

2023

INTEGRATED REPORT & FINANCIAL STATEMENTS

REGULATED BY THE CENTRAL BANK OF RWANDA



RWANDA CULTURAL



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About this Report

Scope and purpose

The BPR Bank Rwanda Plc Integrated Report and Financial Statement 2023 is our statutory and regulatory reporting disclosure. It comprises information about activities, strategy, financial, and nonfinancial results for the period of January 1, 2023, to December 31, 2023. The aim is to comprehensively report to our existing and prospective investors in an integrated way to reflect how the organization operates.

National Bank of Rwanda (BNR) Prudential Guidelines. The Bank's Annual Financial Statements were prepared in accordance with the IFRS Accounting Standards. The report is part of our commitment to be transparent and accountable to our stakeholders. BPR Bank Rwanda Plc constantly considers whether there are additional reporting frameworks or metrics we could use to enhance our disclosures.

Framework

The report has been prepared in compliance with global best practice and prudent accounting frameworks. It is aligned to the provisions of the Capital Markets Authority (CMA) guidelines, and

Assurance

The Annual Financial Statements for BPR Bank Rwanda were audited by Price water housecoopers Rwanda limited (PWC).

Financial Disclosures	<ul style="list-style-type: none"> • Quarterly Financial statements and other disclosures • Quarterly Investor Presentations <p>These disclosures provide an update on Banks financial results and operations. The 2024 disclosures will be available at https://bpr.rw/about-us/financials on the dates listed on the investor calendar page.</p>
Shareholder Information	<p>BPR AGM is on 18 May 2024.</p> <p>The notice and proxy form provide valuable information to shareholders who want to participate at the Bank's annual general meeting to be held on 18 May 2024</p> <p>Outcomes from the AGM</p> <p>The polling results and responses to questions raised are published on our website after the conclusion of the AGM.</p>

Approach to integrated thinking

Our integrated thinking approach to decision-making, management and reporting facilitates the alignment of our purpose and values to our strategy and guides our value creation process. We applied the principle of double materiality in assessing the material matters included in this report. Material matters are those matters with the ability to significantly influence value creation over the short, medium, and long term.

In identifying our material matters, we relied on a Group-wide process which incorporated input from all our subsidiaries. This process enabled us to identify issues that have the potential to impact our ability to create, preserve or erode value for our stakeholders. We thereafter prioritized those with the greatest relevance in our operations, validated these material matters against our strategy and continuously assessed them to ensure that our strategy remains relevant.

About our Cover Concept

For People For Better.

Our cover depicts the ushering in of our next chapter at BPR Bank guided by our new brand purpose, For People. For Better. Through this purpose, we seek to build a unified team that acts as one in thought, purpose, and values. We have highlighted this through a composite image capturing the diverse nature of our stakeholders cutting through nationality, gender, culture, age, ethnicity among others.

Our audience

This report primarily is addressed to our shareholders, but we have also included information relevant to our other stakeholders including employees, customers, debt holders, regulators, partners, and society.

Reporting frameworks

This report was developed in accordance with international best practices, reporting guidelines and prudent accounting standards. It complies with Law no 007/2021 of 08/02/2021 Governing Companies as amended by Law No_019/2023 of 30/03/2023. This report follows the guidelines of the International Integrated Reporting Council (IIRC) on the presentation of nonfinancial information.

The financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards and the requirements of Law No 007/2021 of 05/02/2021 Governing Companies as amended by Law No_019/2023 of 30/03/2023. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and have been prepared on the historical cost basis except where it is indicated otherwise.

The Bank continuously strives to incorporate additional frameworks and metrics in our reporting to improve our transparency and

meet the diverse information needs of our stakeholders. Please provide any feedback or direct your questions to contactus@bpr.rw for any additional information on matters contained within this report.

Delivering shared value for our stakeholders Page 10-15

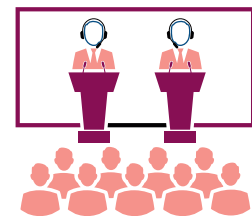
Employees



Customers



Investor Community



Government and Regulators

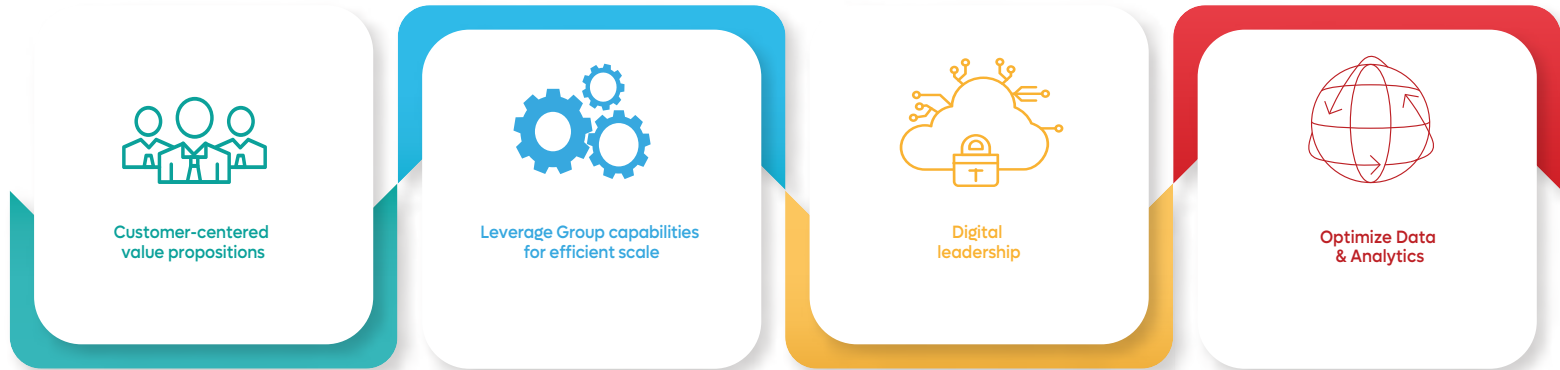


Society



2026 ASPIRATIONS

Total Assets, NPS, CES, Share of Subsidiary PBT, CIR, Digitally active customers, ARPU, NFI, Share of non-banking revenue



Process and assurance

Our Integrated Report resulted from a Group-wide process with input from various teams across all business lines.

This process is under the oversight of the Board and the Executive Committee.

A cross-functional team composed of different subject matter experts under the leadership of the Head of Finance curated the content contained in this report.

Our Board ensures the integrity of the integrated report through our integrated reporting process. A series of rigorous internal reviews support the accuracy of the disclosures contained herein.

This is further corroborated by the external assurance provided by our auditors through their opinion on our financial statements as expressed within this report.

The annual financial statements were audited by PWC.

Our Adopted SDGs





DIGITAL BANKING 2023 OVERVIEW AND 2024 OUTLOOK

Compared to 2022, there was overall growth in all digital products except for Mobile Banking. Merchant Acquiring had the highest growth at 126% followed by Card Issuing at 41% and Internet Banking at 36%. Mobile Banking had less than expected growth at -46% which was driven by slow performance in alternate platforms.

Outlook for digital landscape 2024

Completion of the Unified Omni channel Project for Internet & Mobile Banking by NetInfo Inc. is ongoing and is expected to be completed in Q1 2024. The bank also expects to complete In-Country Card Personalization to ease turnaround time for our customers' transactional requirements. Additionally, BPR Bank will expand Agency Banking through POS and Web Based Solution rollout, Merchant Acquiring business will further grow by recruiting more merchants, Mobiloan solution will be expanded with a new scoring engine to appeal to a wider customer base.



A series of rigorous internal reviews support the accuracy of the disclosures contained herein. This is further corroborated by the external assurance provided by our auditors through their opinion on our financial statements as expressed within this report.



Who we are

Founded in 1975, BPR Bank Rwanda Plc (a member of KCB Group Plc) is a commercial bank regulated by the National Bank of Rwanda operating with a Network of 84 branches, 66 Outlets, a Corporate and Advantage Center, over 100 ATMs, 2500 banking agents and merchants, spread across the width and breadth of the country to take our products and services closer to the marketplace. We pride ourselves in being an innovative, warm and customer friendly bank offering a full range of financial solutions. We are Simple, Inspiring and Friendly, and practice these values as we work towards simplifying our clients' world to enable their progress.

As the 3rd largest bank in Rwanda, with an asset size of RWF 860 Billion, we are well positioned to offer convenient banking services to every individual and business in Rwanda at an affordable cost. We offer competitive Affluent, Retail, SME, Micro, Corporate, Custody, Mortgage products and Agent Banking (BPR Hafi) which has brought convenient banking services directly to our customers who are now able to access their banking services at any time at their convenience. The Bank provides best in class digital banking services that cater to transfers, payments, and mobile credit. Additionally, we offer international money transfer services such as Western Union, Money gram, World Remit and RIA.

Our Purpose: For People, For Better

Our Values: Closer, Connected, Courageous

Our Banking channels: Branch banking, ATM banking, Internet banking, Mobile banking, Agent banking (BPR Hafi), Diaspora banking

Our Foundation: Under the BPR Bank Foundation we are committed to supporting development of our communities through economic empowerment. Working with employees and other stakeholders, the Foundation offers support in five thematic areas in line with the Millennium Development Goals (MDGs):

- **Enterprise Development**
- **Environment**
- **Education**
- **Health**
- **Humanitarian Intervention**

In Rwanda, the Foundation has undertaken various CSR activities from inception, such as supporting schools & hospitals, training youth entrepreneurs, providing livestock, electricity, medical insurance to communities and taking care of the environment and so much more. The Foundation's primary project is IGIRE, a youth empowerment program, that has up-skilled 500 youth and provided seed capital for over 40 businesses to-date. We aim to make a difference in the community where we operate in a sustainable manner.

What Differentiates BPR BANK

We work towards sustainably harnessing our capitals to deliver superior returns for our shareholders and create shared value for our customers, employees, partners, and communities. Our BANK has several characteristics that set it apart including:

Strong balance sheet

Our strong balance sheet enables us to support millions of customers in the region and catalyze economic growth.

Total assets



Frw. **860** billion
#3 in Rwanda
(2022: Frw **747** billion)

Net loans and advances



Frw. **573.2** billion
#2 in Rwanda
(2022: Frw **456.8** billion)

Customer deposits



Frw. **588.6** billion
#2 in Rwanda
(2022: Frw. **441.3** billion)

Dominant and diversified business

Our wide regional footprint enables us to facilitate seamless service, intra-regional trade, and investment flows for our stakeholders.



907 Thousand
Customers



136
Branches



58
ATMs



528
Agents and Merchants

Leader in digital financial solutions

Our innovative digital financial solutions and robust platforms facilitate the provision of exceptional service to customers with unmatched convenience while driving financial inclusion.



66% Proportion of number of transactions conducted through non-branch channels (2021: **52%**)



Frw. **521** million mobile loans advanced (2022: Frw **588** Million)

Superior shareholder returns

Track record in delivering superior returns to our shareholders and consistent dividend payout history supported by sustainable high profitability.



17.8%
Return on equity
(2022: **13.2%**)



Frw. **37.87** billion
Profit before tax
(2022: Frw. **32.16** billion)

Leader in sustainability and governance

We have embedded ESG practices in our strategy.



We are committed to become Net Zero by 2050



Industry leader in sustainable finance. Committed to increase the proportion of green loans in our loan book to 30% by 2025.

Exceptional talent

A diverse team of engaged and experienced employees working to deliver on our strategy. The Bank offers superior employee value proposition to attract and retain exceptional talent.



1,043
Staff (2022: **1,163**)



48%
Proportion of female employees (2022: **46%**)



Frw. **19.3** billion
Total employee benefits
(2022: Frw. **17.3** billion)

Strong brand and customer experience

48 Net promoter score (2022: **47**)

Renewed focus on customer obsession powered by our new brand purpose, **For People, For Better**

Our Business Model

Our wide Rwanda footprint, strong balance sheet and exceptional talent enables us to facilitate seamless service, intra-regional trade and investment flows for our stakeholders. To deliver on our strategic goals and maintain and grow our in the market, we have set for ourselves ambitious growth goals under our beyond banking strategy. Through this strategy, we seek to deliver exceptional customer experience across all our touchpoints and drive a digital future

WHY WE EXIST
Our Purpose
For People.
For Better.



Our Values

Closer

Connected

Courageous.

Our Inputs: The Capitals we harness

Financial Capital

Frw. **145.8 B**
 Shareholders' equity.

Frw. **59.9 B**
 Borrowings.

Frw. **145.8 B**
 Total capital.

Frw. **572.7 B**
 Loans and advances.

Frw. **588.6 B**
 Customer deposits.

Manufactured Capital

136
 Branches & Outlets

528
 Agents and POS merchants.

Robust Digital Banking Channels.

98.19%
 Core banking system uptime.

Intellectual Capital

Strong customer value propositions.

Innovative digital products.

Robust risk management.

Strong brand.

Human Capital

Exceptional talent and skillset.

1,043 Employees,
48.1% are women.
53.3% below 40 years of age.

Strong employee value proposition.

Social Capital

906
 Thousand Customers.

Diverse pool of suppliers with focus on special interest groups of women, youth, and differently abled persons.

Strong transformative partnerships.

Impactful BPR BANK Foundation programmes.

Natural Capital

Industry leader in Sustainability.

Signatory to key alliances to champion sustainable practices.

Alignment towards increasing disbursement of green loans.



Our process



Customer first, with leading value propositions



Step change in efficiency and productivity



Digital leader and digital to the core



Scale to achieve regional relevance.

Our outputs

A well diversified business model that offer an extensive suite of tailor-made, market leading financial solutions to enable our customers transact, save, and make payments.

We extend secured and unsecured credit to our customers based on their repayment ability and our risk appetite. We offer investment banking solutions and asset management services.

We facilitate provision of protection against insurable risks.

Our outcomes

Value for customers

Frw. **126.9** billion
Loan growth.

Frw. **134** billion
MSME loans.

61.3%
of transactions outside branch network.

NPS
score of 42.

Value for employees

Frw. **19.3** billion
Total employee benefits.

64
promotions in 2022.

Strong employee value proposition.

Value for investors

17.8%
return on equity.



Frw. **56.3** billion in retained earnings.

Value for government and regulators

Compliance with regulatory requirements.

Frw. **11.98** billion
Income tax expense in 2022.

Value for society

programmes continue to deliver meaningful impact across the country.

20.3% of green loans in our portfolio.



2023 Recap

Upgrade of Core Banking System

As a result of merging former Banque Populaire du Rwanda (BPR) and KCB Bank Rwanda, into one organisation; BPR Bank Rwanda Plc, the bank went through a transition from the previous core banking systems Temenos 24 Release 12 (Former BPR) and Temenos 24 Release 14 to a unified system Temenos 24 Release 21, which is an amalgamation of all customer data in its totality. Go live was successfully launched on 23rd January 2023.



Appointment of New Managing Director

BPR Bank Rwanda Plc appointed Ms. Patience Mutesi as Managing Director effective February 1st, 2023. She replaced George Odhiambo, who was been assigned new duties as Managing Director of National Bank Kenya.

Ms. Mutesi joined BPR Bank Rwanda Plc after serving as Country Director for TradeMark East Africa since July 2016 where she oversaw a strategic trade facilitation Programme which contributed significantly towards increasing Rwanda's trade, investments, and job creation.



Launch of the new Brand Purpose and Values

On 18th February 2023, the bank launched its new brand purpose; For People, For Better, and values; Closer, Connected, Courageous.

The new purpose is focused on building internal systems and policies geared toward customer service excellence. Attended by over 800 staff, the event was graced by the presence of KCB Group CEO Paul Russo, as well as members of the KCB Group Executive Committee and BPR Bank Board Members.nda.



Community Investment Initiatives

As part of Mother's Day celebrations, BPR Bank Rwanda Plc has invested in Medical Insurance (Mutuelle de Santé) for both staff and families of Inema Cleaning Company. This followed Earth Day activities on 21st April 2023, where BPR Foundation recognized their efforts of maintaining and protecting the environment in Kigali City.

The bank also provided capital for infrastructure development to Girubuzima Matimba Cooperative, an association based in the Eastern province in Matimba. Founded by 20 women, the cooperative currently manufactures and sells cooking and skin care products.





BPR Bank Awarded at Expo 2023

On August 14th, 2023, BPR Bank was recognized as the 1st runner up, Overall Best Exhibitor in the Rwanda International Trade Fair (Expo) by the Private Sector Federation.

This award was an indication of our commitment to serve customers adequately through both our remote locations and traditional channels. The event was attended by the bank's Executive Committee and Retail Banking teams.

Sponsorship of Rwanda Mountain Gorilla Rally

BPR Bank Rwanda Plc partnered with KCB Group to sponsor rally driver Karan Patel during the 5th Round of the African Rally Championship. The competition kicked off with the much anticipated 3-day Mountain Gorilla Rally 2023 that was held in Bugesera, Rwanda where Karan emerged overall winner, displaying various motor skills, unmatched by his competition.

The Rwanda Mountain Gorilla Rally is a flagship event of Rwanda Motorsport Club. It is an event of the African Rally Championship which is run under the auspices of the International Federation of Automobiles (FIA).



Launch of Golf Circuit Partnerships

Over 200 golfers headlined the BPR-KCB East Africa Golf Tour at the 18-hole Kigali Golf course on the 21st, October 2023. Top pros and amateur golfers swung into action in the vibrant Kigali Golf Resort & Villas. The Tour aimed to onboard all the golf enthusiasts across the East African region in a bid to expand the sport of golf. The Rwanda edition gave an opportunity to budding golfers to showcase their prowess.

BPR Bank also sponsored the East and Central All Africa Ladies Challenge on 3rd November 2023. This was a regional tournament that saw several countries participate, with over 70 professional players taking part in the event. The bank is actively integrating its brand across various elements of local and regional communities to further grow its presence and relevance.



MACRO - ECONOMIC ENVIRONMENT OVERVIEW



MACRO-ECONOMIC ENVIRONMENT OVERVIEW

Rwanda's economy grew by 8.2% in 2022, while initial 2023 projections were estimated at 6.2%. Devastating floods in the country in May 2023 amplified the underlying imbalances, and reconstruction costs are projected to be substantial. The floods resulted in loss of life and destruction of infrastructure which is expected to moderate momentum to 5.8% against a pre-disaster forecast of 6.2%. Development needs remain large and compounded shocks in recent years resulted in emerging internal and external imbalances.

Real GDP growth is projected to reach 7.6% in 2023 and 8.0% in 2024 on account of continued slow recovery in domestic agricultural production and recovery in exports and conference tourism. Inflation is projected to fall to 7.4% in 2023 and 5.6% in 2024 on account of a drop in imported inflation. The fiscal deficit is projected to decline to 8.0% of GDP in 2023 and 6.8% in 2024 due to continued fiscal consolidation and higher domestic revenue. Debt is projected to remain at moderate risk. The current account deficit is projected to narrow to 11.3% in 2023 and 10.8% in 2024 on account of a temporary reduction in capital imports, recovery in conference tourism, and strong remittances from the diaspora. Overall moderate economic performance is attributed to elevated risks from a prolonging of Russia's invasion of Ukraine and political tensions in the Great Lakes region.

