B. Financial instruments not measured at fair value

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.

	Total	Total Fair value			
At 31 December 2023	**Carrying amounts**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Frw'000	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
Financial assets					
Balances with Central Bank of Rwanda	**85,543,980**	-	85,543,980		**85,543,980**
Other financial assets at amortised cost	**85,436,329**	116,235,752	-	-	**116,235,752**
Dues from Banks	**74,462,501**	-	74,508,546		**74,508,546**
Loans and advances to customers	**313,892,313**	-	562,742,530		**562,742,530**
Due from group companies	**9,745,444**	-	9,745,444		**9,745,444**
Other assets	**9,242,126**	**-**	9,242,126		**9,242,126**
	578,322,693	**116,235,752**	**741,782,626**	**-**	**858,018,379**
Financial liabilities					
Deposits from banks	**162,522,953**	**-**	162,533,405	-	**162,533,405**
Deposits from customers	**376,545,358**	**-**	437,641,337	-	**437,641,337**
Long term borrowings	**44,380,776**	**-**	47,294,469	-	**47,294,469**
Other liabilities	**115,228**	**-**	13,880,203	-	**13,880,203**
	583,564,315	**-**	**661,349,414**	**-**	**661,349,414**

38. Financial Instruments – Fair values and risk management (continued)

B. Financial instruments not measured at fair value (continued)

	Total		Total Fair value		
At 31 December 2022	**Carrying amounts**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Frw'000	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
Financial assets					
Balances with Central Bank of Rwanda	**16,767,428**		16,767,428	-	**16,767,428**
Other financial assets at amortised cost	**81,546,649**	**115,226,261**	-	-	**-**
Dues from Banks	**54,395,647**		55,547,487	-	**55,547,487**
Loans and advances to customers	**231,719,807**		323,482,134	-	**323,482,134**
Due from group companies	**2,995,560**		2,995,560	-	**2,995,560**
Other assets	**8,131,361**		9,959,078	-	**9,959,078**
	450,993,432	**115,226,261**	**408,751,687**	**-**	**464,188,667**
Financial liabilities					
Deposits from banks	**62,182,772**	**-**	71,495,155	-	**71,495,155**
Deposits from customers	**295,239,951**	**-**	318,660,921	-	**318,660,921**
Long term borrowings	**36,698,561**	**-**	39,886,908	-	**39,886,908**
Subordinated debt	**10,762,769**	**-**	11,058,329	-	**11,058,329**
Other liabilities	**8,131,361**	**-**	8,131,361	-	**8,131,361**
	413,015,414	**-**	**449,232,674**	**-**	**449,232,674**

Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow technique. Input into valuation techniques includes interest rates, expected lifetime credit losses. Input into the models may include data from traded securities on secondary market. The fair value of deposits from banks and customers is estimated using discounted cashflow techniques, applying the rates that are offered from deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

38. Financial Instruments – Fair values and risk management (continued)

C. Measurement of fair values

(i). Valuation techniques and significant unobservable inputs

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.

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.

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)	Present value of estimated future cash flows	Not Applicable	Not applicable
Financial assets – Fair Value through Other Comprehensive Income	Market comparison/ discounted cash flow	Not Applicable	Not applicable

D. 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.

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

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. Analysis of gross portfolio concentrations of credit risk as at 31 December is shown below:

Loans and advances concentration by sector

	2023		2022	
	Frw '000	**%**	**Frw '000**	**%**
Manufacturing	59,528,095	18%	45,868,840	19%
Wholesale and retail trade	55,898,715	17%	38,916,346	16%
Building and construction	34,413,353	11%	19,447,044	8%
Agriculture	41,811,344	13%	22,534,665	9%
Transport and communication	42,694,385	13%	28,184,149	12%
Others	91,019,286	28%	86,350,107	36%
	325,365,178	**100%**	**241,301,151**	**100%**

Off Balance sheet items exposure	**Frw'000'**	**%**	**Frw'000'**	**%**
Acceptances and Letters of Credit Issued	28,458,781	30%	27,038,793	29%
Guarantees commitments given	59,060,375	62%	47,189,649	51%
Undrawn commitments	8,114,464	8%	18,897,171	20%
	95,633,620	**100%**	**93,125,613**	**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:

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

- 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.

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 customers. 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***.

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

Generating the term structure of PD (continued)

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 such as Balances with Central Bank and other Banks, Financials assets measured at FVOCI, Financial assets at amortized costs, Dues from Group companies 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.

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.

2023:	**12 month ECL**	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total 31 December 2023**
Risk classification	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
Loans and advances to Customers at amortised cost				
Normal	296,954,452	-	-	296,954,452
Watch	-	18,497,675	-	18,497,675
Non-Performing loans	-	-	9,913,051	9,913,051
Gross carrying amount	**296,954,452**	**18,497,675**	**9,913,051**	**325,365,178**
Loss allowance	(3,471,969)	(972,659)	(7,028,237)	(11,472,865)
Carrying amount	**293,482,483**	**17,525,016**	**2,884,814**	**313,892,313**
Loan commitments and financial guarantee contracts				
Normal	95,602,269	-	-	95,602,269
Watch	-	31,351	-	31,351
Non-Performing loans	-	-	-	-
Gross carrying amount	**95,602,269**	**31,351**	**-**	**95,633,620**
Loss allowance	(113,841)	(1,694)	-	(115,535)
Carrying amount	**95,488,428**	**29,657**	**-**	**95,518,085**

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

2022:	**12 month ECL**	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total 31 December 2022**
Risk classification	**Frw'000**	**Frw'000**	**Frw'000**	**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**

The Bank has estimated the ECL for the following financial assets and are disclosed in note 17 to 20. These financial assets have been assessed to be in Stage 1 (Normal).

		2023	**2022**
	Classification	**Frw'000**	**Frw'000**
Cash and balances with central banks	Normal	85,543,980	16,767,428
Dues from banks	Normal	74,462,501	54,395,647
Financial assets at fair value through other comprehensive income	Normal	58,910,155	53,751,644
Other financial assets at amortised cost		85,436,329	81,546,649
Due from group companies	Normal	9,745,444	2,995,560
		314,098,409	**209,456,928**

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

The following shows the grading of loans and advances to customers in line with local prudential guidelines

	2023	2022
Loans and advances to customers	**Frw'000**	**Frw'000**
Credit impaired :		
Grade 3: Substandard	738,872	8,571,649
Grade 4: Doubtful	3,181,876	935,554
Grade 5: Loss	5,992,303	3,691,130
	9,913,051	**13,198,333**
Specific allowance for impairment	(7,028,237)	(6,949,028)
Carrying amounts	**2,884,814**	**6,249,305**
Performing & underperforming:		
Grade 2: Watch	18,497,675	30,498,686
Grade 1: Normal	296,954,452	197,604,132
	315,452,127	**228,102,818**
Portfolio impairment provision	(4,444,628)	(2,632,316)
Carrying amounts	**311,007,499**	**225,470,502**
Total carrying amounts	**313,892,313**	**231,719,807**

Loans and advances		
	Gross	**Net**
Credit impaired :	**Frw'000**	**Frw'000**
31 December 2023		
Grade 3: Substandard	738,872	310,659
Grade 4: Doubtful	3,181,876	1,672,992
Grade 5: Loss	5,992,303	901,163
	9,913,051	**2,884,814**
31 December 2022		
Grade 3: Substandard	8,571,649	5,431,550
Grade 4: Doubtful	935,554	215,043
Grade 5: Loss	3,691,130	602,712
	13,198,333	**6,249,305**

38. Financial Instruments – Fair values and risk management (continued)
38.1. Credit risk (continued)

	Gross	Net
Performing & underperforming:	**Frw'000**	**Frw'000**
31 December 2023		
Grade 1: Normal	296,954,452	293,482,483
Grade 2: Watch	18,497,675	17,525,018
	315,452,127	**311,007,501**
31 December 2022		
Grade 1: Normal	197,604,132	196,160,640
Grade 2: Watch	30,498,686	29,309,862
	228,102,818	**225,470,502**

Credit impaired
Impaired loans and securities are loans for which the lifetime ECL are recognized and that are credit-impaired. 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. Loans classified as non-performing loans (NPLs) namely, "Substandard", "Doubtful" and "Loss" either as per the regulator's classification or days past due whichever is more aggressive.

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 that are not credit impaired, they have experience a significant increase in credit risk since initial recognition but are not credit impaired. These loans are stage 2 (Watch) in the Bank's internal credit risk and grading system. Loans classified as "Watch" either as per the regulator's classification or days past due whichever is more aggressive are considered stage 2 accounts.

(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:

	2023	2022
	Frw'000	**Frw'000**
Fair value of collateral held – against impaired loans	**11,977,617**	**6,254,360**

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.

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(i). Collateral held and other security enhancements (continued)

The following table sets out the principal types of collateral held against different types of financial assets.

2023	Percentage of exposure that is subject to collateral requirement		
	31 December 2023	31 December 2022	Principal type of collateral held
Loans and advances to Retail Customers			
Mortgage Loans	9%	12%	Residential properties
Personal loans	17%	20%	Movable assets
Overdrafts	0%	1%	N/A
Credit Cards	0%	0%	N/A
Loans and advances to corporate customers			
Corporate loans	60%	88%	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	14%	17%	Movable assets, Cash collaterals, Commercial properties, Guarantee

(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 due to post COVID-19 and Russia-Ukraine war and global climate changes;

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

Significant increase in credit risk (continued)

For Stages 1 & 2: The December 2023 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 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 credit rating agencies like Moody's and Fitch 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.

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:

- Public debt to GDP,
- Ninety one Treasury Bills and
- Reverse repo

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, Dues from Banks, dues from group companies, Debts securities at amortized cost, financial at FVPL and balances with central Bank.

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

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.

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL and for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses.