The Monetary Policy Committee (MPC) increased the Central Bank rate 3 times in 2023 from 6% at the beginning of the year to 7.5% at the end. This move is meant to curb inflation and stabilize the Rwandan Franc against major currencies. The rise had an impact on domestic borrowing rates with the 364-day treasury bills crossing the 10% mark to stabilize at 10.44%, a move that saw an increase in the deposit rates while commercial banks' lending rates remained stable around the 16.25% mark.

Key National Activities in 2024

2024 is an election year, with elections being held in July. The elections are expected to be peaceful, reinforcing the confidence and stability experienced during the past 4 elections. This year also marks 30 years since the genocide against the Tutsi in 1994, which will be commemorated across the country in national and community-based events.

The bank's areas of focus for funding in 2024 will be on infrastructure development, manufacturing, and services sector, working alongside the country's overall economic development plan. As the biggest bank by branch network, we shall continue our effort to fast-track digitization of personal banking as well as SME based services.

REGULATORY DEVELOPMENTS IN RWANDA

Rwanda has recently undergone noteworthy regulatory advancements, encompassing compensation frameworks for banks, the Directive on Recovery Plan, and the implementation of consumer protection, data protection legislations, and adherence to the Global Forum on Common Reporting Standard.

Impact on Financial Institutions:

The introduction of compensation frameworks for banks and the Directive on Recovery Plan signifies regulatory shifts that can significantly impact financial institutions. This may lead banks to reassess and adapt their compensation policies and devise resilient recovery plans, positioning them to navigate challenging scenarios effectively.

Consumer and Data Protection:

Enforcement of consumer protection and data protection legislations is poised to enhance the rights and security of consumers. These augments trust in financial services and presents opportunities for businesses to differentiate themselves by prioritizing consumer data security and privacy, potentially gaining a competitive advantage.

Global Forum Commitments:

Rwanda's commitment to Global Forum standards on the exchange of information, encompassing EOIR and AEOI, holds far-reaching implications. Compliance with these international standards can unlock opportunities for heightened global cooperation, enhance reputation, and potentially provide expanded access to international financial markets.

AEOI Implementation:

The enactment of legislation for the implementation of Automatic Exchange of Information (AEOI) in March 2023 underscores Rwanda's dedication to fostering transparency in tax matters. This commitment has the potential to elevate international collaboration and positively impact Rwanda's standing in the global financial community.



Delivering on our Strategy

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Chairman's Statement

Registering a profit before tax of 37.9 Billion RWF is a step in the right direction for this institution that aims to be the leading financial services provider in Rwanda. This profit represents a 15 % growth compared to 2022, which is an encouraging return for our shareholders

In a year marked by global economic challenges and uncertainties, I am proud to report that BPR Bank Rwanda has remained resilient and has continued to make significant strides in achieving its strategic objectives.

Over the past year BPR Bank has been experiencing steady growth, and these results are testament to the hard work that goes on in all our branches and the strategic effort that we are consistently seeing from both Management and the Board of this organisation.

Registering a profit before tax of 37.8 Billion RWF is a step in the right direction for this institution that aims to be the leading financial services provider in Rwanda. This profit represents a 15 % growth compared to 2022, which is an encouraging return for our shareholders. We will continue to invest in our operations in order to be efficient in providing services to all our customers across all BPR Bank branches in Rwanda.

Last year we made strategic efforts to ensure that all our shareholders are duly accounted for. This strategy was aimed at fostering transparency, inclusivity, and better communication with our valued shareholders. The Bank's registry of shareholders has 590,291 names. Of these, approximately 308,789 shareholders have been identified and their records updated. We continue to update shareholders through our branches and call center. BPR Bank is committed to fostering stronger relationships with all our shareholders. We are dedicated to transparency, inclusivity, and long-term growth.



We are
dedicated to

Transparency,
Inclusivity, and
long-term growth



“We are also in the process of creating propositions for Women to leverage our experience in fast-tracking credit offerings as well as payment services. We understand the national importance of providing access to finance to women and its impact on communities.”

At BPR Bank Rwanda, we prioritize customer satisfaction and strive to exceed their expectations in every interaction. Throughout 2023, we have remained dedicated to enhancing our product offerings, leveraging innovative technologies, and expanding our branch network to provide convenient access to financial services for all segments of the population.

Looking forward to 2024, we intend to digitize operations and simplify service at all customer delivery points. All our business segments, from personal banking to SMEs, to large corporates will provide the right products and services to simplify the lives of our customers. We are also in the process of creating propositions for Women to leverage our experience in fast-tracking credit offerings as well as payment services. We understand the national importance of providing access to finance to women and its impact on communities.

The bank is also elevating its sustainability initiatives this year, through continued investments in the BPR Foundation to deliver expanded investment in youth vocational training. We are also creating a framework for green lending to expand our climate change footprint. I would like to additionally note that we are prioritizing governance within the bank to reflect equality across all levels of Management and the Board. We have identified and taken on training programs for women in the bank to ensure adequate representation in leadership roles.

We recognize that in the future operating environments may continue to present challenges, including evolving regulatory landscapes and economic uncertainties. However, we are confident in our ability to adapt, innovate, and capitalize on emerging opportunities to drive sustainable growth and create long-term value for our shareholders. Together, we will continue to build on our achievements and chart a successful path forward in the pursuit of excellence.

“At BPR Bank Rwanda, we navigate challenges with resilience, achieve growth, and prioritize both shareholder returns and customer satisfaction.”

Board of Directors



George Rubagumya
Chairman



Patience Mutesi
Managing Director



Alexis Nsengumuremyi
Director



Diana Hagumba
Director



Vanessa Umutoni
Director



Jean Kalima Maliki
Director



Pascal Nyiringango
Treasury



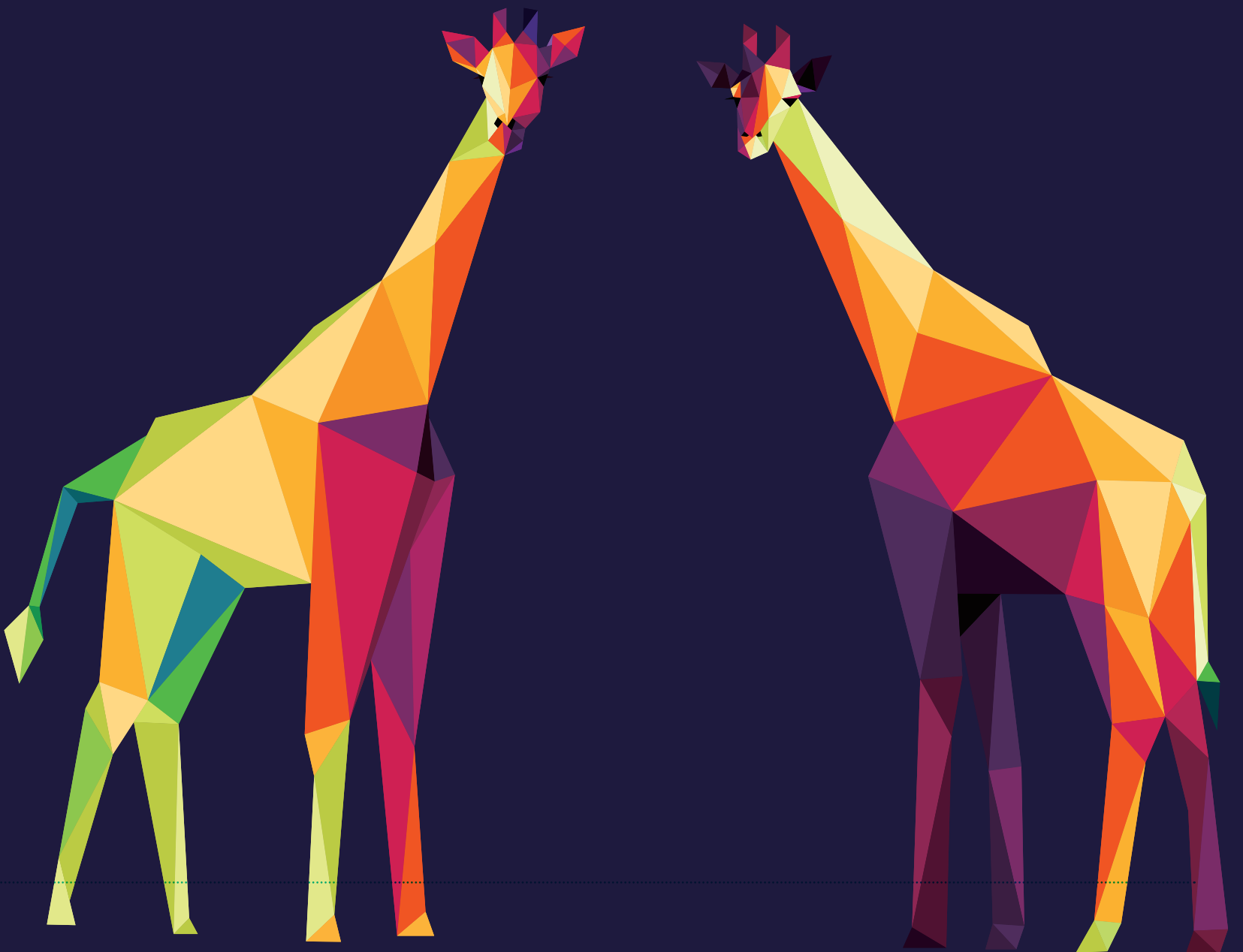
Paul Russo, EBS
Group Chief Executive Officer



Brice Manzi
Company Secretary



Executive Committee



Executive Committee





Akimanzi Albert

Head of Marketing, Corporate affairs & Citizenship



Innocent Africa

Head of Risk



Richard Ngabonziza

Head of Treasury



Steven Ndahiro

Head of Compliance



Nzahabonimana Emmanuella

Head of IT & Cyber Security



Mbyayingabo Joel

Head of Audit



Lilian Batanyagwa

Head of Human Resources



Ntwali Innocent

Head of Retail



Matabishi Johnny

Head of Corporate Banking



Managing Directors Statement

It gives me great pleasure to present my statement for BPR Bank Rwanda's Annual Financial Report for the year 2023, as we reflect on the significant milestones attained last year.

Our profit before tax was 37.8 Billion RWF, driven by 13% growth in total operating income and a 25.4% growth in gross loans across all segments of the business, specifically lending in trade, personal, manufacturing, and construction sectors.

We have also had an effective credit management strategy, registering a below-industry average non-performing loan ratio of 3.4% by year-end. Subsequently, our total impairment was positive registering a net write-back of 733 Million RWF, which I attribute to deliberate recovery initiatives from our credit and business teams.

Our financial performance is an indication of the bank's commitment to accelerate our contribution to economic development, financial inclusion, and credit access to special market segments like MSMEs, women, and youth-owned businesses.

Today, both Rwanda and the East African region are undergoing various economic shocks that have been driven by both external political factors as well as internal trade imbalances. These factors have affected inflationary changes to the Rwandan franc, and subsequently business progress for our customers and the economy at large. We note however the efforts of the Central Bank to stabilize inflation, as well as

Our strong credit management led to a 3.4% non-performing loan ratio and a net write-back of 733 Million RWF.



“BPR Bank Rwanda’s 2023 Annual Financial Report showcases remarkable growth with a profit before tax of 37.8 Billion RWF, driven by a 13% increase in total operating income and a 25.4% rise in gross loans across various sectors. Notably, our effective credit management strategy resulted in a below-industry average non-performing loan ratio of 3.4%, with a net write-back of 733 Million RWF. This performance underscores our commitment to economic development, financial inclusion, and support for MSMEs, women, and youth-owned businesses. Despite economic shocks, we remain resilient, leveraging innovative products and digital solutions. Our societal development initiatives, including the IGIRE program, continue to empower Rwandan youth. We extend our gratitude to our stakeholders for their unwavering support as we strive for greater success in the future.”

the continued effort of the Government of Rwanda to provide viable import and export facilitation for SMEs.

The Bank’s 2023 performance is a stepping stone for several of our business growth and developmental plans. Our strategy is to continue innovating new products and solutions that meet the needs of customers across multiple sectors. As the largest bank in Rwanda by branch network, we are aligned with Rwanda’s objective to become a private sector-led economy.

Customers’ expectations and behavior are ever-changing; therefore, we must be agile in our operations, solutions and engagements. We launched a new core banking system in 2023 that seeks to serve our customers equally with efficient payment, credit and transfer services. We have also recently launched a new mobile and internet banking Omni channel that will link BPR Bank customers to best-in-class, instant services.






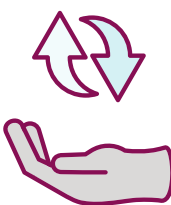

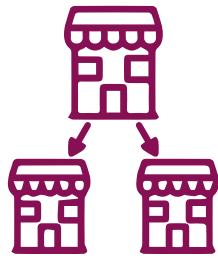

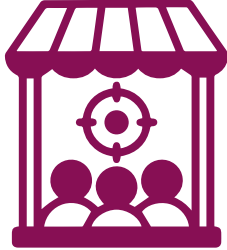



In 2023, we digitized our agency as well as merchant services, enabling accessibility and a faster turnaround time at points of sale. We are intent on expanding our services across Rwanda through these developments, which are part of our strategy to avail all our services to all corners of the country.

The BPR Foundation continued executing the bank’s societal development agenda valiantly, with yet another admission of 200 youth into our flagship CSR program, IGIRE. We intend to equip Rwandan youth with critical skills like Agri-business, ICT, Construction, Hospitality and Motor Mechanics. As we look to the future, we hope to productively scale this initiative.

In closing, I would like to extend my heartfelt gratitude to our valued customers, dedicated employees, regulatory authorities, and esteemed shareholders for their unwavering support and trust in BPR Bank Rwanda. Together, we will continue to build on our achievements and drive the bank towards greater success in the years to come.

BPR (2026): Initiatives

add an uplift of FRW 32 Bn

 Initiatives	 How we are going to deliver this	 127 Bn
<p>Deliver comprehensive propositions to Corporate Agribusiness, Services, trade, manufacturing and public sector and their value chain</p>	<ul style="list-style-type: none"> Enhance corporate propositions, including improved trade finance, bulk payment and host-to-host integration Participate in large government projects 	 +13.4 Bn
<p>Unlock value from FX</p> 	<ul style="list-style-type: none"> Strengthen FX sourcing by coordinating with central group treasury) and targeting customers with FX inflows (e.g., embassies, NGOs, international donors, diaspora) Improve IMT proposition by onboarding partners and digitizing remittances Expand correspondent banking relationships 	 +3.9 Bn
<p>Optimize distribution efficiency</p> 	<ul style="list-style-type: none"> Implement branch rationalization program in phases, removing ~70 inefficient or duplicative branches & outlets Optimize retained branches by enhancing digitization and automation, ensuring strategic positioning and spread, and exploring alternative formats (e.g., smart outlets) Expand agency banking to >5,000 agents to serve the mass retail segment 	 +1.6 Bn <small>From NFI uplift through branch optimization and agency banking</small>
<p>Deliver targeted propositions for retail sub-segments</p> 	<ul style="list-style-type: none"> Offer digital solutions for retail Deliver Mid-Affluent, Affluent and HNWI propositions: Commercialize diaspora banking propositions in collaboration with treasury/partners 	 +1.6 Bn
<p>Other initiatives driving revenue uplift</p> 	<ul style="list-style-type: none"> Includes capturing delivering targeted SME value propositions and driving a holistic sales effectiveness programme 	 +9.9 Bn
		159 Bn



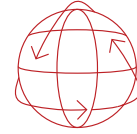
Customer-centered value propositions



Leverage Group capabilities for efficient scale



Digital leadership



Optimize Data & Analytics

WHAT WE WANT TO BE KNOWN FOR

Efficient service delivery, FX partner of choice, Go-to bank for corporates in trade, manufacturing, infrastructure & public sector



2026 ASPIRATIONS:
1.2 Tr Assets, 159 Bn revenue (22% market share) 35% NFI, 48% CIR, 28% ROAE



Deliver holistic value propositions for key segments

- Deliver comprehensive propositions to Corporate customers' value chain in key sectors
- Deliver targeted propositions for retail customers
- Offer leading propositions SME customer groups



Accelerate balanced growth

- Unlock value from FX
- Implement holistic sales effectiveness program



Improve efficiency and performance

- Optimize distribution efficiency (by rationalizing branches, optimizing retained branches and expanding agency network)
- Optimize end-to-end credit processes and overall risk management



Unlock value from full integration

- Establish cross-functional integration workforce to capture full value from integration
- IT architecture & performance
- Branding and communication
- Processes and ops
- People and organization



2026 ASPIRATIONS:
1.2 Tr Assets, 159 Bn revenue (22% market share) 35% NFI, 48% CIR, 28% ROAE



Modern and efficient distribution network, including digital channels

SUSTAINABILITY



Tree Planting Initiative

In alignment with our commitment to environmental stewardship, BPR Bank took a significant step towards climate action by planting 2400 eucalyptus trees across the Gatsibo and Kicukiro districts. This initiative stands as a testament to our dedication to mitigating climate change and fostering sustainable ecosystems.

The strategic selection of eucalyptus trees not only aids in carbon sequestration but also contributes to local biodiversity and supports the surrounding communities. This endeavor echoes our pledge to make tangible contributions towards a greener future while actively engaging in the restoration and preservation of vital ecosystems.

Through such initiatives, BPR Bank continues to proactively address environmental challenges, recognizing our responsibility to safeguard the planet for generations to come.

Environmental and Social Due diligence

In the pursuit of fostering sustainable growth and supporting Rwanda's economic landscape, BPR Bank remains steadfast in its commitment to responsible lending practices. In our annual sustainability report for 2023, we proudly highlight our meticulous due diligence efforts, enabling us to effectively scan and allocate Rwf 73.7 billion to corporate and SME entities.

Supporting Corporate and SMEs:

Recognizing the pivotal role played by both corporate entities and small to medium-sized enterprises (SMEs) in driving economic development, we directed significant resources toward supporting their growth aspirations. Our commitment extended beyond mere financial backing; it encompassed a comprehensive evaluation process that considered the potential impact on the environment, society, and governance aspects.



A Holistic Approach to Sustainability:

This scanning and allocation of Rwf 73.7 billion to deserving enterprises underscore our holistic approach to sustainability. While ensuring financial viability, our due diligence process places a premium on environmental stewardship, social impact, and adherence to ethical governance standards. By empowering businesses committed to sustainability, we aim to catalyze positive change and contribute meaningfully to Rwanda's sustainable development goals.

Embracing Responsibility in Lending Practices:

At BPR Bank, our core ethos centers on promoting financial prudence while safeguarding the interests of our stakeholders and the communities we serve. Through an unwavering dedication to due diligence, we meticulously assessed opportunities to allocate funds, ensuring that our resources are channeled toward ventures that not only show promise but also align with sustainable business practices. We've conducted an initial ESDD scan and review the funded projects Below is a list of notable projects and organizations: TRANSAFRICAN CONTAINER TRANSPORT LIMITED, N&M Family Company, GASMETH POWER LTD, ENERGY UTILITY CORPORATION Limited (EUCL), NPD Ltd, MEREZ PETROLEUM Ltd, MOTA-ENGLI, VIF, BRALIRWA PLC, EA Agro Ltd, YDH Agro Ltd, COFATOLE Ltd. These entities exhibit diverse industry engagements and offer substantial insights into our ESDD evaluation for funded projects.