	2023	2022
	Frw'000	Frw'000
Financial assets modified during the period		
Amortised cost before modification	772,689	742,326
Net modification gain	39,411	63,661
Total Restructured loans as at 31 December	**39,844,144**	**42,925,569**
Number of borrowers	910	1,179
Restructured loans as % of gross loans	9.7%	13.7%

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

Modified financial assets

The table below provides modified assets with assistance package category per segment:

	2023	2022
	Frw'000	Frw'000
Assistance package category		
Principal Moratorium		
Seg: Corporate & Institutional Banking	-	-
Seg: Business Banking	-	-
Interest only		
Seg: Corporate Institutional Banking	-	-
Term extensions		
Seg: Corporate Institutional Banking	22,105,644	19,346,188
Seg: Business Banking	6,263,518	9,112,873
Seg: Personal Banking	11,474,982	14,466,508
Total		
Seg: Corporate Institutional Banking	**22,105,644**	**19,346,188**
Seg: Business Banking	**6,263,518**	**9,112,873**
Seg: Personal Banking	**11,474,982**	**14,466,508**
	39,844,144	**42,925,569**

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-19 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 2023:

Disbursed amount under Economic Recovery Fund scheme	3,573,331	3,119,347
Loan from Central Bank through Economic Recovery Fund scheme	1,701,659	2,485,114
Outstanding Government grant	519,486	634,233
Fair value measurement of loans to customers	1,854,190	1,006,365
Interest expense for the year	67,564	72,729
Unwinding the discounting impact for the year	114,747	132,659

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

Guaranteed loans and other customer support (continued)

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;

2023	**Corporate Banking**	**Business Banking**
Number of approved accounts	4	25
Loan value of customers under the scheme	1,120,856	2,452,476
% of portfolio	0.3%	0.8%
2022		
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%

The Bank has accounted the portion related to government grant in accordance IAS 20 Accounting for Government Grants and Disclosure of Dovernment Assistance amounting to Frw 634 Million (2022: Frw 634 Million). Refer ***Note 30***.

Fair value measurement of loans provided under economic recovery scheme is included in other assets and the impact is unwound 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.

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.

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

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 2023, the likelihood of different economic scenarios was adjusted to reflect changing circumstances. A moderate economic outcome (base case) was assigned a 54.17% chance, with a stronger economic performance (upside case) at 29.17% and a weaker performance (downside case) at 16.67%. This differed slightly from 2022's weighting, which placed more emphasis on the base case (62.5%).

To predict how these scenarios might impact investments, analysts examined historical data (3-5 years) on key economic indicators and their relationship to defaults and losses across various financial assets.

As of December 31st, 2023, the base case assumptions were re-evaluated to account for recent developments. This included factors like the lingering effects of COVID-19, the war in Ukraine's economic impact, and global climate change. Additionally, the analysis considered how central banks, governments, businesses, and institutions (e.g., through repayment deferrals) are responding to these events. These factors will influence the severity and duration of the predicted economic downturn. The forecast period is 12 months.

The economic scenarios used as at 31 December included the following ranges of key indicators:

Incorporation of forward-looking information

		2023	
Macro-Economic variable	**Base**	**Upside**	**Downside**
Weighting	**54.17%**	**29.17%**	**16.67%**
Public debt to GDP	78.0%	79.0%	77.0%
T-Bills 91 days	8.7%	9.1%	8.2%
Reverse REPO	7.0%	7.3%	6.8%
		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%

Backward elimination is a technique used in multiple regression to identify the most important variables that influence the outcome you're trying to predict The backward elimination multiple regression model led to the following macro-economic factors per sector for the year ended 31 December 2023;

38. Financial Instruments – Fair values and risk management (continued)
38.1. Credit risk (continued)
(ii). Amounts arising from ECL (continued)
Incorporation of forward-looking information (continued)

2023		
i) Build & Construction	**ii) Personal & Household**	**iii) Social, Community and Personal**
• Public debt to GDP	• Ninety-One Day T-Bills.	• Reverse REPO.
iv) Tourism, Restaurants & Hotels	**v) Trade**	
• Reverse REPO.	• Reverse REPO.	
	• Public debt to GDP	

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

Management obtained forecasts for the macro-economic factors over the period January 2024 to December 2024. As per IFRS 9. B5.5.51 an entity need not undertake an exhaustive search for information but shall consider all reasonable and supportable information that is available without undue cost or effort and that is relevant to the estimate of expected credit losses.

For sectors with 0% historical PDs, the BASEL minimum PD of 0.05% was applied. This included sectors where most of the data of NPL ratios was 0% hence not possible to correlate with Macroeconomic factors. (E.g., Agriculture (Watch), Manufacturing (Normal) Mining & Quarrying, Financial Services).

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).

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

Measurement of ECL (continued)

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. 10% floor rate (which is the minimum LGD of 10% for fully secured loans recommended by the Basel framework

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 2023:

	December 2023		December 2022	
	ECL	Impact	ECL	Impact
	Frw'000	Frw'000	Frw'000	Frw'000
If 1% of stage 1 facilities were included in Stage 2	2,865,256	169,872	3,361,334	130,617
If 1% of stage 2 facilities were included in Stage 1	2,685,192	(10,191)	3,215,105	(15,612)
If all Stage 1 facilities become stage 2	19,682,597	16,987,213	16,292,451	13,061,734

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

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;