In general, it can be said that BPR Bank's annual sustainability report for 2023 showcases our dedication to responsible lending practices through stringent due diligence efforts. The scanning and allocation of Rwf 73.7 billion to corporate and SMEs embody our commitment to fostering economic growth while upholding sustainability principles. We remain resolute in our pursuit of becoming a catalyst for positive change and a responsible partner in Rwanda's journey towards a sustainable future.



Responsible consumption:

Energy Efficiency

BPR Bank's annual consumption decrease of **18.3% in 2023** reflects due to strategic mergers and some branch closures. While short-term impacts are evident, the bank's commitment to operational efficiency and long-term sustainability positions it for a positive trajectory.



Water Efficiency

The annual drinking and tap water consumption report for **BPR Bank reveals a notable increase of 5.21% in consumption from 2022 to 2023.** This growth underscores the bank's need for continued commitment to environmental responsibility which will see the implementation of water-saving initiatives, such as installing efficient fixtures and promoting water conservation awareness.

Fuel usage.

In 2023, the total annual fuel consumption recorded for both Vehicles and Generators amounted to **88,760 liters.**

Paper usage

In the year 2023, our organization witnessed a notable increase in paper consumption compared to the previous year. The annual consumption of **paper rose to 10,379 reams, marking a substantial growth from the 2022 figure of 9,585 reams, an 8.3% increase in paper consumption.**



BPR FOUNDATION ACTIVITIES 2023

In 2023, the Foundation collected over 800 applications, interviewed 350 applicants, and recruited 200 students according to the allocated Foundation budget. The year then rolled out in the following sequence:

- IGIRE Program Class of 2023 Launch event; this event contributes to the Foundation Visibility as well as the overall BPR Bank brand. The event was well attended by students, BPR Board, Staff, and Partners.
- Enrollment: The 200 selected participants were enrolled for six months

of vocational training in the respective selected partnering institutions, focusing on ICT, Agribusiness, Culinary Arts, Automobile mechanics and Welding.

- Industrial attachment: On the 6th month of training, students get to be placed in different institutions and companies of their respective fields for internships to be well prepared for the job market.
- Class of 2023 Completion: Out of 200 Beneficiaries enrolled, 186 were able to complete the program successfully. Completion was marked with a Graduation event where 8 businesses

with the best ideas pitched by the beneficiaries, were rewarded with seed capital funds to start operating their new enterprises.

IGIRE IN NUMBERS:

- Over 200 Youths trained in vocational skills.
- 8 Businesses financed since inception.
- 186 youth Completed program Successfully

Over
200
Youths trained
in vocational skills.

186
Completed
program

8
Businesses
Financed





Business Incubation

In 2023, 14 rewarded business projects were supported to register their businesses out of 6 from the class of 2022 and 8 from the 2023 class. The same number of businesses were linked to the bank as customers and an additional 40 more accounts were opened by the program beneficiaries.

The businesses born out of the IGIRE program have been supported in accounting and marketing-related matters.

Part of the program's contribution to jobs other than providing vocational skills training opportunities is to reward the best business projects with seed capital funds to start operating. Out of 44 self-employed beneficiaries created in 2023 from the 2022 cohort, 15 are from 6 businesses that were sponsored by the program, where the rest (25) are self-sponsored businesses who now own their businesses due to the skills acquired from the IGIRE program. Total Direct Employment Created in 2023 is 136 and Indirect jobs are 41. The program cumulatively creates both direct and indirect jobs.

Over
200
Youths trained
in vocational skills.

186
Completed
program

8
Businesses
Financed







CUSTOMER EXPERIENCE & CONSUMER PROTECTION

**The Bank
attain a score of
46% and 28%
respectively
from the NPS
and CES surveys
during the year.**

The Bank has a Consumer Protection Committee that ensures effective implementation of consumer protection regulations, and a committee of the Board that oversees the implementation.

The Bank also regularly conducts different surveys such as Net Promoter Score (NPS) which we attained a score of and Customer Effort to Serve (CES) to measure customer satisfaction and effort used by customers to get service from the Bank. The Bank attain a score of 46% and 28% respectively from the NPS and CES surveys during the year.

Complaints received have been resolved at 99% closure rate.



Board of Director's Profiles



Name: George W. Rubagumya
Designation: Board Chairman
Date of Appointment to Designation:
 January 2022

Education and Professional Background:

Mr. George Rubagumya holds an LLM in International Development Law from the London School of Economics, a Bachelor of Arts in Economics and Finance from the University of Nebraska-Lincoln; a Juris Doctor of Laws from Creighton University School of Law; and Advanced Diploma in International Law from The Hague Academy of International Law.

He has more than 30 years of international business experience and legal practice in the United States of America and Africa advising government and private sector leaders on design and execution of legal and economic policy reforms to drive private sector-led sustainable economic development. Extensive experience in building public-private partnerships to develop and implement integrated economic development programs; promotion and facilitation of international investments in infrastructure, natural resources, energy, oil and gas, utilities, financial services; capital markets and Information Technology.



Name: Vanessa Umutoni
Designation: Director
Date of Appointment to Board:
 January 2024

Education and Professional Background:

Mrs. Vanessa holds a Master of Science in Information from Carnegie Mellon University Pittsburgh, U.S and a Bachelor of Information Technology and several professional certifications from notable institutions such as Insead and the London School of Economics (LSE).

Vanessa is a visionary Technology Leader with over 9 years of extensive experience in the financial technology industry working with FinTechs, banks, mobile network operators, and Central banks. She focuses on product management & development, strategy, and building strategic relationships. She possesses exemplary skills in managing engineering teams and streamlining operations and product development strategies.

In her current role At AfricaNenda, a leading financial services accelerator funded by the Bill & Melinda Gates Foundation, Vanessa leads the organization's initiatives in Rwanda. As a Technical Payments expert, Vanessa is dedicated to developing and promoting cost-effective retail instant payment solutions. Her expertise in product development, design, and digital strategy ensures continuous advocacy for efficiency and accessibility.

With a diverse background spanning private and non-profit organizations, Vanessa brings a wealth of experience to her field with her profound understanding of digital financial services, fintech, and payment solutions.



Name: Paul Russo
Designation: Director & KCB Group Chief Executive Officer
Date of Appointment to Board as Alternate:
 August 2021

Education and Professional Background:

Paul Russo, EBS holds a master's in business administration from Strathmore University Business School and a Bachelor of Business Management from Moi University. He also holds a senior executive program for Africa Certificate from Harvard Business School. He is a member of the Kenya Bankers Association Governing Council. Paul sits in the Boards of the National Investment Council and the National Steering Committee on Drought Response. He is also a member of Steering Committee for the World Rally Championship (WRC) Safari Rally Project. He also serves in the United Nations Environment Program Finance (UNEP-FI) Leadership Council. Prior to his appointment as the Group Chief Executive Officer, he served as the Group Regional Business Director and the MD NBK. A HR practitioner, he has close to 25 years of work experience spanning executive and key roles including Group HR Director, KCB Group. He has served in other big corporates such as Barclays, PwC, K-Rep Bank, EABL, and Unga Holdings.



Name: Diana Haguma
Designation: Director
Date of Appointment to Board:
 December 2020

Education and Professional Background:

Ms. Diana Haguma hold an Msc in Finance from Stirling University (Scotland, UK), a Bachelor of Business Administration in Accounting from Makerere University Kampala, an Advanced Diploma in Accounting and Business by ACCA and a Certificate in Digital Money from Digital Frontiers Institute.

She has vast experience in Accounting/Finance, taxation, and Human resources. Gained both from formal training and work experience from different organizations; twelve years of working with Rwanda Revenue Authority, six years working in telecommunication (Airtel Rwanda) as well as over one-year non-governmental organization experience where she occupied various positions in the finance, Human resource and Administration departments.



Name: Dr. Alexis Nsengumuremyi
Designation: Director
Date of Appointment to Board:
 December 2022

Education and Professional Background:

Dr. Alexis holds a PHD of Sciences in Civil Engineering specializing in Dynamic of Structures from Washington International Universe, a Master of Sciences in Civil Engineering from Washington International University and a bachelor's degree in civil engineering sciences. ity.

Alexis is a seasoned engineer and founder of E.G.C Ltd, a local private company specializing in construction works of buildings, water, and power supply.

He is currently the chairman of the Chamber of Industry at Rwanda Private Sector Federation (PSF) and chairman of board of directors of the Association of the Rwanda Contractors (AEBTP). He has also served on the boards of Work force Development Authority (WDA) and Rwanda Public Procurement Authority (RPPA).



Name: Patience Mutesi
Designation: Managing Director
Date of Appointment to Board:
 December 2022

Education and Professional Background:

Patience has an MBA in Finance from Maastrich School of Management, Netherlands and a BSc in Quantitative Economics, Makerere University, Uganda. She joined BPR Bank from TradeMark East Africa (TMEA) where she was serving as the Country Director. She was responsible for maintaining strategic relationships with government, private sector, civil society and donor community, while overseeing strategic projects implementation in trade facilitation in Rwanda. She has diversified background in the financial sector including credit management, product development and fundraising, extensive experience in deal origination, negotiation, structuring, and execution as well as credible expertise in strategic risk management having previously served as Corporate Bank Head, Ecobank Rwanda and Cluster Head for EAC as well as Deputy Head of Corporate Banking and Senior Relationship Manager, BCR.



Name: Pascal Nyiringango
Designation: Director
Date of Appointment to Board:
 February 2023

Education and Professional Background:

Mr. Pascal Nyiringango is a doctoral candidate whose research focuses on the impact of university-embedded hubs. He is certified in innovation management, holds a master's degree in social entrepreneurship and innovation, and serves as a mentor for aspiring startups.

He oversees business development and commercialization at the African Center of Excellence for Sustainable Development in Energy. He is as well the founder and promoter of the Grid Innovation and Incubation Hub, in addition to this he is currently the coordinator of the UNIPOD project funded by UNDP at University of Rwanda.

Pascal has working experience at the commercial bank as a non-executive director at BPR Bank. He has over ten years of experience working in various capacities in the public sector.

Further, he is a researcher and lecturer in the field of entrepreneurship education at the Department of Human Resource and Marketing, College of Business and Economics (CBE), University of Rwanda.



Name: Jean Malic Kalima
Designation: Director
Date of Appointment to Board:
 January 2022

Education and Professional Background:

Mr. Jean Malic KALIMA holds a Bachelor's Degree in Management in addition to other professional trainings undertaken during the course of his professional career.

He is a Rwandan entrepreneur, businessman and investor, currently operating in various areas including the mining sector and the health sector among others.

Having previously worked in government, he has a wide experience in both public and private sectors. Jean Malic KALIMA worked in a number of private companies in the Democratic Republic of Congo (DRC) where he spent most of his youth years before returning to his motherland Rwanda. Upon his return in Rwanda, Jean Malic joined Rwanda's Ministry of Foreign Affairs from 1994 up to 2004 where he served in various senior positions, including the following among others, Chief of Ceremonies and Visits Division and Chief of State Protocol.

Financial Statements & Notes

For the Year Ended 31 December 2023

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bpr

BANK



Opening Doors of Opportunity since 1975

BPR has been committed to enabling progress for 49 years by uplifting families, communities, businesses and economies. We have impacted over 3M customers across Rwanda.

Our promise is to continue to open doors to uplift lives, empower dreams and create positive impact across Rwanda. We are more than just a bank, we are enablers of dreams because we are about people and building a sustainable tomorrow for generations to come.

For People. For Better.

BPR Group PLC Report of the Directors For the Year Ended 31 December 2023

The Directors submit their report together with the audited financial statements for the year ended 31 December 2023 which disclose the state of affairs of BPR Bank Rwanda Plc (the “Bank”/ the “Company”).

Principal activities

The Bank is engaged in the business of commercial and retail banking.

Results

Profit for the year of Frw 25,896 million (2022: Frw 22,271 million) has been added to the retained earnings of the Bank.

Dividend

The Directors do not recommend the payment of a dividend for the year (2022: Nil).

Directors

The Directors who held office during the year and to the date of this report were

Patience Mutesi was appointed as the Managing Director of the Bank on 1 February 2023 and ceased being an Independent Non-executive Board Member.

REGISTERED OFFICE

The Bank is incorporated and domiciled in the Republic Rwanda as a Public limited liability company. The address of its registered office is

BPR Bank Rwanda Plc

P O Box 1348, KN 67, ST 2, Kigali Rwanda

AUDITOR

The Bank’s independent auditor, PricewaterhouseCoopers Rwanda Limited, continues in office in accordance with Law No. 007/2021 of 05/02/2021 Governing Companies as amended by Law No. 019/2023 of 30/03/2023 and regulation No.14/2017 on accreditation and other requirements for external auditors of banks in Rwanda.

Name	Appointment	Appointment & Retirement Date
George Rubagumya	Chairman (Non-executive)	Appointed on 1 February 2022
Patience Mutesi	Managing Director	Appointed 1 February 2023
Diana Haguma	Board member (Independent Non-executive)	Appointed 2 December 2020
Paul Russo	Board member (Non-executive)	Appointed 25 August 2021
Jean Malic Kalima	Board member (Independent Non-executive)	Appointed 1 April 2022
Alexis Nsengumuremyi	Board member (Independent Non-executive)	Appointed 1 February 2023
Pascal Nyiringango	Board member (Independent Non-executive)	Appointed 17 February 2023
Vanessa Umutoni	Board member (Independent Non-executive)	Appointed 29 January 2024
George Odhiambo	Board member (Executive)	Resigned 31 January 2023
James Obuya Bagaka	Board member (Non-executive)	Retired 8 August 2023

BPR Group PLC Report of the Directors For the Year Ended 31 December 2023

BANKERS

National Bank of Rwanda

P.O. Box 531
Kigali
Rwanda

African Banking Corporation Tanzania Limited

1st Floor Barclays House, Ohio Street
P.O. Box 31
Dar-es-salaam
Tanzania

KCB Bank Kenya Limited

Kencom House
Moi Avenue
P. O. Box 48400 – 00100
Nairobi, Kenya

KCB Bank Tanzania Limited

Harambee Plaza
Ali Hassan Mwinyi Road/
Kaunda Road Junction
P. O. Box 804
Dar es Salaam, Tanzania

KCB Bank Burundi Limited

Boulevard Patrice Lumumba
P. O. Box 6119
Bujumbura, Burundi

BHF - Bank Aktiengesellschaft

Bockenheimer Landd Strasse 10,
P.O. Box 60323
Frankfurt AM Main Germany

Company Secretary

17 March 2024



Brice Manzi

EBI SA GROUPE ECOBANK

Les collines de l'Arche, Immeuble Concorde F
76 Route de la Demi-Lune
92057 Paris La Défense Cedex-France

KCB Bank South Sudan Limited

KCB Plaza
Ministry Road
P. O. Box 47
Juba, South Sudan

KCB Bank Uganda Limited

Commercial Plaza
7 Kampala Road
P. O. Box 7399
Kampala, Uganda

Deutsche Bank Trust Company Americas

5022 Gate Parkway North, Building 4 00,
Jacksonville, FL 32256

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved at a meeting of the directors held on 23 February 2024.

Directors have the power to amend and reissue the financial statements.

BY ORDER OF THE BOARD

BPR Group PLC
Report of the Directors
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 the financial status of BPR Bank Rwanda Plc, as set out on pages 12 to 103, which comprise the statement of financial position as at 31 December 2023, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with IFRS Accounting Standards and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies as amended by Law No. 019/2023 of 30/03/2023.

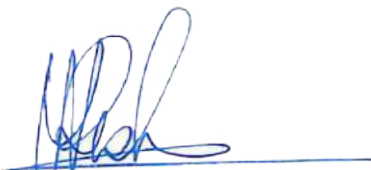
The Directors are also responsible for such internal controls as the Directors determine as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk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

The Directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The independent auditor is responsible for reporting on whether, based on their audit, the financial statements 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 as amended by Law No. 019/2023 of 30/03/2023.

Approval of financial statements

The financial statements of BPR Bank Rwanda Plc, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on 23 February 2024 and signed on its behalf by:



Managing Director



Chair - Board Audit Committee



Board Chairman

BPR BANK PLC

Directors' Remuneration Report

For the Year Ended 31 December 2023

BPR Bank Rwanda Plc is committed to world class corporate governance standards as set from time to time by the National Bank of Rwanda and by itself in accordance with international best practice. The Board of Directors is responsible for the long-term strategic direction for profitable growth of the Bank whilst being accountable to the shareholders for compliance and maintenance of the highest corporate governance standards and business ethics.

The Board of Directors

The Board is currently made up of seven members, six of whom are non-executive directors including the chairman. The Board is provided with full, appropriate and timely information to enable them to maintain full and effective control over the strategic, financial, operational and compliance issues of the Bank. The day to day running of the business of the Bank is delegated to the Managing Director but the Board is responsible for establishing and maintaining the Bank's system of internal controls so that the objectives of profitable and sustainable growth and shareholders value is realised. The Board also makes recommendations to the shareholders on Board succession planning and annual financial statements.

Board meetings

The Board of Directors meets quarterly or as required in order to monitor the implementation of the Bank's strategy, review its financial performance and approves decisions of a strategic nature. Specific reviews are also undertaken on business operations and future planning. At the end of each financial year, the Board reviews itself, Board Committees, Senior Management and Managing Director against targets agreed at the beginning of the year.

Board Committees

The Board has created the following principal committees which meet regularly under well-defined and materially delegated terms of reference set by the Board and in accordance with National Bank of Rwanda Regulation N° 01/2018 of 24/01/2018 on Corporate Governance for Banks

1. Risk Management Committee

The Risk Management Committee meets on a quarterly or as required to oversee the Bank's mitigation and appreciation of all risks in the business. It meets quarterly to consider and advise the business on all matters pertaining to credit, market, operations, legal, and environmental and other risks. Business continuity issues are also discussed by this committee.

2. Audit Committee

The Audit Committee meets quarterly or as required. In accordance with regulatory requirement, the committee comprise non- executive members of the Board who are independent of the day-to-day management of the Bank's operations. The committee deals with all matters relating to the financial statements and internal control systems of the Bank including engagement with independent auditors and National Bank of Rwanda inspectors. All the audits conducted by this committee are risk based.

3. Remuneration and Nominations Committee

The committee meets quarterly or as required to review human resource policies and make suitable recommendations to the Board on senior management appointments. This committee also oversees the board nomination functions and senior management performance and remuneration reviews.

4. Credit Committee

The committee meets quarterly or as required to review the credit risk profile of the Bank and recommend to the Board for approval policies and standards of credit risk governance and management. The committee also reviews the Bank's credit risk appetite and sectorial concentration.

5. Strategy and Information Technology (IT) Committee

The committee meets quarterly or as required to review the Bank's IT governance and technology risk management and recommend to the Board for approval IT Strategy and Investment plan and management strategies and policies. It's also responsible for the implementation of the requirements provided in the laws and regulations on cyber security.

6. Procurement committee

The committee meets quarterly or as required to review the procurement policy directions and strategy and to evaluate and recommend to the Board for approval matters related to the review and development of the bank's procurement policies and procedures. This committee also oversees the implementation of the procurement processes and plan to ensure the bank's procurement procedures are conducted in a fair, transparent and non-discriminatory manner.