	Provisions (ECL allowance)				Exposure (Gross balance)			
2023:	**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	**1,443,491**	**1,188,825**	**6,949,028**	**9,581,344**	**197,604,132**	**30,498,686**	**13,198,333**	**241,301,151**
Transfer from 12 months ECL (Stage 1)	(54,721)	34,970	19,751	-	(4,000,754)	2,674,590	1,326,164	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	394,305	(1,184,338)	790,033	-	10,984,459	(13,214,194)	2,229,735	-
Transfer from Lifetime ECL credit impaired (Stage 3)	134,406	21,070	(155,476)	-	211,327	51,895	(263,222)	-
Net re-measurement of loss allowance	1,038,803	916,386	2,928,688	**4,883,877**	23,739,469	(1,356,322)	(527,063)	**21,856,084**
New financial assets originated or purchased	545,651	10,505	45,199	**601,355**	74,068,316	57,408	53,151	**74,178,875**
Financial assets derecognised	(29,965)	(14,760)	(3,548,986)	**(3,593,711)**	(5,652,497)	(214,388)	(6,104,047)	**(11,970,932)**
Balance at 31 December	**3,471,970**	**972,658**	**7,028,237**	**11,472,865**	**296,954,452**	**18,497,675**	**9,913,051**	**325,365,178**

38. Financial Instruments – Fair values and risk management (continued)
38.1. Credit risk (continued)
(ii). Amounts arising from ECL (continued)
Expected credit loss allowance (continued)

	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**	**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	**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 Lifetime ECL not credit impaired (Stage 2)	447,332	(631,251)	183,919	-	6,275,008	(13,351,209)	7,076,201	-
Transfer from Lifetime ECL credit impaired (Stage 3)	93,077	61,020	(154,097)	-	225,519	172,986	(398,505)	-
Net re-measurement of loss allowance	(1,287,206)	405,557	4,260,323	**3,378,674**	9,354,095	(2,849,309)	1,340,324	**7,845,110**
New financial assets originated or purchased	156,145	42,557	210,197	**408,899**	14,810,108	468,887	359,362	**15,638,357**
Financial assets derecognized	(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 December	**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)
38.1. Credit risk (continued)
(ii). Amounts arising from ECL (continued)
Expected credit loss allowance (continued)

	Provisions (ECL allowance)				Exposure			
2023	**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	**47,298**	**240,379**	**-**	**287,677**	**89,361,596**	**3,764,017**	**-**	**93,125,613**
Transfer from 12 months ECL (Stage 1)	(73)	73	-	**-**	(20,265)	20,265	-	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	239,283	(239,283)	-	**-**	3,697,811	(3,697,811)	-	**-**
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	**-**	-	-	-	**-**
Net remeasurement of loss allowance	(187,796)	805	-	**(186,991)**	21,695,194	34	-	**21,695,228**
New financial assets originated or purchased	26,547	365	-	**26,912**	7,444,834	5,802	-	**7,450,636**
Financial assets derecognised	(11,417)	(953)	-	**(12,370)**	(26,576,901)	(60,956)	-	**(26,637,857)**
Balance at 31 December	**113,842**	**1,386**	**-**	**115,228**	**95,602,269**	**31,351**	**-**	**95,633,620**

38. Financial Instruments – Fair values and risk management (continued)
38.1. Credit risk (continued)
(ii). Amounts arising from ECL (continued)
Expected credit loss allowance (continued)

	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**

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)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (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"				
2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total Exposure**
Segments				
Business	42,805,584	951,224	674,271	44,431,080
Corporate	178,636,429	15,131,483	1,676,851	195,444,762
Retail	79,797,887	3,460,846	2,230,603	85,489,336
Total	**301,239,900**	**19,543,553**	**4,581,726**	**325,365,178**

Allowance for ECL (Frw"000")				
2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Segments				
Business	1,771,651	13,435	1,721,286	3,506,374
Corporate	1,343,090	951,287	860,933	3,155,309
Retail	357,228	7,936	4,446,018	4,811,182
Total	**3,471,970**	**972,658**	**7,028,237**	**11,472,865**

ECL Coverage %				
2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Segments				
Business	4.1%	181.0%	255.3%	7.9%
Corporate	0.8%	5.7%	51.3%	1.6%
Retail	0.4%	128.5%	199.3%	5.6%
Total	**1.2%**	**5.0%**	**153.4%**	**3.5%**

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

Credit risk analysis on the maximum exposure by Sector and segment (continued)

Gross carrying amount (Frw"000"				
2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total Exposure**
Sector				
Constructions	9,116,404	2,118,753	-	11,235,157
Wholesale	60,345,766	589,762	674,271	61,609,799
Transport and communication	46,738,732	-	-	46,738,732
Agriculture	35,201,899	63,173	-	35,265,072
Manufacturing	45,370,743	13,311,019	-	58,681,762
Others	104,466,355	3,460,846	3,907,454	111,834,655
Total	**301,239,900**	**19,543,553**	**4,581,726**	**325,365,178**

Allowance for ECL (Frw"000")				
2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Sector				
Constructions	2,944	-	-	2,944
Wholesale	1,207,251	13,436	488,253	1,708,940
Transport and communication	301,575	-	-	301,575
Agriculture	4,258	-	-	4,258
Manufacturing	1,780,737	438,295	-	2,219,033
Others	175,206	520,927	6,539,984	7,236,116
Total	**3,471,970**	**972,658**	**7,028,237**	**11,472,865**

	ECL Coverage %			
2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total ECL**
Sector				
Constructions	0%	2%	70%	0.0%
Wholesale	1%	2%	55%	2.8%
Transport and communication	1%	2%	54%	0.6%
Agriculture	0%	0%	0%	0.0%
Manufacturing	0%	0%	41%	3.8%
Others	2%	20%	76%	6.5%
Total	**1.2%**	**36.0%**	**153.4%**	**3.5%**