Record of Board/ Committee meetings attendance

The following table shows the record of attendance to the Board and Committee meetings for the year ended 31 December 2023.

BPR BANK PLC

Directors' Remuneration Report

For the Year Ended 31 December 2023

The following table shows the record of attendance to the Board and Committee meetings for the year ended 31 December 2022.

	MAIN BOARD	STRATEGY & IT CO	AUDIT	CREDIT	REMCO	RISK	PROCUREMENT
Meetings held	8	8	5	7	6	6	7
George Rubagumya	8	2	1	1	1	1	1
Diana Haguma	8	x	5	x	6	6	7
Patience Mutesi	7	8	x	7	5	x	7
Paul Russo	6	5	x	5	x	x	x
Jean Malic Kalima	8	1	3	7	x	6	7
Alexis Nsengumuremyi	8	8	5	5	6	x	x
Pascal Nyiringango	8	8	5	x	6	6	7
Dr. Bagaka O James	5	5	x	6	4	4	1

Management committees

The Board has delegated the daily management of the bank to the Managing Director supported by the various management committees. The following key management committees are in place to ensure that the Bank carries out its obligation efficiently and effectively.

- **Executive Management Committee (EXCO)**
- **Assets and Liabilities Committee (ALCO)**
- **Credit Committee**
- **Risk and Control Committee**
- **IT Steering Committee**
- **Strategy Committee**





Report of the independent auditor to the shareholders of BPR Bank Plc

Report on the financial statements

Opinion

In our opinion, BPR Bank Rwanda Plc (the "Bank"/ "Company")'s 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 and the requirements of Law No. 007/2021 of 05/02/2021 Governing Companies as amended by Law No. 019/2023 of 30/03/2023.

What we have audited

The Company's financial statements as set out in pages 56 to 120 comprise:

- the statement of financial position as at 31 December 2023;
- the statements of comprehensive income;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA code.

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. The matter below was 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 the matter.

PriceWaterhouse Coppers Rwanda Limited , 5th floor , BlueStart House,35 KG 7 Ave,Kacyiru

Po Box 1495 Kigali Rwanda

Tel +250(252)588201/2/3/4/5/6. www.pwc.com/rw





Report of the independent auditor to the shareholders of BPR Bank Plc (continued)

Report on the financial statements (continued)

Key audit matters (continued)

Expected credit losses on loans and advances at amortised cost	How key audit matter was addressed in the audit
<p>Credit risk assessment and determination of expected credit losses on loans and advances at amortised cost</p> <p>Loans and advances to customers comprise a significant portion of the Bank's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgment in the assumptions that are applied in the models used to calculate ECL.</p> <p>Changes to the assumptions and estimates used by management could generate significant fluctuations in the Bank's financial results and materially impact the valuation of the portfolio of loans and advances.</p> <p>The policies for estimating ECL are explained in note 32(a) of the financial statements.</p> <p>The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include:</p> <ul style="list-style-type: none"> the judgments made to determine the categorisation (staging) of individual loan and advances accounts in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used; the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments of loans and advances, and the appropriateness of forward-looking information used in the model; the conceptual logic, soundness and accuracy of the expected credit losses models used by the Bank the relevance of forward-looking information used in the models; and Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit. 	<p>Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included::</p> <ul style="list-style-type: none"> We evaluated the Bank's methodology for determining ECL and evaluated this against the requirements of IFRS 9; We tested how the Bank extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD as per the Bank's IT system and the respective customer files; We evaluated judgments applied in the staging of loans and advances; Obtained an understanding of the basis used to determine the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) For LGD, we tested the assumptions on the timing of the cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; We tested the completeness and accuracy of the historical data used in derivation of PDs, LGDs and EADs, and recalculated the outcomes on a sample basis. For LGD, we tested the assumptions on the timing of the cash flows based on historical empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports. We tested, on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures; For forward-looking assumptions used in the ECL calculations, we corroborated the assumptions using publicly available information; We assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.



Report of the independent auditor to the shareholders of BPR Bank Plc (continued)

Report on the financial statements (Continued)

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Reliance on Information & Communications Technology systems for financial control and reporting.</p> <p>The Group's financial control, accounting and reporting processes are heavily dependent on complex information & communications technology systems and applications. Specifically, the calculation, recording and financial reporting of financial transactions and balances are significantly dependent on automated processes.</p> <p>Weaknesses in the design and operating effectiveness of the automated accounting procedures and related IT dependent manual controls could result in material errors in the financial information, which makes this an area of focus.</p> <p>Our audit focus on information & communications technology systems and applications and controls over financial reporting included the following areas:</p> <ul style="list-style-type: none"> • management of logical access to critical systems including privileged access and developer access to production environment; • controls over changes of programs and systems developments; • automated application controls relating to processing of transactions, accounting and financial reporting; and • interfaces between the core financial reporting systems to banking systems and applications, including any manual adjustments to the financial information. 	<p>Assessed and tested the design and operating effectiveness of the controls over the integrity of information technology (IT) systems and applications that are relevant for financial accounting and reporting.</p> <p>Tested controls over programs development and changes, access to programs and data and IT operations including compensating controls where necessary. We also tested certain aspects of the security of the IT systems including logical access management and segregation of duties.</p> <p>Where, either design or operating effectiveness control deficiencies were identified, we altered our audit approach to test the compensating controls or increased the level of our tests of detail. These additional procedures mitigated the deficiencies or provided the additional audit comfort.</p> <p>Validated any manual adjustments to information generated by the IT systems and applications and assessed the appropriateness of the adjustments.</p> <p>Reperformed automated controls and calculations by the core banking systems and other significant applications to ensure that the applications are working accurately and as designed. This included recomputation of interest income, interest expense, fees and commission income and trading income.</p>
<p>Accounting for business acquisition</p> <p>As disclosed in Note 33 of the financial statements, the Company acquired controlling interest in Trust Merchant Bank SA (TMB) during the year. The directors have applied the principles of IFRS 3, Business Combinations in the measurement and recognition of assets and liabilities acquired and the interests in the acquiree held by other parties, and the disclosures in the financial statements.</p> <p>The determination of the fair value of the identifiable assets and liabilities acquired involves complex methodologies which are dependent on various assumptions and estimates. The assumptions, which are subject to estimation uncertainty, are derived from a combination of the acquirees' historical financial information, management's judgement, experts engaged by management and market data.</p> <p>Our audit focused on the validation of significant assumptions with greater levels of management judgement and for which variations could have a significant impact on the measurement of identifiable assets and liabilities acquired.</p>	<p>We discussed with management and experts engaged by management to understand the methodologies and significant assumptions used in determining the fair value of identifiable assets and liabilities of the acquiree.</p> <p>We evaluated the appropriateness of the methodologies and significant assumptions based on our understanding of the macro-economic environment in which the acquiree operates, and the acquiree's historical financial performance, including reasonably possible alternatives for significant assumptions.</p> <p>Where applicable, we validated the inputs into the fair value models particularly for intangible assets against the data sources for reliability and accuracy, and evaluated the reasonableness of the discount rates used in the models.</p> <p>We tested the mathematical soundness of the models used and reconciled the model outcomes to the financial statements.</p> <p>We evaluated and tested the disclosures made in the financial statements in relation to the acquisition for compliance with the requirements of IFRS 3.</p>



Report of the independent auditor to the shareholders of BPR Bank Plc (continued)

Other information

Directors are responsible for the other information. The other information comprises the Directors' report, Statement of directors' responsibilities, corporate governance statement and the appendix which we obtained prior to the date of this auditor's report, and the other information that will be included in the annual report which is expected to be made available to us after that date, 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 and will 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 identified above 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.

When we read the other information that will be included in the annual report, if we conclude that there is material misstatement there in, we are required to communicate the matter to the directors.



Report of the independent auditor to the shareholders of BPR Bank Plc (continued)

Report on the financial statements (Continued)

Report on other legal and regulatory requirements

Law No. 007/2021 of 05/02/2021 Governing Companies as amended by Law No. 019/2023 of 30/03/2023 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i. We have no relationship, interest or debt with BPR Bank Rwanda Plc. As indicated in our report on the financial statements, we have complied with the required ethical requirements. These are the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) which includes comprehensive independence and other requirements;
- ii. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- iii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- iv. We have communicated to the Company's Board of Directors, through a separate management letter, internal control matters identified in the course of our audit including our

recommendations in relation to those matters.

v. According to the best of the information and the explanations given to us as auditors, as shown by the accounting and other documents of the company, the annual accounts comply with Article 125 of Law No. 007/2021 of 05/02/2021 Governing Companies as amended by Law No. 019/2023 of 30/03/2023.

For PricewaterhouseCoopers Rwanda Limited, Kigali,

Brian Ngunjiri
Director

28 March 2024

Financial Statements

For the Year Ended 31 December 2023

Consolidated statement of profit or loss

	Note	2023 Frw'000	2022 Frw'000
Interest income	1	89,699,193	80,388,942
Interest expense	2	(24,536,972)	(20,666,257)
Net interest income		65,162,221	59,722,685
Fees and commission income	3 (a)	12,515,947	11,688,331
Fees and commission expense	3 (b)	(1,901,272)	(2,443,346)
Net fees and commission income		10,614,675	9,244,985
Net foreign exchange gain	4	2,088,501	1,696,646
Other operating income	5	3,240,046	1,349,373
Total operating income before impairment charge		81,105,443	72,013,689
Impairment charge on financial assets	6	(733,622)	771,111
		(733,622)	771,111
Total operating income after impairment charge		80,371,821	72,784,800
Operating expenses	7	(16,356,938)	(15,805,077)
Employee benefits	8	(19,268,046)	(17,337,341)
Depreciation and amortization	17	(6,868,304)	(5,795,562)
Total operating expenses		(42,493,288)	(40,627,309)
Profit before income tax		37,878,533	32,157,491
Income tax expense	10	(11,982,761)	(9,886,493)
Profit for the year		25,895,772	22,270,998
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Changes in revaluation of land and buildings		-	-
Other comprehensive income (net of tax)		-	-
Total comprehensive income for the year		25,895,772	22,270,998

The notes set out on pages 61 to 120 form an integral part of these financial statements.

Financial Statements

For the Year Ended 31 December 2023

Consolidated statement of financial position

ASSETS	Note	2023 Frw'000	2022 Frw'000
Cash and balances with the National Bank of Rwanda	11	51,617,777	76,189,863
Amounts due from banks	12	33,230,934	16,503,185
Government securities and other bonds	13	145,610,838	144,495,970
Loans and advances	14	572,749,472	456,813,644
Due from related parties	29 (c)	215,642	464,895
Prepaid income tax	25 (b)	3,353,728	6,059,326
Other assets	15	15,020,819	10,430,256
Deferred income tax	25 (a)	859,262	1,947,592
Intangible assets	16	8,018,525	3,712,052
Property and equipment	17	23,619,676	26,665,922
Right-of-use assets	18	6,042,731	3,484,245
TOTAL ASSETS		860,339,404	746,766,950
LIABILITIES AND EQUITY			
Liabilities			
Customer deposits	19	588,616,484	441,349,379
Deposits from financial institutions	20	48,830,635	85,118,231
Legal provisions	21	159,131	913,668
Credit funds	22	2,710,733	2,691,599
Borrowings	23	59,971,355	49,897,656
Other liabilities	24	4,382,808	20,136,189
Due to related parties	29 (b)	2,118,583	13,526,096
Current income tax	25 (c)	1,424,470	9,843,091
Lease liabilities	26	6,281,695	3,343,004
Total liabilities		714,495,894	626,819,212
Equity			
Share capital	27 (a)	81,509,050	81,509,050
Share premium	27 (b)	8,032,565	8,032,565
Revaluation reserves	28 (a)	-	550,654
Statutory reserves		-	-
Retained earnings/(losses)	28(b)	56,301,895	29,855,469
TOTAL EQUITY		145,843,510	119,947,738
TOTAL EQUITY AND LIABILITIES		860,339,404	746,766,950

The notes set out on pages 122 form an integral part of these financial statements

Financial Statements

For the Year Ended 31 December 2023

Statement of changes in equity

For year ended 31 December 2023	Note	Share capital Frw'000	Share premium Frw'000	Revaluation reserves Frw'000	Statutory reserves Frw'000	Retained earnings Frw'000	Total Frw'000
As at 1 January 2022		81,509,050	8,032,566	550,654	-	29,855,469	119,947,738
Comprehensive income							
Profit for the year		-	-	-	-	25,895,772	25,895,772
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	25,895,772	25,895,772
Transfers							
Transfers and reclassifications	27, 28	-	-	(550,654)	-	550,654	-
Transactions with owners in their capacity as owners:							
Reallocation of capital	27, 28	-	-	-	-	-	-
As at 31 December 2023		81,509,050	8,032,566	-	-	56,301,895	145,843,510

** Other comprehensive income comprises of movement in revaluation reserves for land and buildings derecognized during the year.

The notes set out on pages 61 to 120 form an integral part of these financial statements.

Financial Statements For the Year Ended 31 December 2023

Statement of changes in equity (continued)

	Note	Share capital Frw'000	Share premium Frw'000	Revaluation reserves Frw'000	Statutory reserves Frw'000	Retained earnings Frw'000	Total Frw'000
Year ended 31 December 2023							
At 1 January 2022		63,614,562	4,978,043	1,101,308	536,906	27,632,362	97,863,181
Comprehensive income							
Profit for the year		-	-	-	-	22,270,998	22,270,998
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	22,270,998	22,270,998
Transfers							
Transfers and reclassifications		-	-	(550,654)	(186,441)	550,654	-
Transactions with owners in their capacity as owners:							
Reallocation of capital	27, 28	17,894,488	3,054,523	-	(350,465)	(20,598,545)	-
As at 31 December 2022		81,509,050	8,032,566	550,654	-	29,855,469	119,947,738

The notes set out on pages 61 to 120 form an integral part of these financial statements.

Financial Statements

For the Year Ended 31 December 2023

Cash flows from operating activities

	Note	2023 Frw'000	2022 Frw'000
Net cash flows generated from/(used in) from operating activities	31(b)	(6,658,819)	(32,661,379)
Cash flows from investing activities			
Purchase of amortized cost investments	13	-	-
Sale/maturity of amortized cost investments	13	-	-
Purchase of property and equipment	17	(4,509,290)	(4,652,331)
Sale of property and equipment	17	785,686	-
Purchase of intangible assets	16	(1,577,293)	(3,180,066)
Right of use acquired	18	(3,213,142)	-
Net cash flows from/(used in) investing activities		(8,514,039)	(7,832,397)
Cash flows from financing activities			
Long term debt paid in the year	23	(4,796,412)	(2,711,281)
Net repayment of lease liability	23	(2,687,436)	(1,980,131)
Proceeds on issuance of share capital	28	-	-
Repayment of credit fund	22	19,134	1,504,261
Long term debt received in the year	23	13,327,841	33,790,772
Net cash flows used in financing activities		5,863,127	30,603,621
Net increase /(decrease)in cash and cash equivalents		(9,309,731)	(9,890,156)
Cash and cash equivalents at start of year	31(b)	69,819,613	79,709,769
Cash and cash equivalents at 31 December	31(b)	60,509,882	69,819,613

The notes set out on pages 61 to 120 form an integral part of these financial statements.

Financial Statements

For the Year Ended 31 December 2023

Notes to the financial statements

1. Interest income	2023 Frw'000	2022 Frw'000
Interest on loans and advances	73,188,202	63,160,774
Interest on government securities	13,269,600	13,734,553
Interest on placements and bank balances	431,230	149,756
Effective interest rate (appraisal fee)	2,810,161	2,973,733
IFRS 9 adjustment – notional benefit	-	370,126
	89,699,193	80,388,942
2. Interest expense		
Interest on customer deposits	19,027,012	17,052,671
Interest on deposits from financial institutions	2,360,838	673,046
Interest on borrowings	2,684,995	2,495,377
Lease financing	464,127	278,787
Low interest facilities accretion	-	166,376
Total liabilities	24,536,972	20,666,257
3. Fees and commissions		
a) Fees and commissions income		
Credit related fees and commissions	4,423,590	1,680,987
Commissions on account management	1,462,958	2,094,010
Commission on payment facilities	411,822	439,423
Commissions on funds transfers	2,743,144	2,403,551
Commissions earned on salary processing services	26,564	745,544
Commission on mobile banking	152,737	773,322
Commissions on transactions	1,770,973	989,496
Fees LCs and guarantees	837,319	722,151
Custody fees	395,146	392,587
Other non-banking income	291,694	1,447,260
	12,515,947	11,688,331
b) Fees and commissions expense		
Card management fee	(445,228)	(180,015)
Commissions paid on transactions	-	(215,931)
Bank charges	(819,777)	(1,228,088)
Agency banking commissions	(568,440)	(706,726)
Other commission fees	(67,827)	(112,586)
	(1,901,272)	(2,443,346)
Net fees and commissions	10,614,675	9,244,985
4. Net foreign exchange income		
Income from FX trading	3,037,209	1,603,111
Losses on foreign exchange differences	(948,708)	93,535
	2,088,501	1,696,646
Other operating income		
5. Other income		
Recoveries on prior period provisions	3,053,668	1,102,273
Gain on disposal of assets	184,893	20,850
Notional benefit on low interest borrowings	-	223,551
Other income	1,485	2,699
	3,240,046	1,349,373
6. Impairment charges on financial assets		
Impairment charge on loans and advances raised during the year	2,186,639	2,124,418
Impairment charge on investment securities	77,282	-
Impairment charge on placements and bank balances	(263,421)	-
Impairment charge on other assets	126,932	-
Impairment charge on guarantees and off-balance sheet items	(183,521)	-
Recoveries on previously written off loans	(1,056,746)	(2,895,529)
Suspended interest recovered	(153,544)	-
	733,622	(771,711)

Financial Statements

For the Year Ended 31 December 2023

Notes to the financial statements (continued)

7. Operating expenses	2023 Frw'000	2022 Frw'000
Repairs and maintenance	1,553,632	1,588,684
Vehicle operating expenses	45,175	77,863
Utilities	872,013	449,829
ATM maintenance and related cost	-	458,799
Software licenses	4,602,541	3,903,035
Audit fees	124,343	149,011
Marketing	441,608	214,359
Local taxes	125,037	123,391
Subscriptions	306,061	152,059
Other professional fees	596,967	691,964
Legal expenses & Litigations	243,656	797,255
Archive services	162,866	201,306
Security	709,360	637,968
Travel and accommodation	685,413	428,367
Cash-in-transit services	433,425	453,172
Recoveries	30,378	74,410
Printing, Stationery and office supplies	890,253	496,148
Statutory fees	527,318	557,997
Donations	90,380	122,567
Courier services	21,144	120,686
Training costs	-	47,708
Communication expenses	2,195,669	259,947
Board sitting allowances	663,776	749,618
Insurance	346,895	366,691
Projects & integration	84,440	1,019,034
Other operating expenses	604,588	1,967,651
	16,356,938	16,109,519
8. Employee benefits		
Salaries and wages	14,600,284	13,693,709
Bonus accrual	1,432,265	2,171,050
Contributions to Rwanda Social Security Board	1,095,235	765,642
Medical expenses	1,063,351	1,119,361
Other staff costs	1,076,911	972,465
	19,268,046	18,722,227
9. Depreciation and amortisation		
Depreciation charge on property and equipment	3,531,895	3,332,921
Amortisation of intangible assets	1,276,630	1,512,389
Depreciation charge on right-of-use assets	2,059,779	950,253
	6,868,304	5,795,563
10. Income tax expense		
Current income tax charge	10,894,431	11,632,511
Deferred income tax (credit)/charge (Note 25 a)	1,088,330	(1,746,018)
	11,982,761	9,886,493