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

Credit risk analysis on the maximum exposure by Sector and segment (continued)

Gross carrying amount (Frw"000"				
2022	**Stage**	**Stage**	**Stage**	**Total**
	1	**2**	**3**	**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	71,616,875	3,599,728	4,142,394	79,358,997
Total	**197,604,132**	**30,498,686**	**13,198,333**	**241,301,151**

Allowance for ECL (Frw"000")				
2022	**Stage**	**Stage**	**Stage**	**Total**
	1	**2**	**3**	**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**
	%	**%**	**%**	%
Segments				
Business	0.40%	21.00%	66.40%	5.20%
Corporate	0.10%	11.80%	34.50%	2.40%
Retail	1.60%	92.20%	81.50%	6.40%
Total	**0.70%**	**4.90%**	**52.70%**	**4.10%**

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

Credit risk analysis on the maximum exposure by Sector and segment (continued)

Gross carrying amount (Frw"000"				
2022	**Stage**	**Stage**	**Stage**	**Total**
	1	**2**	**3**	**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	80,881,129	3,599,727	4,176,955	88,657,811
Total	**197,604,132**	**30,498,686**	**13,198,333**	**241,301,151**

Allowance for ECL (Frw"000")				
2022	**Stage**	**Stage**	**Stage**	**Total**
	1	**2**	**3**	**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**

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

Credit risk analysis on the maximum exposure by Sector and segment (continued)

	ECL Coverage %			
2022	**Stage**	**Stage**	**Stage**	**Total**
	1	**2**	**3**	**ECL**
Sector				
Constructions	0%	2%	70%	13.50%
Wholesale	1%	2%	55%	3.50%
Transport and communication	1%	2%	54%	1.20%
Agriculture	0%	0%	0%	0.00%
Manufacturing	0%	0%	41%	2.50%
Others	2%	20%	76%	5.80%
Total	**0.70%**	**22.70%**	**52.70%**	**4.10%**

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)		
2023	**Stage 1**	**Stage 2**	**Stage 3**
Loans and advances to customers at amortised cost			
Increase in loans portfolio from Corporate and institutional Banking by 48% from New and existing customers	2,850,976	(6,198)	786,986
Stage 3 exposure decrease in corporate banking segment			(1,779,590)
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)

The following table provides a reconciliation between the opening and closing balances of loss allowance per class of financial instrument.

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

Credit risk analysis on the maximum exposure by Sector and segment (continued)

(i) Cash and balances with Central Bank	**2023**	**2022**
	Frw'000	**Frw'000**
Balance at 1 January	223	399
Net remeasurement of loss allowance	1,601	(176)
New financial assets originated or purchased	-	-
Financial assets that have been derecognised	-	-
	1,824	**223**
(ii) Dues from Banks		
Balance at 1 January	57	22,301
Net remeasurement of loss allowance	212	(22,152)
New financial assets originated or purchased	2,716	6,055
Financial assets that have been derecognised	(6)	(6,147)
	2,979	**57**
(iii) Dues from group companies		
Balance at 1 January	137	61
Net remeasurement of loss allowance	(90)	76
	47	**137**
(iv) Financial assets measured at fair value through other comprehensive income (FVOCI)		
Balance at 1 January	12,550	2,347
Net remeasurement of loss allowance	1,765	10,312
New financial assets originated or purchased	2,207	-
Financial assets that have been derecognised	1	(110)
	16,524	**12,549**
(v) Debt securities at amortized cost		
Balance at 1 January	43,824	69,929
Net remeasurement of loss allowance	3,279	(57,115)
New financial assets originated or purchased	31,283	35,707
Financial assets that have been derecognised	(33,944)	(4,688)
	44,442	**43,823**

38. Financial Instruments – Fair values and risk management (continued)

38.1. Credit risk (continued)

(ii). Amounts arising from ECL (continued)

Credit risk analysis on the maximum exposure by Sector and segment (continued)

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;

	2023	**2022**
At close of the year (at 31 December)	50%	42%
Average for the period	45%	46%
Highest for the period	50%	54%
Lowest for the period	39%	39%
Minimum statutory requirement	20%	20%
Liquidity coverage ratio	186%	339%
NSFR ratio	128%	147%
Cash reserve requirement	5%	4%

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 2023 to the contractual maturity date.

38. Financial Instruments – Fair values and risk management (continued)
38.1. Credit risk (continued)
(ii). Amounts arising from ECL (continued)
Credit risk analysis on the maximum exposure by Sector and segment (continued)

31 December 2023	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	79,724,756	9,666,022	16,841,362	30,145,850	32,768,820	**169,146,810**
Deposits from customers	42,568,471	55,156,337	87,362,730	100,398,764	107,757,901	**393,244,202**
Other liabilities	-	-	13,737,014	-	-	**13,737,014**
Long term debt	527,640	-	1,807,701	39,019,543	3,025,892	**44,380,776**
Letters of credit	2,400,139	7,953,952	18,104,690	-	-	**28,458,781**
Guarantees	830,623	968,114	24,524,788	7,367,701	25,369,149	**59,060,375**
Capital commitments	-	-	938,181	-	-	**938,181**
Leases	-	-	851,908	1,073,787	-	**1,925,695**
At 31 December	**126,051,628**	**73,744,425**	**164,168,374**	**178,005,645**	**168,921,762**	**710,891,834**
ASSETS						
Cash and balances with National Bank of Rwanda	67,216,675	-	-	-	-	**67,216,675**
Due from banks	64,942,888	-	9,519,613		-	**74,462,501**
Due from group companies	9,745,444	-	-	-	-	**9,745,444**
Financial assets at fair value through other comprehensive income	-	61,266,561	-	-	-	**61,266,561**
Financial assets at fair value through profit or loss	-	-	1,928,232	-	-	**1,928,232**
Financial assets at amortised cost	8,165,344	5,963,425	14,677,891	40,539,925	16,873,381	**86,219,966**
Loans and advances to customers	71,145,329	9,366,333	47,945,204	161,557,961	63,930,738	**353,945,565**
Other assets	-	-	11,121,541	-	-	**11,121,541**
At 31 December	**221,215,680**	**76,596,319**	**85,192,481**	**202,097,886**	**80,804,118**	**665,906,485**
Liquidity Gap	**95,164,052**	**2,851,894**	**(78,975,893)**	**24,092,241**	**(88,117,644)**	**(44,985,349)**

38. Financial Instruments – Fair values and risk management (continued)
38.1. Credit risk (continued)
(ii). Amounts arising from ECL (continued)
Credit risk analysis on the maximum exposure by Sector and segment (continued)

31 December 2022	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
LIABILITIES	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
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**

Deposits from customers represent business transaction, personal transaction, savings, call and fixed deposit balances, which past experience has considered to be stable.

38.3. Market risk

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 58.9 billion (2022: Frw 53.7 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 5.8 billion (2022: Frw 15.1 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.

38.3. Market risk (continued)

Exposure to market risks – trading and non trading portfolio

The Bank holds financial assets at fair value through other comprehensive income amounting to Frw 58.9 billion (2022: Frw 53.7 billion) that is exposed to market risk. Management adopted the used the yield curve of BNR (Central Bank) to obtain prices by use of interpolation and techniques to obtain 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 2023 based on a 99% confidence level.

2023		
Assumption	**Impact on Equity/ OCI Frw'000**	**Impact on Profit or Loss**
± 1% movement in the interest rate would cause ± 8.57% change in the price	± 2,336,957	± 572,558

2022		
Assumption	**Impact on Equity/ OCI Frw'000**	**Impact on Profit or Loss**
± 1% movement in the interest rate would cause ± 4.76% change in the price	± 2,458,196	± 512,014

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. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. ALCO is the monitoring body for compliance with these limits is assisted by Treasury back office, Finance and Risk Department in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Bank's interest rate exposures, which include the impact of the Bank's outstanding forecast debt obligations and changes to exposures arising from IBOR reform.

38. Financial Instruments – Fair values and risk management (continued)

38.3. Market risk (continued)

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 2023	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
ASSETS							
Cash and balances with National Bank of Rwanda	-	-	-	-	-	85,543,980	**85,543,980**
Loans and advances to banks	64,942,888	-	9,519,613	-	-	-	**74,462,501**
Loans and advances to customers	70,858,939	14,844,535	45,433,037	127,879,632	54,876,170	-	**313,892,313**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	1,872,070	-	-	**1,872,070**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	58,910,155	-	-	-	-	**58,910,155**
Other financial assets at amortised cost	8,165,344	5,963,425	14,450,383	40,039,245	16,817,932	-	**85,436,329**
Due from group companies	-	-	-	-	-	9,745,444	**9,745,444**
Other assets	-	-	-	-	-	10,921,541	**10,921,541**
At 31 December	**143,967,171**	**79,718,115**	**69,403,033**	**169,790,947**	**71,694,102**	**106,210,965**	**640,784,333**
LIABILITIES							
Deposits from banks	161,517,122	-	1,002,738	-	-	3,093	**162,522,953**
Deposits from customers	4,065,964	93,325,655	25,418,032	113,213	-	253,622,493	**376,545,357**
Other liabilities	-	-	-	-	-	13,337,015	**13,337,015**
Long term debt	14,692	-	37,467,338	-	6,898,746	-	**44,380,776**
Subordinated debt	-	-	-	-	-	-	**-**
At 31 December	**165,597,778**	**93,325,655**	**63,888,108**	**113,213**	**6,898,746**	**266,962,601**	**596,786,101**
Interest rate gap	**(21,630,607)**	**(13,607,540)**	**5,514,925**	**169,677,734**	**64,795,356**	**(160,751,636)**	**43,998,232**

38. Financial Instruments – Fair values and risk management (continued)

38.3. Market risk (continued)

Exposure to interest rate risk (continued)

* **Non-Interest bearing:** The amounts are on demand with maturing less than three months.

31 December 2022	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	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**
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**

* **Non-Interest bearing:** The amounts are on demand with maturing less than three months.

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.