Financial Statements

For the Year Ended 31 December 2023

The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Effective Tax rate	2023 Frw'000	Effective tax rate	2022 Frw'000
Profit before income tax		37,878,536		32,157,491
Tax calculated at the statutory income tax rate of 30% (2020: 30%)	29.403%	11,137,327	30%	9,647,247
Tax effect of:				
Non- deductible expenses	7.98%	3,022,143	12.22%	3,928,581
Tax exempt income	(8.62%)	(3,265,039)	(6.04%)	(1,943,317)
Overprovision of deferred tax in prior years	2.87%	1,088,330	(5.43%)	(1,746,018)
Income tax in the statement of comprehensive income	31.63%	11,982,761	30.74%	9,886,493

Financial Statements

For the Year Ended 31 December 2023

Notes to the financial statements

11. Cash and balances with National Bank of Rwanda	2023 Frw'000	2022 Frw'000
Cash on hand	14,831,613	18,071,627
Balances with the National Bank of Rwanda	36,936,672	58,358,371
Expected credit losses on balances with BNR	(150,508)	(150,508)
	51,617,777	76,189,863
12. Amounts due from banks		
Placements with local banks	9,565,101	12,845,250
Balances with foreign banks	23,868,797	4,124,320
	33,433,898	16,969,570
ECL on placements with local banks	(102,577)	(235,709)
ECL on placements with foreign banks	(100,387)	(230,676)
Expected Credit Loss on nostro	(202,964)	(466,385)
Net balances due from other banks	33,230,934	16,503,185
Maturity profile of amounts due from banks		
Maturing as follows:		
Current accounts	20,900,143	4,311,590
Within 90 days from the date of acquisition	12,533,755	12,192,413
	33,433,898	16,504,003
13. Investment securities		
Treasury bills issued by the Government of Rwanda	73,215,105	76,863,863
Treasury bonds issued by the Government of Rwanda	71,286,130	68,246,122
Development Bank of Rwanda sustainability linked bond (BRD SLT)	1,800,900	-
	146,302,135	145,109,985
Loss allowances on treasury bills	(212,027)	(188,324)
Loss allowances on treasury bonds	(467,600)	(425,691)
Loss allowances on BRD SLT	(11,670)	-
	(691,297)	(614,015)
	145,610,838	144,495,970
Maturity profile of investment securities:		
Maturing as follows:		
Within 90 days from the date of acquisition	26,205,847	18,447,327
Within 91 days to 1 year from the date of acquisition	47,009,258	58,416,536
After 1 year, but within 5 years	26,433,561	29,521,001
After 5 years	46,653,469	38,725,121
	146,302,135	145,109,985
Treasury bonds have a maturity period of between 3 years and 25 years with effective interest rate of 12.71% p.a (2022: 12.23% p.a). The effective rate for treasury bills is 9.83% p.a (2022: 7.44% p.a). The BRD SLT was issued in 2023 by the Development Bank of Rwanda. It matures in 2030 and has an effective interest rate of 12.85%.		
14 Loans and advances		
a) Carrying amount		
Corporate	317,305,929	222,654,280
Mortgage	105,171,205	100,464,874
Retail	178,724,182	151,154,772
Gross loans	601,201,316	474,273,926

Financial Statements

For the Year Ended 31 December 2023

Financial Statements

For the Year Ended 31 December 2023

Notes to the financial statements

14. Loans and advances (continued)	2023 Frw'000	2022 Frw'000
Fair value adjustments		
Corporate	(8,566,231)	(2,451,668)
Mortgage	(114,323)	(116,233)
Retail	(5,125,017)	(1,614,182)
Total fair value adjustments	(13,805,571)	(4,182,083)
Credit loss allowances		
Corporate	(2,557,075)	(4,341,474)
Mortgage	(2,870,631)	(2,001,127)
Retail	(9,218,568)	(6,935,596)
Total credit loss allowances for loans and advances	(14,646,273)	(13,278,198)
Net loans and advances	572,749,472	456,813,644

Financial Statements

For the Year Ended 31 December 2023

a) Gross loans

Movements in gross loans and advances are as follows

Year ended 31 December 2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	424,872,744	33,273,629	16,127,553	474,273,926
- transfers from stage 1	24,065,967	16,141,331	14,425,936	54,633,235
- transfers from stage 2	5,399,830	(2,866,444)	(559,872)	1,973,515
- transfers from stage 3	9,439	(104,400)	(2,083,111)	(2,178,073)
New financial assets originated or purchased	127,133,121	11,217,569	1,161,397	139,512,087
Loans derecognized	(51,453,496)	(10,426,901)	(5,132,977)	(67,013,374)
	105,154,862	13,961,155	7,811,373	126,927,390
At end of year	530,027,606	47,234,784	23,938,926	601,201,316

Year ended 31 December 2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	330,404,330	30,361,025	16,145,009	376,910,364
- transfers from stage 1	(11,448,455)	11,448,455	-	-
- transfers from stage 2	318,761	(986,452)	667,691	-
- transfers from stage 3	3,546,895	(12,192,350)	8,645,455	-
New financial assets originated or purchased	199,448,054	42,499,242	2,369,987	244,317,283
Loans derecognized	(97,396,841)	(37,856,291)	(11,700,589)	(146,953,721)
	94,468,414	2,912,604	(17,456)	97,363,562
At end of year	424,872,744	33,273,629	16,127,553	474,273,926

Corporate Loans and advances

Year ended 31 December 2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	201,191,047	16,115,353	5,347,880	222,654,279
- transfers from stage 1	38,140,082	(613,048)		37,527,034
- transfers from stage 2	5,787,347	(2,398,319)	92,188	3,481,216
- transfers from stage 3			(1,743,975)	-1,743,975
New financial assets originated or purchased	84,408,057	17,421,381		117,860,512
Loans derecognized	(28,858,649)	(7,875,972)	(1,028,750)	(62,473,138)
	66,891,095	14,410,014	13,350,541	94,651,650
At end of year	268,082,141	30,525,367	18,698,421	317,305,929

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For the Year Ended 31 December 2023

14 Loans and advances (continued)

Corporate

Year ended 31 December 2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	128,121,422	32,030,355	2,305,092	162,456,869
- transfers from stage1 38,971,033				0
- transfers from stage2 (37,856,291)	(2,869,557)	2,869,557		0
- transfers from stage3 (1,114,743)		(4,103,417)	4,103,417	0
New financial assets originated or purchased	87,895,777	23,175,148	54,114	111,125,039
Loans derecognized	(50,927,628)			(50,927,628)
	73,069,625	16,115,353	5,347,880	60,197,411
At end of year	162,220,014	53,971,643	6,462,623	222,654,280

Mortgage Loans and advances

Year ended 31 December 2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	89,700,554	5,893,451	4,870,869	100,464,874
- transfers from stage 1	(1,135,613)	130,001	(70,891)	(-1,076,503)
- transfers from stage 2	30,748	(131,331)	(34,403)	(134,986)
- transfers from stage 3	-8,946	(6,294)	199,176	183,936
New financial assets originated or purchased	7,885,678	286,318	161,856	8,333,852
Loans derecognized	(2,124,451)	(295,401)	(180,116)	(2,599,968)
	4,647,416	(16,707)	75,622	4,706,331
At end of year	94,347,970	5,876,744	4,946,491	105,171,205

Year ended 31 December 2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	87,946,484	7,647,520	9,631,795	105,225,799
- transfers from stage 1				0
- transfers from stage 2				0
- transfers from stage 3		(1,678,139)	1,678,139	0
New financial assets originated or purchased	20,094,091	869,501	377,859	21,341,451
Loans derecognized	(18,340,021)	(945,432)	(6,816,923)	(26,102,376)
	1,754,070	(1,754,070)	(4,760,925)	(4,760,925)
At end of year	89,700,554	5,893,450	4,870,870	100,464,874

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For the Year Ended 31 December 2023

a) Gross loans Retail Loans and advances

Year ended 31 December 2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	133,981,144	11,264,825	5,908,803	151,154,772
- transfers from stage 1	18,693,542	69,713	(1,534,248)	17,229,007
- transfers from stage 2	(418,265)	(336,794)	(617,658)	(1,372,717)
- transfers from stage 3	18,384	-98,106	(538,313)	(618,035)
New financial assets originated or purchased	35,793,089	2,188,562	999,541	38,981,192
Loans derecognized	(20,470,397)	(2,255,528)	(3,924,112)	(26,650,037)
	33,616,353	(432,153)	(5,614,790)	27,569,410
At end of year	167,597,497	10,832,672	294,013	178,724,182

Year ended 31 December 2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	97,212,303	13,256,223	3,923,981	114,392,507
- transfers from stage 1	-	-	-	-
- transfers from stage 2	-	-	-	-
- transfers from stage 3	-	-506,807	506,807	0
New financial assets originated or purchased	89,256,381	5,295,444	1,478,015	96,029,840
Loans derecognized	-52,487,540	-6,780,035	-	-59,267,575
	36,768,841	-1,991,398	1,984,822	36,762,265
At end of year	133,981,144	11,264,825	5,908,803	151,154,772

b) Impairment provisions Credit loss allowances

Year ended 31 December 2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	6,660,107	2,052,104	4,565,987	13,278,198
- transfers from stage 1	(2,561,422)	202,498	2,181,825	(177,099)
- transfers from stage 2	(175,216)	11,208	1,840,867	1,676,859
- transfers from stage 3	(26,206)	(1,696,431)	(527,148)	(2,249,785)
New financial assets originated or purchased	1,437,494	70,287	2,589,594	4,097,375
Loans derecognized	(764,632)	(62,442)	(1,152,200)	(1,979,274)
	(2,089,982)	(1,474,880)	4,932,938	1,368,076
At end of year	4,570,125	577,224	9,498,925	14,646,274

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For the Year Ended 31 December 2023

b) Impairment provisions (continued)

Credit loss allowances

Year ended 31 December 2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	5,101,454	1,222,065	6,249,480	12,572,999
- transfers from stage 1	(25,414)	25,414	-	-
- transfers from stage 2	241,935	(584,120)	-	(342,185)
- transfers from stage 3	6,420	82,450	(88,870)	-
New financial assets originated or purchased	1,975,634	1,306,295	634,480	3,916,409
Loans derecognized	-639,922	-	(2,229,103)	(2,869,025)
	1,558,653	830,039	(1,683,493)	705,199
At end of year	6,660,107	2,052,104	4,565,987	13,278,198

b) Impairment provisions

Credit loss allowances

Year ended 31 December 2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	2,201,659	831,519	1,308,296	4,341,474
- transfers from stage 1	(876,831)	(2,538)	-	(879,369)
- transfers from stage 2	(120,679)	11,764	573,075	464,160
- transfers from stage 3	0	0	-	0
New financial assets originated or purchased	563,590	0	-1,287,727	(724,137)
Loans derecognized	(632,918)	(12,127)	(8)	(645,053)
	(1,066,838)	(2,901)	(714,660)	(-1,784,399)
At end of year	1,134,821	828,618	593,636	2,557,075

b) Impairment provisions

Credit loss allowances

Year ended 31 December 2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	1,357,749	345,576	5,284,165	6,987,490
Corporate loans				
- transfers from stage 1	(244,565)	244,565	-	0
- transfers from stage 2	108,227	(171,498)	63,271	0
- transfers from stage 3	-	-	145,661	145,661
New financial assets originated or purchased	980,248	412,876	1,099,364	2,492,488
Loans derecognized	-	-	(5,284,165)	-5,284,165
	843,910	(1,474,880)	4,932,938	(-2,646,016)
At end of year	2,201,659	831,519	1,308,296	4,341,474

Financial Statements

For the Year Ended 31 December 2023

14 Loans and advances (continued)

Credit loss allowances

Year ended 31 December 2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	1,167,661	155,421	678,045	2,001,127
Mortgage loans				
- transfers from stage 1	(115,330)	61,403	197,214	143,287
- transfers from stage 2	(20,310)	(20,310)	(308,546)	(267,926)
- transfers from stage 3	(-7,971)	(-40,703)	(539,216)	(490,542)
New financial assets originated or purchased	(44,124)	(4,210)	(12,550)	(60,884)
Loans derecognized	(-15,454)	(-6,609)	(71,072)	(93,135)
	-114,941	-2,009	986,454	869,504
At end of year	1,052,720	153,412	1,664,499	2,870,631

Year ended 31 December 2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	872,572	72,639	415,998	1,361,209
Mortgage loans				
- transfers from stage 1	-	-	-	-
- transfers from stage 2	-	-	-	-
- transfers from stage 3	-	-	-	-
New financial assets originated or purchased	295,089	82,782	262,047	639,918
Loans derecognized	-	-	-	-
	295,089	82,782	262,047	639,918
At end of year	1,167,661	155,421	678,045	2,001,127

Year ended 31 December 2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	3,290,789	1,065,163	2,579,645	6,935,597
Retail loans				
- transfers from stage 1	236,916	143,633	1,984,612	2,365,161
- transfers from stage 2	(-43,706)	(1,856)	(959,246)	(917,396)
- transfers from stage 3	(-18,235)	(-67,386)	(221,363)	(135,742)
New financial assets originated or purchased	(-966,919)	(-1,504,367)	(2,577,044)	(105,758)
Loans derecognized	(-116,260)	(-43,706)	(1,081,120)	(1,241,086)
	-908,204	-1,469,970	4,661,145	2,282,971
At end of year	2,382,585	-404,807	7,240,790	9,218,568

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For the Year Ended 31 December 2023

b) Impairment provisions (continued)

Credit loss allowances

Year ended 31 December 2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
At start of year	2,263,514	161,262	379,304	2,804,080
Mortgage loans				
- transfers from stage 1	-	-	-	-
- transfers from stage 2	-	758,046	-	758,046
- transfers from stage 3	-1,330,296	-	572,249	-758,047
New financial assets originated or purchased	2,357,571	145,855	1,628,092	4,131,518
Loans derecognized	-	-	-	0
	1,027,275	903,901	2,200,341	4,131,517
At end of year	3,290,789	1,065,163	2,579,645	6,935,597

15. Other assets	2023 Frw'000	2022 Frw'000
Prepayments	3,895,193	5,713,165
Inventory	116,633	-
Clearing and transit accounts	11,549,943	3,222,836
Repossessed collateral	489,531	93,223
Other receivables	1,371,991	3,676,662
Gross Other Assets	17,423,291	12,705,886
Expected credit losses on other assets	(2,402,472)	(2,275,630)
	15,020,819	10,430,256

In the ordinary course of business, the bank may acquire property held as collateral following the foreclosure on loans that are in default. The acquisition process is done through public auction and in accordance with the existing regulation and Registrar General guidelines on public auction. The acquired properties are measured at the lower of carrying amount and fair value less costs to sell. According to Central Bank guidelines, the acquired assets are to be disposed off to third parties within 365 days from the date of acquisition.

16. Intangible assets

Year ended 31 December 2023	Software Frw'000	Work in progress Frw'000	Total Frw'000
At beginning of the year	14,676,796	-	14,676,796
Additions	1,577,293	-	1,577,293
Adjustments	(69,350)	-	(69,350)
Reclassification from property and equipment	4,075,639	-	4,075,639
At end of year	20,260,378	-	20,329,728
Accumulated amortisation			
At beginning of the year	(10,964,744)	-	(10,964,744)
Adjustments	(479)	-	(479)
Charge for the year	(1,276,630)	-	(1,276,630)
At end of year	(12,241,853)	-	(12,241,853)
Net book value at end of the year	8,018,525	-	8,018,525

Financial Statements

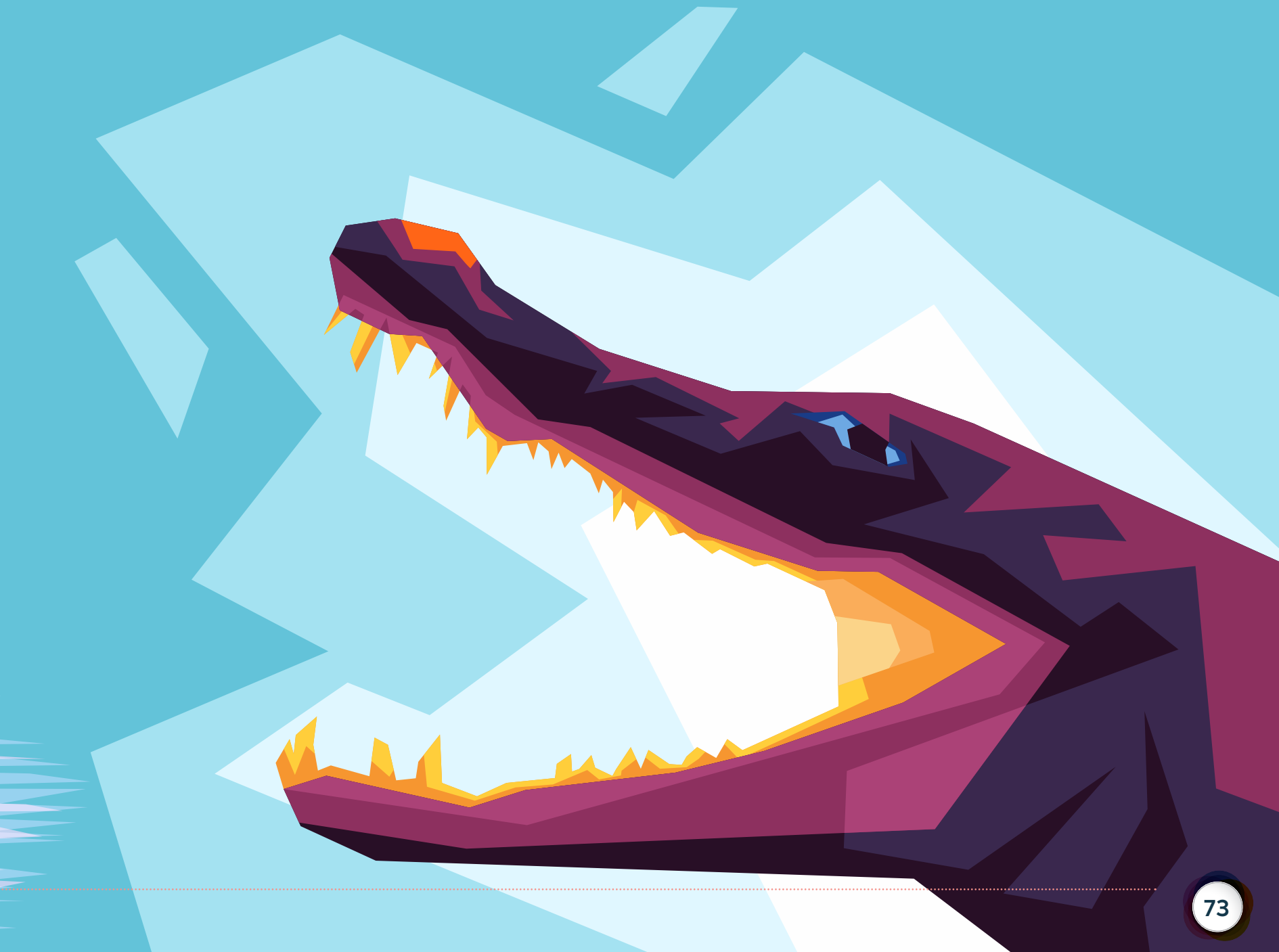
For the Year Ended 31 December 2023

16. Intangible assets (continued)

Year ended 31 December 2022	Software Frw'000	Work in progress Frw'000	Total Frw'000
At beginning of the year	11,496,730	-	11,496,730
Additions	451,896	2,608,956	3,060,852
Adjustments	2,608,956	(2,608,956)	-
Reclassification from property and equipment	119,214	-	119,214
At end of year	14,676,796	-	14,676,796
Accumulated amortisation			
At beginning of the year	(9,452,355)	-	(9,452,355)
Charge for the year	(1,512,389)	-	(1,512,389)
At end of year	(10,964,744)	-	(10,964,744)
Net book value at end of the year	3,712,052	-	3,712,052