38. Financial Instruments – Fair values and risk management (continued)

38.3. Market risk (continued)

Exposure to interest rate risk (continued)

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 2023	**Profit or loss**	**Equity net of tax**
200 basis points	**Increase/decrease in basis points (Frw'000)**	**Increase/decrease in basis points (Frw'000)**
Assets	10,691,467	7,484,027
Liabilities	(6,596,470)	(4,617,529)
Net position	**4,094,997**	**2,866,498**
31 December 2022	**Profit or loss**	**Equity net of tax**
200 basis points	**Increase/decrease in basis points (Frw'000)**	**Increase/decrease in basis points (Frw'000)**
Assets	8,461,982	5,923,387
Liabilities	(4,635,149)	(3,244,604)
Net position	**3,826,833**	**2,678,783**

38. Financial Instruments – Fair values and risk management (continued)

38.3. Market risk (continued)

Exposure to interest rate 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 2023 and 31 December 2022.

Currency rate risk

At 31 December 2023	**USD**	**GBP**	**Euro**	**Other**	**Total**
	Frw'000	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
ASSETS					
Cash and balances with National Bank of Rwanda	50,133,627	221,613	3,282,439	35,018	**53,672,697**
Items in the course of collection	-	-	-	-	**-**
Loans and advances to banks	71,305,698	838,297	10,536,806	1,527,145	**84,207,946**
Loans and advances to customers	35,908,004	-	-	-	**35,908,004**
Financial assets at fair value through profit or loss (FVTPL)	7,922,278	-	-	-	**7,922,278**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	**-**
Other financial assets at amortised cost	26,737,687	-	-	-	**26,737,687**
Due from group companies	-	-	-	-	**-**
Other assets	5,744,090	252,523	491,076	1,535,345	**8,023,034**
At 31 December	**197,751,384**	**1,312,433**	**14,310,321**	**3,097,508**	**216,471,646**
LIABILITIES					
Deposits from banks	40,688,478	129,166	162,968	-	**40,980,612**
Deposits from customers	121,725,842	677,614	12,660,731	24,201	**135,088,388**
Other liabilities	1,513,752	608	659,544	2,617	**2,176,521**
Long-term borrowings	22,980,563	-	-	-	**22,980,563**
Subordinated debt	-	-	-	-	**-**
At 31 December	**186,908,635**	**807,388**	**13,483,243**	**26,818**	**201,226,084**
Net on statement of financial position	**10,842,749**	**505,045**	**827,078**	**3,070,690**	**15,245,562**
Net notional off balance sheet position	**71,320,426**	**-**	**1,693,265**	**1,789,860**	**74,803,551**
Overall net position	**82,163,175**	**505,045**	**2,520,343**	**4,860,550**	**90,049,113**

38. Financial Instruments – Fair values and risk management (continued)

38.3. Market risk (continued)

Exposure to interest rate risk (continued)

Currency rate risk (continued)

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)

38.3. Market risk (continued)

Exposure to interest 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 2023	**Profit or loss Strengthening/ weakening of currency**	**Equity net of tax Strengthening/ weakening of currency**
	Frw'000	**Frw'000**
USD (± 2.5% movement)	2,054,079	1,437,856
GBP (± 2.5% movement)	12,626	8,838
EUR (± 2.5% movement)	63,009	44,106
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)	1,165,130	815,591
GBP (± 2.5% movement)	2,504	1,753
EUR (± 2.5% movement)	162,135	113,495

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)

38.4. Capital management (continued)

Regulatory capital – Rwanda (continued)

		2023	2022
Core capital (Tier 1)		**Frw'000**	**Frw'000**
Share capital		15,150,000	15,150,000
Share premium		6,249,832	6,249,832
Retained earnings		53,432,860	46,350,495
		74,832,692	**67,750,327**
Less: Other reserves		(261,956)	327,213
Intangible assets		(2,392,033)	(1,853,297)
Total Core capital		**72,178,702**	**66,224,243**
Supplementary capital (Tier 2)			
Revaluation reserve		486,476	486,476
Loans/Financing provision		5,419,123	4,249,736
Subordinated debt		-	-
		5,905,599	**4,736,211**
Total capital		**78,084,302**	**70,960,454**
Total risk weighted assets		**433,529,860**	**339,978,863**
Deposits from customers		**376,545,358**	**295,239,951**
Capital ratios	Minimum*		
Core capital /Total risk weighted assets	**13.0%**	**16.65%**	**19.48%**
Total capital /Total risk weighted assets	**15.0%**	**18.01%**	**20.87%**

- The minimum level of regulatory capital is FRW20 billion by end 2023 as defined by the National Bank of Rwanda

38.5. 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.

38.6. 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.

38.6. Compliance and regulatory risk (continued)

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.

38.7. 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.

38.8. Interest rate benchmarking reform

A fundamental reform of major interest rate benchmark is being undertaken globally replacing some IBORs with alternative nearly risk-free rates (referred to as IBOR reform). Since 20021, the Bank undertook amendments to most financial instruments with contractual terms indexed to IBORs such that they incorporate new benchmark rates. As at 31 December 2023, the Bank's remaining IBOR exposure is indexed to US dollar LIBOR with overnight, one month, three month settings. The settings will cease to be provided after September 2024 as announced by the Financial Conduct Authority (FCA) and the alternative reference rate for US dollar LIBOR is the SOFR.

As at 31 December 2023, the IBOR reform in respect of currencies to which the Bank has exposure has been largely completed. The table below sets out the IBOR rates that the Bank had exposure to, the new benchmark rates to which these exposures have or are being transitioned, and the status of the transition.