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For the Year Ended 31 December 2023



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For the Year Ended 31 December 2023

Notes to the financial statements (continued)

17. Property and equipment

Year ended 31 December 2023	Land Frw'000	Buildings Frw'000	Computer equipment Frw'000	Motor vehicles Frw'000	Equipment, Furniture & fittings Frw'000	Leasehold improvements Frw'000	Work in progress Frw'000	Total Frw'000
At beginning of the year	890,160	23,041,712	14,081,683	913,512	11,871,939	6,289,934	3,141,147	60,230,087
Additions	-	-	529,962	295,800	422,579	-	3,260,949	4,509,290
Transfers from works in progress	-	-	2,100,715	-	-	93,694	(2,194,409)	-
Transfers to intangible assets	-	-	-	-	-	-	(4,075,639)	(4,075,639)
Reclassifications	(159,196)	(476,993)	(88,577)	(140,759)	333,120	529,150	3,255	-
Disposals	(170,597)	(177,197)	-	(17,000)	(2,050)	-	-	(366,844)
At end of the year	560,367	22,387,522	16,623,783	1,051,553	12,625,588	6,912,778	135,303	60,296,894
Accumulated depreciation								
At beginning of the year	-	(6,055,220)	(12,416,823)	(654,874)	(9,047,662)	(5,389,586)	-	(33,564,165)
Charge for the year	-	(1,060,321)	(1,438,347)	(43,835)	(727,761)	(261,631)	-	(3,531,895)
Reclassifications	-	204,911	299,500	(88,324)	(149,750)	(266,337)	-	-
Disposals	-	229,021	-	1,700	188,121	-	-	418,842
At end of the year	-	(6,067,348)	(11,200,253)	(816,648)	(7,919,819)	(5,389,586)	-	(36,677,218)
Net book value at end of the year	560,367	15,705,913	3,068,113	266,220	2,888,536	995,224	135,303	23,619,676

*The total amount paid during the year for additions (Frw 4,652,331) is included in investing activities for the purposes of the statement of cash flows.

**Work in progress includes on-going projects for T24 R21 upgrade and refurbishment of branches.

Financial Statements For the Year Ended 31 December 2023

Notes (Continued)

17. Property and equipment(continued)

Year ended 31 December 2022	Land Frw'000	Buildings Frw'000	Computer equipment Frw'000	Motor vehicles Frw'000	Equipment, Furniture & fittings Frw'000	Leasehold improvements Frw'000	Work in progress Frw'000	Total Frw'000
Cost								
At beginning of the year	890,160	22,530,594	13,505,059	1,163,218	11,670,436	6,715,815	147,447	56,622,729
Additions	-	531,567	576,624	-	248,915	182,311	3,112,914	4,652,331
Disposals	-	(20,449)	-	(249,706)	(47,412)	(608,192)	-	(925,759)
Reclassification to intangible assets	-	-	-	-	-	-	(119,214)	(119,214)
At end of the year	890,160	23,041,712	14,081,683	913,512	11,871,939	6,289,934	3,141,147	60,230,087
Accumulated depreciation								
At beginning of the year	-	(5,203,245)	(10,914,957)	(735,761)	(8,213,227)	(5,830,605)	-	(30,897,795)
Charge for the year	-	(858,039)	(1,501,866)	-	(849,641)	(109,382)	-	(3,318,928)
Disposals	-	6,064	-	80,887	15,206	550,401	-	652,558
At end of the year	-	(6,055,220)	(12,416,823)	(654,874)	(9,047,662)	(5,389,586)	-	(33,564,165)
Carrying amountn At 31 December 2021	890,160	16,986,492	1,664,860	258,638	2,824,277	900,348	3,141,147	26,665,922

Work in progress includes on-going projects for refurbishment of branches

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18 Right-of-use assets

Right-of-use assets relate to leased branches, equipment and motor vehicles. They represent the banks right to use the assets over the life of the leases. The right-of-use assets are 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. The initial lease liability is the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of 7.83% p.a. The leases typically run for a period of 5 years, with an option to renew the lease after that date.

Year ended 31 December 2023	Leasehold premises Frw '000	Leased equipment Frw '000	Motor vehicles Frw '000	Total Frw '000
Cost				
At beginning of the year	11,754,167	641,322	680,550	13,076,039
Additions	2,859,354	-	353,788	3,213,142
Terminations	(3,746,375)	-	(322,333)	(4,068,708)
Remeasurements	1,356,069	-	(35,884)	1,320,185
At end of the year	12,223,215	641,322	676,121	13,540,658
Accumulated depreciation				
At beginning of the year	(8,802,014)	(213,774)	(576,006)	(9,591,794)
Charge for the year	(1,732,339)	(128,264)	(199,176)	(2,059,779)
Terminations	3,746,375	-	322,333	4,068,708
Remeasurements	74,861	(21,378)	31,455	84,938
At end of the year	(6,713,117)	(363,416)	(421,394)	(7,497,927)
Net book value at end of the year	5,510,098	277,906	254,727	6,042,731
Cost				
At beginning of the year	11,754,167	641,322	680,550	13,076,039
Additions	-	-	-	-
Terminations	-	-	-	-
Remeasurements	-	-	-	-
At end of the year	11,754,167	641,322	680,550	13,076,039
Accumulated depreciation				
At beginning of the year	(7,490,520)	(106,887)	(415,593)	(8,013,000)
Charge for the year	(1,311,494)	(106,887)	(160,413)	(1,578,794)
At end of the year	(8,802,014)	(213,774)	(576,006)	(9,591,794)
Net book value at end of the year	2,952,153	427,548	104,544	3,484,245

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19 Customer deposits

	2023 Frw'000	2022 Frw'000
Current and demand deposits	375,852,398	304,813,734
Term deposits	160,089,063	84,025,509
Savings accounts	52,675,023	52,510,436
	588,616,484	441,349,679

Customers' deposits only include financial instruments classified as liabilities at amortised cost.

Interest earning fixed and demand deposits are at fixed interest rates. The average weighted effective interest rates on interest earning deposits for the year ended 31 December 2023 was 10.28% p.a (2022: 9.32% p.a)

20 Deposits from financial institutions

	2023 Frw'000	2022 Frw'000
Repurchase agreements with National Bank of Rwanda	26,146,444	10,641,590
Money market deposits – local banks	20,006,357	18,792,930
Deposits from local banks	1,257,913	30,709,167
Insurance companies	-	20,044,498
Balances and placements due to foreign banks	1,420,221	4,930,046
	48,830,635	85,118,231

Interest earning and demand deposits are at fixed interest rates. The average weighted effective interest rates on interest earning deposits for the year ended 31 December 2023 was 8.32% p.a (2022: 6.01% p.a).

21 Provision for legal claims

	2023 Frw'000	2022 Frw'000
As at 1 January	913,668	818,836
Provision charge during in the year	76,380	797,255
Provision write back during the year	(2,188)	(6,009)
Payments and reversals made during the year	(828,729)	(696,414)
As at 31 December	159,131	913,668

22 Credit funds

Credit funds relate to financing received from the Government of Rwanda and its agencies and other public development partners for advancing to defined development projects and economic sectors, including the agricultural sector.

The funds are non-interest earning and are measured at their amortised cost.

The movement in the credit funds during the year was as below

	2022 Frw'000	2021 Frw'000
As at 1 January	2,691,599	1,187,338
Additional funds received	1,838,047	2,199,080
Re-paid during the year	(1,492,707)	(694,819)
Transfer to dormant accounts	(326,206)	-
As at 31 December	2,710,733	2,691,599

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For the Year Ended 31 December 2023

22 Credit funds

	2023 Frw'000	2022 Frw'000
Community Development Fund	-	362
CNJ Rwanda	-	3,227
DEFLATE Rwanda	-	118,709
FIR Rwanda	-	23,712
Rural Investment Facility 2	-	50,201
Rural Sector Support Project, Rwanda	-	48,472
Value Chain Development Fund	-	128
Other credit funds	-	98,186
Socio Economic Inclusion of Refugees and Host Communities	2,710,733	2,348,602
	2,710,733	2,691,599

23 Borrowings

		Rate p.a	2023 Frw'000	2022 Frw'000
Export Growth Facility (EGF) -BRD		4.00%	7,332,292	5,922,674
Economic Recovery Fund 2 (ERF 2) facility -BRD		5.5%	8,748,275	
Economic Recovery Fund 1 (ERF 1) facility -BNR		3.00%	28,148,616	28,936,186
European Investment Bank (EIB)		8.99%	15,742,172	15,038,796
			59,971,355	49,897,656

	2023 Frw'000	2022 Frw'000
Opening balance	49,897,656	26,699,064
Additional debt	13,327,841	33,790,773
Interest expense	2,342,786	2,439,878
Interest paid	(2,710,855)	(2,065,488)
Debt- repayment	(4,796,412)	(2,711,281)
Fair value adjustment for below market interest rates	1,910,339	(8,255,290)
Closing Balance	59,971,355	49,897,656

The above facilities are not secured.

Export Growth Facility

The facility is provided by The Development Bank of Rwanda ("BRD") for funding loans to export oriented small scale and medium enterprises (SMEs) in Rwanda at a preferential rate for a tenor of Frw 9 years starting from June 2017 and April 2021.

Economic Recovery Fund 1 (ERF 1) Facility

In 2020, The Government of Rwanda established the Economic Recovery Fund to support the recovery of businesses hardest hit by COVID-19 pandemic so they can survive, resume operations and safeguard employment, thereby cushioning the economic effects of the pandemic. The tenor of the facility is between two to five years.

Economic Recovery Fund 2 (ERF 2) Facility

In 2022, The Government of Rwanda established the Economic Recovery Fund to support the recovery of sectors hardest hit by COVID-19 pandemic so they can survive, resume operations and safeguard employment, thereby cushioning the economic effects of the pandemic. The tenor of the facility is between two to five years.

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For the Year Ended 31 December 2023

This section sets out an analysis of net debt and the balances in net debt for each of the years presented.

Net debt		2023 Frw'000	2022 Frw'000
Cash and Balances with Central Bank	(Note 11)	51,617,777	76,340,371
Cash reserve requirement	(Note 11)	(24,338,849)	(22,067,484)
Amount due from banks	(Note 12)	33,230,934	16,037,618
Liquid investments	(Note 12)	146,302,135	68,246,122
Borrowings		(59,971,355)	(49,897,656)
Lease liabilities	(Note 26)	(6,281,695)	(3,343,004)
Net debt		140,558,947	85,315,967

24 Other liabilities

	2023 Frw'000	2022 Frw'000
Accrued expenses	3,079,467	4,436,250
Cash guarantees	1,305,966	1,341,980
Transit accounts	1,046,114	2,702,882
Deferred income	96,486	286,452
Provisions	285,142	1,744,821
Employee liabilities	2,339,306	228,526
Statutory liabilities	330,832	724,843
Amounts due to pension funds	-	114,217
Off balance sheet loss allowance	215,023	25,088
Other payables	235,657	442,216
Unearned ERF benefit	(4,551,185)	8,088,914
	4,382,808	20,136,189

25 Income tax expense

(a) Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 28% (2022: 30%). The movement on the deferred income tax account is as follows:

	2023 Frw'000	2022 Frw'000
As at start of year	1,947,592	201,574
Prior year under provision (Note 8)	(233,435)	-
Charge to profit and loss (Note 8)	(854,895)	1,746,018
	859,262	1,947,592

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For the Year Ended 31 December 2023

The deferred income tax liability, deferred income tax charge/(credit) to profit and loss (PL) and deferred income tax charge to other comprehensive income (OCI) are attributable to the following items:

Year ended 31 December 2023	1 Jan Frw'000	Current year charge (credit) to profit or loss Frw'000	31 Dec Frw'000
Deferred income tax assets:			
Provisions	4,601,129	119,596	4,481,533
Other temporary differences	447,701	(171,690)	619,391
	5,048,830	(52,094)	5,100,924
Deferred income tax assets:			
Property and equipment	(3,101,238)	1,140,424	(4,226,347)
	1,947,592	1,088,330	859,262

Year ended 31 December 2022	1 Jan Frw'000	Current year charge (credit) to profit or loss Frw'000	31 Dec Frw'000
Deferred income tax assets:			
Provisions	3,619,551	981,578	4,601,129
Other temporary differences	390,874	56,827	447,701
	4,010,426	1,038,404	5,048,830
Deferred income tax assets:			
Property and equipment	(3,808,852)	707,614	(3,101,238)
	201,574	1,746,018	1,947,592

(b) Prepaid income tax

Balance as at 1 January	6,059,326	4,119,051
Additional WHT paid	866,645	1,940,275
Utilised during the year	(3,572,243)	-
Balance as at 31 December	3,353,728	6,059,326

(c) Current income tax

Balance as at 1 January	9,843,091	5,339,361
Charge for the year	10,894,431	11,632,512
Paid during the year	(19,313,052)	(7,128,782)
Balance as at 31 December	1,424,470	9,843,091

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26 Lease liability

The Bank leases buildings, motor vehicles and cash counting machines. The leases typically run for a period 2 to 5 years, with an option to renew the lease after that date

	2023 Frw'000	2022 Frw'000
At the start of the year	3,343,004	5,044,348
Additions during the year	3,213,142	-
Interest expense (included in finance cost)	464,127	278,787
Terminations in the year	1,863,918	-
Lease payments in the year	(2,687,436)	(1,980,131)
Remeasurements	84,940	-
At end of year	6,281,695	3,343,004

Lease liabilities are presented in the statement of financial position as follows:

Current	729,679	450,741
Non-Current	5,552,016	2,892,263
	6,281,695	3,343,004

27 Share capital and share premium

	2023 Frw'000	2022 Frw'000
Authorised share capital (85,000,000 shares with par value of Frw 1,000 2021 43,500,000)	85,000,000	85,000,000
Issued and fully paid shares (81,509,050 shares) As at 1 January	81,509,050	43,466,413
Additional shares (38,042,637) issued at merger	-	38,042,637
Balance as at 31 December	81,509,050	81,509,050

The shareholding structure as at 31 December 2023:

	No. of Shares	Par Value - Frw	Value- Frw	%
Individual shareholders (Local)	10,139,969	1,000	10,139,969,000	12.44%
KCB Group Plc	71,369,081	1,000	71,369,031,000	87.56%
TOTAL	81,509,050	1,000	81,509,050,000	100.00%

The shareholding structure as at 31 December 2022:

	No. of Shares	Par Value - Frw	Value- Frw	%
Individual shareholders (Local)	10,139,969	1,000	10,139,969,000	12.44%
KCB Group Plc	71,369,081	1,000	71,369,081,000	87.56%
TOTAL	81,509,050	1,000	81,509,050,000	100.00%

On 1 April 2022 KCB Bank Rwanda Plc Merged with Banque Populaire du Rwanda to form BPR Bank Rwanda Plc where additional shares were issued to KCB Group increasing its share from 76.67% to 87.56%

KCB Group Plc has also made a global offer to all the remaining Shareholders of BPR to acquire additional shares in the Bank .

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For the Year Ended 31 December 2023

b) Share Premium

Share premium arises from issue of shares at a price higher than the par value of the shares. This amount is not available for distribution..

	2023 Frw'000	2022 Frw'000
As at 1 January	8,032,565	4,978,043
Capital Reallocation at merger	-	3,054,523
As at 31 December	8,032,565	8,032,565

28 Reserves

(a) Revaluation reserve: The revaluation reserve represents the surplus on the revaluation of buildings and freehold land. Revaluation reserve will be credited to retained earnings upon disposal of the asset. This reserve is not distributable.

	2023 Frw'000	2022 Frw'000
As at 1 January	550,654	1,101,308
Reclassification to retained earnings	(550,654)	(550,654)
As at 31 December	-	550,654

(b) Retained earnings/(losses): This comprises of prior year earnings/(losses) plus current year profit. This comprises prior year profits less any appropriation to credit risk plus current year profit.

	2023 Frw'000	2022 Frw'000
As at 1 January	29,855,469	27,632,362
Profit for the year	25,895,772	22,270,998
Transfer from revaluation reserve	550,654	550,654
Reallocation of capital	-	(20,598,545)
As at 31 December	56,301,895	29,855,469

29 Related party transactions

The parent and the controlling entity is KCB Group Plc. There are companies which are related to BPR Bank Rwanda Plc through common shareholdings or common Directorships.

The Bank enters into transactions, arrangements, and agreements involving Directors, senior management and their related concerns in the ordinary course of business. Related-party transactions during the year, outstanding balances at the year-end, and relating expense and income recognized during the year are as follows:

(a) Transactions with directors & Related companies

Deposits from related parties

	2023 Frw'000	2022 Frw'000
Deposits from directors	15,244	21,687
Interest expense	-	-
Loans & advances to directors	11,946,410	6,233,161
Interest income	923,299	486,514

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For the Year Ended 31 December 2023

(b) Transactions with Senior Management

Loans and advances to Senior Management

	2023 Frw'000	2022 Frw'000
Deposits from senior management	73,211	68,451
Interest expense	-	-
Loans and advances to senior management	396,694	487,259
Interest income	31,938	34,108
Benefits expense	-	-

Loans and advances to senior management were issued at interest rates of between 7% and 10% and were all performing as at 31 December 2023 and 2022. Therefore, no impairment provisions have been recognised in respect of loans given to related parties (2022: nil).

(c) Amounts due to related parties

KCB Bank Kenya Limited	215,642	267,096
KCB Bank Burundi Limited	-	164,412
KCB Bank Tanzania Limited	-	8,288
KCB Bank South Sudan Limited	-	2,463
KCB Bank Uganda Limited	-	22,636
	215,642	464,895

(d) Amounts due from related parties

KCB Bank Kenya Limited	1,631,432	10,997,051
KCB Bank South Sudan Limited	(19,185)	-
KCB Bank Burundi Limited	14,800	-
KCB Bank Tanzania Limited	277,212	1,619,979
KCB Bank Uganda Limited	214,323	909,066
	2,118,583	13,526,096
	(13,061,202)	(1,528,535)

(e) Directors' remuneration

Sitting allowances	663,776	749,618
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30 (a) Analysis of cash and cash equivalents as shown in the cash flow statement

	2023 Frw'000	2022 Frw'000
Cash and balances with Central Bank of Rwanda (Note 9)	51,617,777	76,340,371
Less: cash reserve requirement (see below)	(24,338,849)	(22,558,375)
	27,278,928	53,781,996
Amount due from banks (Note 10)	33,230,934	16,037,618
Treasury Bills maturing within 91 days (Note 11)	-	-
	60,509,862	69,819,614

Financial Statements

For the Year Ended 31 December 2023

(b) Net cash flow from operating activities

Year ended 31 December:	Note	2023 Frw'000	2022 Frw'000
Cash flows from operating activities			
Profit before income tax		37,878,533	32,157,491
Adjusted for:			
Amortization of intangible assets	16	1,276,630	1,512,389
Depreciation on property and equipment	17	3,531,895	3,318,928
Amortization of right of use	18	2,059,779	1,578,794
Interest on borrowings		-	-
Lease liabilities remeasurement		1,948,856	-
Right of use remeasurement	18	1,405,123	-
ECL (borrowings)		1,910,341	(8,255,290)
Cash flows generated by operating activities before changes in operating assets and liabilities		50,011,156	30,312,312
Changes in operating assets and liabilities:			
- loans and advances	14	(115,935,828)	(93,609,500)
- Government securities	12	(1,114,868)	19,252,251
- other assets	15	(4,590,563)	(4,838,081)
- customer deposits	19	147,266,805	41,953,895
-deposits from financial institutions	20	(36,287,597)	(34,023,752)
- other payables	24	(15,753,378)	8,378,322
- due to related parties	29(c)	249,253	(183,469)
-due from related parties	29(d)	(11,407,513)	11,716,157
-Tax Recoverable	25	2,705,598	-
- Legal claims payable	21	(754,537)	94,832
- Cash reserves required by BNR	30	(1,734,295)	(4,585,565)
income tax paid		(19,313,052)	(7,128,782)
Net cash generated by (used in) operating activities		(6,658,819)	(32,661,379)

31. Off balance sheet financial instruments, contingent liabilities and commitments

The Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

Contingent liabilities

	2022 Frw'000	2021 Frw'000
Guarantees and performance bonds	66,271,211	41,631,583
Expected credit loss	(398,544)	(215,023)
	65,872,667	41,416,560
Nature of commitments and contingent liabilities		

Financial Statements For the Year Ended 31 December 2023

Notes (Continued)

31. Significant increase in credit risk (Continued)

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 normally immediate. Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

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.

Off balance sheet financial instruments, contingent liabilities and commitments

Capital commitments

As at 31 December 2023, the Bank had capital commitments of Rwandan Francs equivalent of Frw 14.6 billion (2022: Frw 7.9 billion). The directors are confident that future net revenues and funding will be sufficient to cover this commitment.

Legal proceedings

There were a number of legal proceedings outstanding against the Bank as at 31 December 2023. Provisions for these legal claims amounts to Frw 1,221million (2022: Frw 914 million) at the balance sheet date (Note 21.) The provisions are in respect of certain legal claims brought against the Bank by various stakeholders and are expected to be utilized in 2024. In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims is not expected to give rise to any significant loss beyond the amounts provided as at 31 December 2023.

32. Financial risk management

The Bank's normal activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. These activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the financial risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

Risk management is carried out by the Credit and Risk committees of the Board under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments.

(a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is the most important risk for the Bank's business management.

therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is centralised in the credit risk management team in the Risk department, which reports regularly to the Board of Directors.

(i) Credit risk measurement

(a) Loans and advances (including commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Probability of default

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty.

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all the customers are segmented into five rating classes as shown below:

The Bank's internal ratings scale

Description of the grade	Days in arrears	Regulatory rating	Bank's rating
Performing	0 - 29	1	1
Watch	30 - 89	2	2
Substandard	90 - 179	3	3
Doubtful	180 - 365	4	4
Loss	366 - 730	5	5

Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

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For the Year Ended 31 December 2023

Notes (Continued)

32. Financial risk management (continued)

(a) Credit risk (Continued)

Loss given default

Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

(ii) Risk limit control and mitigation policies

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, and industry sector are approved annually by the Board of Directors. The Board of Directors also approve individual borrower limits above specified amounts. In response to the COVID-19 pandemic, the risk management committee has also been performing more frequent reviews of credit limits for customers in sectors that are severely impacted.

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate.

During the year ended 31 December 2022, the Bank temporarily extended credit moratorium for specific customers with liquidity constraints arising as a direct result of the COVID-19 pandemic amounting to 11.2% (2021: 17.2%) of the loan book. All moratoriums which ranged from 3 – 6 months were granted after careful consideration of the impact of the COVID-19 pandemic on the customer cashflows and each customer that was granted an extension is closely monitored for credit deterioration.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit

risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over properties;
- Charges over business assets such as premises, plant and equipment; and
- Charges over financial instruments such as receivables.
- Corporate guarantees

Longer-term finance and lending to corporate entities are generally secured.

(b) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are cash collateralised and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(iii) Impairment and provisioning policies

The impairment allowance shown in the statement of financial position at year end is derived from each of the five internal rating grades. The bank determines the impairment provision on loans and advances to customers as estimated credit loss over a period of 12 months for Stage 1 and lifetime expected losses for stage 2 and 3.

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For the Year Ended 31 December 2023

Notes (Continued)

32. Financial risk management (continued)

(a) Credit risk (Continued)

(iii) Impairment and provisioning policies (Continued)

Total exposure to credit risk

	2023 Frw'000	2022 Frw'000
Balances with National Bank of Rwanda	51,617,777	76,340,371
Amounts due from banks	33,230,934	16,037,618
Loans and advances to customers	572,749,472	456,813,644
Government securities	145,610,838	144,495,970
Other assets	15,151,564	9,036,108
Off-balance sheet items - Guarantees	89,700,139	66,056,188
	908,060,724	768,779,899

The above table represents the worst-case scenario of credit risk exposure to the Bank as at 31 December 2023 and 2021, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on carrying amounts as reported on the statement of financial position.

Loans and advances to customers are secured by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees.

(iv) Financial risk review

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For Financial guarantee contracts, the amounts in the table represent the amounts guaranteed.

Loans and advances to customers at amortised cost

2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	POCI Frw'000	Total Frw'000
Class 1: Normal	530,027,606				530,027,606
Class 2: Watch		47,234,784		-	47,234,784
Class 3: Substandard			7,313,958	-	7,313,958
Class 4: Doubtful			5,161,241	-	5,161,241
Class 5: Loss			11,463,727	-	11,463,727
Total	530,027,606	47,234,784	23,938,926	-	601,201,316
Expected credit loss	(4,570,123)	(577,224)	(9,498,926)	-	(14,646,272)
Fair value adjustments	-	-	-	-	(13,805,571)
Carrying amount	525,457,483	46,657,560	14,440,000	-	572,749,473

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For the Year Ended 31 December 2023

Loans and advances to customers at amortised cost

2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	POCI Frw'000	Total Frw'000
Class 1: Normal	424,872,744				424,872,744
Class 2: Watch		33,273,629		-	33,273,629
Class 3: Substandard			7,174,007	-	7,174,007
Class 4: Doubtful			5,034,849	-	5,034,849
Class 5: Loss			3,918,695	-	3,918,695
Total	424,872,744	33,273,629	16,127,55	-	474,273,925
Expected credit loss	(7,300,029)	(2,052,104)	(4,565,987)	-	(13,278,198)
Fair value adjustments	-	-	-	-	(4,182,084)
Carrying amount	417,572,715	31,221,525	11,694,374	-	456,813,644

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3. Loans and advances to customers at amortised cost - gross carrying amount.

2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
Current	530,027,606	28,207,576	2,962,889	561,198,071
Overdue < 30 days	-	3,038,469	3,870,894	6,909,363
Overdue > 30 days	-	15,988,739	17,105,143	33,093,882
Total	530,027,606	47,234,784	23,938,926	601,201,316

2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
Current	424,872,744	-	-	424,872,744
Overdue < 30 days	-	5,100,203	1,383,364	6,483,567
Overdue > 30 days	-	28,173,426	14,744,188	42,917,614
Total	424,872,744	33,273,629	16,127,552	474,273,925

Financial guarantee contracts

2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
Stage 1-6: Low/fair risk	87,644,406	2,227,608	43,149	89,915,162
Expected credit losses	(215,023)	-	-	(215,023)
Carrying amount	87,429,383	2,227,608	43,149	89,700,139

2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
Stage 1-6: Low/fair risk	66,271,211	-	-	66,271,211
Expected credit losses	(398,544)	-	-	(398,544)
Carrying amount	65,872,667	-	-	65,872,667

Financial Statements For the Year Ended 31 December 2023

Notes (Continued)**Financial risk management (continued)****(a) Credit risk (Continued)****(iv) Financial risk review (Continued)****Government bonds and treasury bills**

	2023 Frw'000	2022 Frw'000
Rated B+	146,302,136	145,109,985
Expected credit losses	(691,298)	(614,015)
	145,610,838	144,495,970

Placements with National bank and other banks

	2023 Frw'000	2022 Frw'000
Balances with the National Bank of Rwanda	51,617,777	58,268,744
Amounts due from banks	33,230,934	16,504,003
Expected credit losses	(202,964)	(466,385)
	84,645,747	74,306,362

Other assets	2023			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total Frw'000
Gross amount	11,598,342	456,375	1,510,808	15,008,748
Expected credit loss	(49,855)	(456,375)	(1,507,958)	(3,410,406)
Carrying amount	11,548,488	-	-	11,548,488

Other assets	2022			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total Frw'000
Gross amount	11,195,078	-	1,510,808	11,311,738
Expected credit loss	(767,672)	-	(1,507,958)	(2,275,630)
Carrying amount	10,427,406	-	2,850	10,430,256

All financial guarantees contracts, government bonds and treasury bills and placements with National Bank of Rwanda and other banks are included in stage 1 category in 2023 and 2022.

Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets

Financial Statements

For the Year Ended 31 December 2023

Notes (Continued)

32. Financial risk management (continued)

(a) Credit risk (Continued)

(iv) Financial risk review (Continued)

Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets

Type of credit exposure.

Percentage of exposure that is subject to collateral requirements

2022 Principle type of collateral held Loans and advances to retail customers

Mortgage lending	44.94%	43.67%	Residential properties
Personal loans	12.44%	8%	Vehicle and Equipment's
Other	42.62%	32.67%	Land and Commercial properties

Loans and advances to Corporate customers

Mortgage lending	20.52%	21.07%	Residential properties
Other	79.48%	58.3%	commercial properties, Corporate and Government guarantees

Amounts arising from ECL (continued)

Loans in high-risk industry segments (see the section "Restructuring" below) were assessed for significant increase in credit risk.

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities may include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

Generally, restructuring is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

However, on the onset of the COVID-19 pandemic, the impact of the containment measures on the economy made it imperative for the Bank to support its customers. The Bank's view is that the economic impacts of the pandemic will be felt for a period of three to five years before there is full recovery. The Bank therefore accommodated its customers to cushion them from the economic downturn by rescheduling their loan facilities for a period of 6 months to 36 months. The length of the period of accommodation depended on the impact of the pandemic on the industry in which the customer operates. The Bank segregated the loan book into low risk, medium risk and high risk based on the industry. For example, Agriculture was rated as low risk, while Tourism and Hospitality and Real Estate as High Risk. The Bank then accommodated for different periods depending on the level of risk.

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Notes (Continued)

32. Financial risk management (continued)

a) Credit risk (continued)

The assessment of SICR incorporates forward-looking information (refer to note 32. (a). (iv)) for further information) and is performed on a monthly basis at a portfolio level for all financial instruments held by the Bank. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate Exposures	Retail Exposures	All exposures
Information obtained during periodic review of customer files -e.g., audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes	Internally collected data on customer behavior.	Payment record - this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies and press articles	Affordability metrics	Utilisation of the granted limit
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	External data from credit reference agencies, including industry-standard credit scores	Requests for and granting of forbearance
-	-	Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The bank collects performance and default information about its credit risk exposures analysed by segment (wholesale and retail) and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

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.

Determining whether credit risk has increased significantly

The bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the segment. What is considered significant differs for different types of lending, in particular between wholesale and retail segments.

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Notes (Continued)

32. Financial risk management (Continued)

(b) Financial risk review (continued)

Amounts arising from ECL (continued)

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the bank's quantitative modelling:

When days in arrears increase between 29 and 179 days, the bank's IFRS stages are aligned to the days in arrears as follows;

Days in arrears	BNR Credit Classification	IFRS Stages
0 - 29	1	1
30 - 89	2	2
90 - 179	3	3
180 - 365	4	3
366 - 730	5	3

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

As a backstop, the bank considers that a significant increase in credit risk occurs no later than when an asset is more than 29 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.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

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 align with the point in time when an asset becomes 30 days past due;

- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

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);
- the borrower is more than 89 days past due 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; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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.

On a quarterly basis, the bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the bank's senior management.

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 and credit risk and credit losses.

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 in accordance with the accounting policy.

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:

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- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the bank's forbearance policy, 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. Both retail and corporate loans are subject to the forbearance policy. The bank Credit Committee regularly reviews reports on forbearance activities

For financial assets modified as part of the bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the bank's ability to collect interest and principal and the bank's previous experience of similar forbearance action. As part of this process, the bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

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. 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 Stage 1.

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); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based 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. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They

are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the bank considers a longer period. The maximum contractual period extends to the date at which the bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for certain retail exposures, the bank measures ECL over a period longer than the maximum contractual period if the bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are Banked on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- Loan to value ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

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Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. This is done by taking into account forecasted economic conditions by applying both expert judgement and also deploying models that link the performance of the macro economy to the probability of default (PD) exposure at default (EAD), and loss given default (LGD). Forecasts are developed using a probability weighted scenario-based approach to ensure that the asymmetry of the various economic outcomes is captured in the estimation of ECL.

The bank has concluded that three (3) scenarios appropriately capture the non-linearities. The three scenarios that were applied as at 31 December 2021 are:

- Base line scenario;
- Upside scenario;
- Downside scenario

A base case is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario. The central scenario is aligned with the available macro-economic information. External information considered includes economic data and forecasts published by governmental.

investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

	31 December 2023				31 December 2022		
	Upside	Base	Downside		Upside	Base	Downside
Scenario probability weighting	3.21%	76.79%	20.00%		3.21%	76.79%	20.00%

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 and credit risk and credit losses

The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the scenarios multiplied by the associated scenario weighting above. The Bank measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

- Collateral haircuts, and
- Period to recovery of collateral

Set out below are the changes to the ECL as at 31 December 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

Time to realization: The directors have assumed a time to realization of 3 years both for commercial properties and 2 years for residential properties. If time to realisation increased to 4 years, overall ECL would increase in the range of Frw 850 million and Frw 1.2 billion.

Collateral haircuts: The directors have assumed collateral haircuts of 50% for commercial and 70% residential properties. If haircuts were further adjusted by 10% the overall ECL would increase/reduce in the range of Frw 170 million and Frw 230 million.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty

and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearity within the loan portfolio to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

A comprehensive review is performed at annually on the design of the scenarios by experts that advises the Bank senior management.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This will be reviewed and monitored for appropriateness on an annual basis.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, borrower retention and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised.

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 on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

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For the Year Ended 31 December 2023

Notes (Continued)

32. Financial Risk Management (Continued)

Internal credit risk ratings (Continued)

The Bank renegotiates loans to borrowers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Bank Credit policy, loan restructuring is granted on a selective basis if the borrower is currently in default or if there is a high risk of default, there is evidence that the borrower made all reasonable efforts to pay under the original contractual terms and the borrower 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. Both retail and corporate loans are subject to the credit policy on restructuring. The Bank Credit Committee regularly reviews reports on restructured loans activities.

For financial assets modified as part of the Bank's restructuring credit policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar restructuring action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, restructuring is a qualitative indicator of a significant increase in credit risk and an expectation of restructuring may constitute evidence that an exposure is credit impaired. A borrower 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 it falls within the 12-month PD ranges for the asset to be considered Stage 1.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

The loss allowance in these tables includes ECL on loan commitments for certain retail products such as overdrafts because the Bank cannot separately identify the ECL on the loan commitment component from those on the financial instrument component. assessed and the total score in each is mapped onto a rating

Financial risk review (continued)

Year ended 31 December 2023	Stage 1 Frw'000	Stage 2 Frw'000	Stage3 Frw'000	Total Frw'000
At start of year	385,901,710	71,129,920	17,242,296	474,273,926
Impairment charge on loans and advances				-
- transfers from stage 1	56,651,706	(413,333)	(1,605,139)	54,633,234
- transfers from stage 2	5,399,830	(2,866,444)	(559,872)	1,973,514
- transfers from stage 3	9,439	(104,400)	(2,083,111)	(2,178,072)
New financial assets originated or purchased	127,133,121	11,217,569	1,161,397	139,512,087
Loans derecognized	(51,453,495)	(10,426,901)	(5,132,977)	(67,013,373)
At end of year	523,642,311	68,536,411	9,022,594	601,201,316
Year ended 31 December 2022				
At start of year	330,404,330	30,361,025	16,145,009	376,910,364
Impairment charge on loans and advances				
- transfers from stage 1	(11,448,455)	11,448,455	-	-
- transfers from stage 2	318,760	(986,452)	667,692	-
- transfers from stage 3	3,546,895	(12,192,350)	8,645,455	-
Net remeasurement of loss allowance				
New financial assets originated or purchased	199,448,054	42,499,242	2,369,987	244,317,283
Loans derecognized	(136,367,874)	-	(10,585,847)	(146,953,721)
At end of year	385,901,710	71,129,920	17,242,296	474,273,926

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For the Year Ended 31 December 2023

Notes (Continued)

32. Financial Risk Management (Continued)

Impairment provisions

Movements in provisions for expected credit losses for loans and advances are as follows

Year ended 31 December 2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage3 Frw'000	Total Frw'000
At start of year	6,660,107	2,052,104	4,565,987	13,278,198
Impairment charge on loans and advances				
- transfers from stage 1	(2,561,422)	202,498	2,181,825	(177,099)
- transfers from stage 2	(175,216)	11,208	1,840,867	1,676,859
- transfers from stage 3	(26,206)	(1,696,431)	(527,148)	(2,249,785)
New financial assets originated or purchased				
Loans derecognized	1,437,494	70,287	2,589,594	4,097,375
At end of year	4,570,125	577,224	9,498,925	14,646,274
Year ended 31 December 2021				
At start of year	5,101,454	1,222,065	6,249,480	12,572,999
Impairment charge on loans and advances				
- transfers from stage 1	(25,414)	25,414	-	-
- transfers from stage 2	241,935	(584,120)	-	(342,185)
- transfers from stage 3	6,420	82,450	(88,870)	-
Net remeasurement of loss allowance				
New financial assets originated or purchased	1,975,634	1,306,295	634,480	3,916,409
Loans derecognized	(639,922)	-	(2,229,103)	(2,869,025)
At end of year	6,660,107	2,052,104	4,565,987	13,278,198

v) Concentrations of risk

Type of facility	Collateral cover %
Mortgages	100%
Equipment loans	100%
Overdrafts	100%
Consumer loans	100%
Others	100%

Economic sector risk concentrations within the gross customer loans and advances portfolios were as follows:

All amounts are shown in Frw '000

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Notes (Continued)

32. Financial Risk Management (Continued)

v. concentration of risks

	2023 Frw'000	2022 Frw'000
Cost		
Personal/household	69,674,649	81,287,913
Real Estate	30,722,310	86,338,237
Manufacturing	105,081,056	78,501,072
Building and construction	81,541,288	66,577,749
Trade	107,661,497	82,137,345
Financial services	20,998	-
Transport and communication	37,276,025	34,561,072
Tourism, restaurants and hotels	36,407,991	16,492,658
Energy and water	27,147,032	16,812,136
Agriculture	17,648,567	11,005,395
Mining and quarrying	656,952	560,349
Others (Education, Social Community & Others, R. Estate Residential, Human health and social work activities)	69,674,649	-
At end of year	601,201,316	474,273,926

b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The National Bank of Rwanda requires that the Bank maintains a cash reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The Treasury department monitors liquidity ratios on a daily basis. Sources of liquidity are regularly reviewed by a separate team in the Treasury department to maintain a wide diversification by provider, product and term.