Currency	Benchmark before reform	Benchmark after reform	Status as at 31 December 2023 and 2022
USD	USD LIBOR	SOFR	Completed

The main risks to which the Bank has been exposed as result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating the contractual terms. Financial risk is predominantly limited to interest rate risk. Treasury, Risk, Finance and credit departments manage and monitor its transition to alternative rates. They are responsible for evaluation the extent to which loans and advanced, loan commitments, liabilities reference IBOR cash flows, whether such contracts need to be amended as result of IBOR reform and how to manage communication about IBOR reform with counterparties. It provides periodic reports to ALCO and Executive committee to support the management of interest rate risk and work closely with Operational risk committee to identify operational and regulatory risks arising from IBOR reform.

The Bank executive committee approved a policy requiring that all newly originated floating rate loans and advances to customers incorporate SOFR. The Bank monitor the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to n alternative benchmark rate and the amount of such contracts.
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.

38.8. Interest rate benchmarking reform (continued)

Financial instruments transitioned to alternative benchmarks are as follows;

At 31 December 2023	USD Libor (Frw'000)		GBP Libor (Frw'000)		JPY Libor (Frw'000)	
	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						
Loans and advances to customers	64,129,983	64,129,983				
Loan commitments	71,320,426	71,320,426	-	-	1,789,860	1,789,860
Total non-derivative financial assets	**135,450,409**	**135,450,409**	**-**	**-**	**1,789,860**	**1,789,860**
Non-derivative financial liabilities						
Long term debt	24,102,258	24,102,258	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Total non-derivative financial liabilities	**24,102,258**	**24,102,258**	**-**	**-**	**-**	**-**
Derivative notional contract amount						
Foreign exchange	**5,798,943**	**-**	**-**	**-**	**-**	**-**

At 31 Decemebr 2022	USD Libor (Frw'000)		GBP Libor (Frw'000)		JPY Libor (Frw'000)	
	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						
Loans and advances to customers	36,336,499	36,336,499				
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	**15,160,037**	**-**	**-**	**-**	**-**	**-**

39. Subsequent events

The Bank has evaluated subsequent events occurring after the reporting period to the date the financial statements were available to be issued. Management has determined that there were no subsequent events requiring disclosure in the Financials statements that would have a material impact on the financial position of the Bank.

OTHER REGULATORY DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
I. Capital Strength	**Frw'000**	**Frw'000**
a. Core Capital (Tier 1)	72,178,703	64,728,521
b. Supplementary Capital (Tier 2)	5,905,599	4,688,410
c. Total Capital	**78,084,302**	**69,416,931**
d. Total Risk weighted assets	**433,529,860**	**336,154,741**
e. Core Capital/Total risk weighted assets ratio	16.65%	19.26%
f. Tier 2 ratio	1.36%	1.39%
g. Total Capital/Total risk weighted assets ratio	18.01%	20.65%
h. Leverage Ratio	10.83%	12.34%
II. Credit Risk		
1. Total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation	411,298,771	314,268,373
2. Average gross credit exposures, broken down by major types of credit exposure:		
a) loans, commitments and other non-derivative off-balance sheet exposures:	411,298,771	314,268,373
b) debt securities:	144,346,484	135,298,293
c) OTC derivatives:	1,872,070	1,685,336
3. Regional or geographic distribution of exposures, broken down in significant areas by major types of credit exposure:		
Northern	5,950,018	5,157,158
Southern	2,459,948	2,349,907
Eastern	2,273,918	2,208,951
Western	5,627,398	8,507,404
Kigali City	394,987,490	296,044,953
4. Sector distribution of exposures, broken down by major types of credit exposure and aggregated in the following areas:		
a) Government;	45,777,817	-
b) financial;	49,492	901
c) manufacturing;	89,511,067	51,138,912
d) infrastructure and construction;	62,031,885	64,485,082
e) services and commerce.	154,767,127	152,148,734
f) others	59,161,382	46,494,744
5. Off Balance sheet items	**87,519,156**	**74,228,443**
6. Non-Performing Loans		
(a) Non-performing Loans	9,913,051	13,198,333
(b) NPL Ratio	2.41%	4.20%

		2023		2022
7. Related Parties		**Frw'000**		**Frw'000**
a. Loans to Directors, shareholders and subsidiaries		3,549,080		5,978,609
b. Loans to Employees		6,985,209		5,619,315
8. Restructured loans				
a. No. of borrowers		910		1,179
b. Amount outstanding (Frw '000)		39,844,144		42,925,569
c. Provision thereon (Frw '000) (regulatory):		4,346,671		1,177,987
d. Restructured loans as % of gross loans		9.7%		13.7%
III. Liquidity				
a. Liquidity Coverage ratio (LCR)		186%		339%
b. Net Stable Funding ratio (NSFR)		128%		147%
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	1	21,372	2	54,028
Internal - Use of forged payment order				-
Internal – Theft				
V. Market Risk				
1. Interest rate risk		2,100,471		2,004,389
2. Equity position risk				
3. Foreign exchange risk		258,143		103,701
VI. COUNTRY RISK				
1. Credit exposures abroad		104,602,279		53,298,734
2. Other assets held abroad		-		-
3. Liabilities to abroad		27,263,436		41,182,125
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		13
g. Number of female senior managers		5		5
h. Number of male senior managers		8		8

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