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For the Year Ended 31 December 2023

Notes (Continued)

32. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

The tables below analyses the Bank's financial liabilities into relevant maturity groupings based on their contractual maturities for which the contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2022	Up to 1 month Frw '000	1 - 3 months Frw '000	3 - 12 months Frw '000	1 - 5 years Frw '000	Over 5 years Frw '000	Total Frw '000
Cash in hand and balances National Bank of Rwanda	51,617,777	-	-	-	-	51,617,777
Balances due from other banks	20,897,844	-	12,531,973	-	-	33,429,817
Government securities at amortised cost	16,240,157	9,965,690	56,304,281	29,823,986	49,805,530	162,139,644
Balances due from related parties	-	-	215,642	-	-	215,642
Loans and advances to customers	14,752,067	26,755,452	86,049,335	279,072,783	322,354,710	728,984,347
Other assets	12,921,934	-	-	-	-	12,921,934
Off balance sheet assets	-	-	66,056,188	-	-	66,056,188
Total financial assets	116,429,778	36,721,142	155,101,231	308,896,769	372,160,240	989,309,161
Balances due to other banks	-	-	49,999,895	-	-	49,999,895
Borrowings	625,127	1,250,254	13,218,967	52,875,867	17,184,657	85,154,872
Credit funds	-	-	-	2,710,733	-	2,710,733
Customer deposits	92,755,578	113,655,801	188,331,069	205,075,111	-	599,817,560
Other liabilities	8,006,510	-	-	-	-	8,006,510
Lease liabilities	-	-	729,679	-	7,772,820	8,502,499
Balances due to related parties	2,118,583	-	-	-	-	2,118,583
Total financial liabilities	103,505,798	114,906,055	252,279,610	260,661,712	24,957,477	756,310,652
Net liquidity gap	12,923,981	(78,184,913)	(97,178,379)	48,235,058	347,202,763	232,998,509

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For the Year Ended 31 December 2023

Notes (Continued)

32. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

At 31 December 2022	Up to 1 month Frw '000	1 - 3 months Frw '000	3 - 12 months Frw '000	1 - 5 years Frw '000	Over 5 years Frw '000	Total Frw '000
Cash in hand and balances National Bank of Rwanda	76,189,863	-	-	-	-	76,189,863
Balances due from other banks	3,472,581	16,518,747	-	-	-	16,518,747
Government securities at amortised cost	3,472,581	39,063,584	41,304,450	37,967,345	38,725,121	160,533,081
Balances due from related parties	-	-	464,895	-	-	464,895
Loans and advances to customers	52,030,448	14,369,356	38,725,432	251,811,513	216,632,886	573,569,635
Other assets	6,899,498	-	-	-	-	6,899,498
Total financial assets	138,592,390	69,951,687	80,494,777	289,778,858	255,358,007	834,175,719
Balances due to other banks	40,961,231	-	20,503,249	26,431,136	-	87,895,616
Borrowings	512,621	1,025,242	5,732,123	30,533,941	31,083,877	68,887,805
Credit funds	2,691,559	-	-	-	-	2,691,559
Customer deposits	345,965,694	807,744	60,690,261	17,642,972	21,551,459	446,658,130
Other liabilities	19,340,649	-	-	-	-	19,340,649
Lease liabilities	-	-	450,741	-	4,049,170	4,499,911
Balances due to related parties	13,526,096	-	-	-	-	13,526,096
Total financial liabilities	422,997,850	1,832,986	87,376,374	74,608,049	56,684,506	643,499,765
Net statement of financial exposure	(284,405,460)	68,118,701	-6,881,596	215,170,808	198,673,501	190,675,953

Financial Statements

For the Year Ended 31 December 2023

Notes (Continued)

32. Financial Risk Management (Continued)

(c) Market risk (Continued)

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return on risk. Overall responsibility for managing market risk rests with the Management Assets and Liabilities Committee (MALCO).

The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by MALCO) and for the day to day implementation of those policies.

The Bank had the following significant foreign currency positions (all amounts expressed in thousands of Rwandan Francs):

As at 31 December 2023	USD Frw '000	GBP Frw '000	EURO Frw '000	OTHER Frw '000	Total Frw '000
Financial assets					
Cash and balances with National Bank of Rwanda	42,485,905	808,820	6,086,184	877,508	50,258,417
Amounts due from banks	1,846,136	-	4,010	7,948	1,858,094
Other assets					-
Loans and advances to customers	72,137,470	90	20,528	89	72,158,177
Total financial assets	116,469,511	808,910	6,110,722	885,545	124,274,688
Financial liabilities					
Deposit from customers	119,488,670	748,630	6,044,050	116,970	126,398,320
Deposits from banks	1,119,453	-	-	13,421	1,132,874
Other liabilities	1,937,888	47,280	46,650	195,830	2,227,648
Total financial liabilities	122,546,011	795,910	6,090,700	326,221	129,758,842
Net position	(6,076,500)	13,000	20,022	559,324	(5,484,154)

(i) Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2022 and 2021. Included in the table are the Bank's financial instruments, categorised by currency:

Financial Statements For the Year Ended 31 December 2023

The table below summarizes the foreign currency exposure as at 31 December 2022 and 31 December 2021:

As at 31 December 2022	USD Frw '000	GBP Frw '000	EURO Frw '000	OTHER Frw '000	Total Frw '000
Financial assets					
Cash in hand and balances National Bank of Rwanda	53,904,856	593,393	4,522,593	786,784	59,807,626
Balances due from related parties	-	-	-	-	-
Other assets	12,796,303	3	22,341	198	12,818,845
Due from other banks	49,019,135	-	-	-	49,019,135
Total financial assets	115,720,294	593,396	4,544,934	786,982	121,645,606
Financial liabilities					
Deposit from customers	21,578,034	543,294	4,567,048	746,085	128,346,011
Deposits from banks	65,492,856	12,665	-	559	124,976
Other liabilities	522,300	-	16,540	209,433	4,902,498
Total financial liabilities	127,277,861	555,959	4,583,588	956,077	133,373,485
Net position	(11,557,567)	37,437	(38,654)	(169,095)	(11,727,879)

The table below shows the Foreign exchange rate risk sensitivity of the Bank's reported profit to a change in exchange rates at the year-end date, assuming all other variables remain unchanged. The sensitivity represents the directors' assessment of a reasonably possible change, based on historic volatility. Foreign exchange rate risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. The symmetric basis assumes that an increase or decrease in foreign exchange movement would result in the same amount.

Placements with National bank and other banks

	2023 Frw'000	2022 Frw'000
10 basis points	(54,842)	(11,728)
50 basis points	(274,208)	(58,640)
100 basis points	(548,416)	(117,278)

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For the Year Ended 31 December 2023

Notes (Continued)

32. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. The tables below summarise the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. All figures are in thousands of Rwandan Francs.

As at 31 December 2023	Average interest rate	Up to 1 month Frw '000	1 - 3 months Frw '000	3 - 12 months Frw '000	1 - 5 years Frw '000	Over 5 years Frw '000	Non-interest bearing Frw '000	Total Frw '000
Cash and Balances with BNR	0.00%	-	-	-	-	-	51,617,777	51,617,777
Balances due from other banks	6.50%	-	33,230,934	-	-	-	-	33,230,934
Loans and advances to customers	15.78%	14,569,943	26,102,880	77,347,717	174,420,490	280,308,444	-	572,749,474
Due from related parties	0.00%	-	-	-	-	-	215,642	215,642
Other assets	0.00%	-	-	-	-	-	18,823,174	18,823,174
Government securities	10.22%	16,240,157	9,965,690	51,185,710	22,941,528	45,277,754	-	145,610,839
Off balance sheet	1.79%	-	-	89,700,139	-	-	-	89,700,139
Total assets		30,810,100	69,299,504	218,233,566	197,362,018	325,586,198	70,656,593	911,947,979
Deposits from banks	8.32%	-	-	48,543,587	-	-	-	48,543,587
Deposits from customers	3.78%	623,448	1,782,765	131,001,449	34,767,555	44,873,632	375,854,681	588,903,530
Retirement benefits obligation	7.83%	-	-	-	6,002,756	-	-	6,002,756
Borrowings	3.55%	-	-	2,693,942	-	-	-	2,693,942
Lease liability	0.00%	-	-	-	-	-	4,415,914	4,415,914
Lease liability	8.97%	-	-	-	59,971,355	-	-	59,971,355
Payables and accrued expenses	0.00%	-	-	-	-	-	2,118,583	2,118,583
Total financial liabilities		623,448	1,782,765	182,238,978	100,741,666	44,873,632	382,389,178	712,649,667
Interest rate sensitivity gap		30,186,652	67,516,739	35,994,588	96,620,352	280,712,566	(311,732,585)	199,298,312

Financial Statements For the Year Ended 31 December 2023

Notes (Continued)

32. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

As at 31 December 2023	Average interest rate	Up to 1 month Frw '000	1 - 3 months Frw '000	3 - 12 months Frw '000	1 - 5 years Frw '000	Over 5 years Frw '000	Non-interest bearing Frw '000	Total Frw '000
Cash in hand and balances National Bank of Rwanda	0.00%	-	-	-	-	-	76,340,371	76,340,371
Balances due from other banks	3.50%	-	16,037,618	-	-	-	-	16,037,618
Loans and advances to customers	16.37%	51,345,837	13,996,126	34,576,279	170,142,914	186,752,488	-	456,813,644
Balances due from related parties	0.00%	-	-	-	-	-	464,895	464,895
Other assets	0.00%	-	-	-	-	-	9,036,108	9,036,108
Government securities	8.44%	-	39,063,584	37,549,500	29,205,650	35,204,655	-	144,495,969
Off balance sheet	1.68%	-	-	66,056,188	-	-	-	66,056,188
Total assets		54,818,418	69,097,329	138,397,609	199,348,563	221,957,143	85,376,479	768,995,541
Deposits from banks	8.50%	40,961,231	-	18,984,490	25,172,510	-	-	85,118,231
Deposits from customers	3.32%	282,475	807,744	59,354,778	15,752,654	20,331,565	344,820,462	441,349,678
Retirement benefits obligation	6.42%	-	-	-	3,343,004	-	-	3,343,004
Borrowings	3.55%	-	-	2,691,559	-	-	-	2,691,559
Lease liability	0.00%	-	-	-	-	-	19,340,649	19,340,649
Lease liability	8.02%	-	-	-	49,897,656	-	-	49,897,656
Payables and accrued expenses	0.00%	-	-	-	-	-	13,526,096	13,526,096
Total financial liabilities		41,243,706	807,744	81,030,827	94,165,824	20,331,565	377,687,208	615,266,873
Interest rate sensitivity gap		13,574,712	68,289,585	57,366,782	105,182,739	201,625,578	(292,310,729)	153,728,668

The above analysis does not consider the impact of future interest on the contractual amounts in assessing the interest rate risk

Financial Statements

For the Year Ended 31 December 2023

Notes (Continued)

32. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

The management of interest rate risk against the interest rate gap limits is supplemented by monitoring the sensitivity of the bank's financial assets and liabilities to various standard and non-standard interest rate scenarios.

Standard scenarios that are considered on a monthly basis include a 100, 50 and 10 basis point (bp) parallel fall or rise in yields.

The following is an analysis of the banks' sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

	2023 Frw'000	2022 Frw'000
10 basis points	199,298	153,729
50 basis points	996,492	768,643
100 basis points	1,992,983	1,537,287

d) Capital management

The primary objective of the Bank's capital management policies and processes is to ensure that the Bank complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the National Bank of Rwanda. The National Bank of Rwanda sets and monitors capital requirements for the Banking industry as a whole.

In implementing current capital requirements, the National Bank of Rwanda requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analyzed into two tiers:

- Core Capital (Tier 1) capital, which includes ordinary share capital, share premium, retained earnings, after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Supplementary Capital (Tier 2) includes the revaluation reserve at 25% of the total amount.

Various limits are applied to elements of the capital base.

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 recognized and the Bank recognizes 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.

Financial Statements For the Year Ended 31 December 2023

Notes (Continued)

6. Management of capital (Continued)

	2023	2022
Core Capital (Tier 1):		
Ordinary share capital	81,509,050	81,509,050
Share premium	8,032,565	8,032,565
Retained earnings/(losses)	43,354,010	29,304,821
Regulatory adjustment on IFRS 9 adoption	-	-
Deductions		
- Deferred income tax asset	(859,262)	-
- Intangible assets	(8,018,525)	(2,775,937)
Total Tier 1 Capital	124,017,838	116,070,499
Supplementary Capital (Tier 2):		
Revaluation reserve	-	275,327
Total Tier 2 Capital	-	275,327
Total capital	124,017,838	116,345,826
Risk weighted assets	566,195,423	533,815,496
Capital		
Total capital expressed as a percentage of total risk-weighted assets	21.90%	21.74%
Core capital expressed as a percentage of total risk-weighted assets	21.90%	21.80%

The minimum capital funds unimpaired by losses of a licensed Bank shall, at any one time, not be less than Rwandan Francs five billion. Unless a higher minimum ratio has been set by the Central Bank for an individual Bank, every Bank, shall, at all time, maintain a total capital ratio of 15% of its total weighted assets of which at least 12.5% is core capital or as prescribed by the Central Bank in the case of Systemically Important bank.

(e) Fair values

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

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 within 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.

Financial Statements

For the Year Ended 31 December 2023

Notes (Continued)

1. Management of capital

e) Fair values (continued)

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.

Valuation techniques include net present value and discounted cash flow models, and comparison with similar instruments for which market observable prices exist.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received by selling the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities. 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. 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.

Financial instruments not measured at fair value, where the carrying value is estimated to approximate the fair value of these instruments, were as follows:

i. Cash and short-term funds

Placements with other banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. All placements are fixed rate placements.

ii. Loans and advances

The fair value of loans and advances is deemed to closely approximate the carrying value. This is due to most of the instruments included in this classification being market rate instruments. The impact of fixed rate exposures has been assessed and is deemed to be immaterial. The value of variable rate instruments is determined with reference to the estimated future cash flows discounted back at the market rate prevailing for such instruments.

iii. Government securities and other bonds

Government securities and other bonds include only interest-bearing assets at amortized cost.

iv. Deposits; borrowed funds and intercompany payables

The estimated fair value of deposits borrowed funds and creditors and accruals with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using contractual interest rates and the remaining maturity. The majority of deposits and other borrowings are at fixed rates, or when at fixed rates, fixed for less than three months.

	Level 1	Level 2	Level 3
Fair value determined using	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Types of financial assets	Actively traded government and other agency securities	Corporate and other government bonds and loans	Highly structured OTC derivatives with unobservable parameters.
	Listed derivative instruments Listed equities	Over-the-counter (OTC) derivatives	Corporate bonds in illiquid markets.
Types of financial liabilities	Listed derivative instruments	Over-the-counter (OTC) derivatives	Highly structured OTC derivatives with unobservable parameters

Financial Statements For the Year Ended 31 December 2023

Notes (Continued)

32. Financial Risk Management (Continued)

e) Fair values (continued)

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value:

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument measured at amortised cost. All these financial instruments are in level 2 and are carried at amortized cost.

2023	FVOCI Frw '000	FVTPL Frw '000	Carrying amount Frw '000	Fair Value Frw '000
Assets				
Cash and balances with central Bank	-	-	51,617,777	51,617,777
Balances due from other Banks	-	-	33,230,934	33,230,934
Non-current assets held for sale	-	-	-	-
Amortised cost investments	-	-	145,610,838	145,610,838
Loans and advances to customers	-	-	572,749,472	572,749,472
Balances due from related parties	-	-	215,642	215,642
Other assets	-	-	15,008,748	15,008,748
Total financial assets	-	-	818,433,413	818,433,413
Assets				
Balances due to other Banks	-	-	48,543,587	48,543,587
Customer deposits	-	-	588,903,531	588,903,531
Other liabilities	-	-	4,256,783	4,256,783
Balances due to related parties	-	-	2,118,583	2,118,583
Long term borrowing	-	-	59,971,355	59,971,355
Credit funds	-	-	2,693,942	2,693,942
Total financial liabilities	-	-	706,487,781	706,487,781

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For the Year Ended 31 December 2023

Notes (Continued)

32. Financial Risk Management (Continued)

e) Fair values (continued)

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value:

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument measured at amortised cost. All these financial instruments are in level 2 and are carried at amortised cost.

2022	FVOCI Frw '000	FVTPL Frw '000	Carrying amount Frw '000	Fair Value Frw '000
Assets				
Cash and balances with central Bank	-	-	76,340,371	76,340,371
Balances due from other Banks	-	-	16,037,618	16,037,618
Non-current assets held for sale	-	-	-	-
Amortised cost investments	-	-	144,495,970	144,495,970
Loans and advances to customers	-	-	456,813,644	456,813,644
Balances due from related parties	-	-	464,895	464,895
Other assets	-	-	9,036,108	9,036,108
Total financial assets	-	-	703,188,607	703,188,607
Assets				
Balances due to other Banks	-	-	85,118,231	85,118,231
Customer deposits	-	-	441,349,679	441,349,679
Other liabilities	-	-	18,426,981	18,426,981
Balances due to related parties	-	-	13,526,096	13,526,096
Long term borrowing	-	-	49,897,656	49,897,656
Credit funds	-	-	2,691,599	2,691,599
Total financial liabilities	-	-	611,010,242	611,010,242

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For the Year Ended 31 December 2023

Notes (Continued)

Management of capital

e) Fair values (continued)

33 Reporting entity

BPR Bank Rwanda Plc (the 'Bank') is domiciled in the Republic of Rwanda. The Bank's registered office is at:

BPR Bank Rwanda Plc

P.O Box 1348

KN 67 ST 2 Kigali Rwanda

The bank core business is commercial banking.

34 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards and the IFRS interpretation committee interpretations, the Law No. 007/2021 of 05/02/2021 Governing companies.

35 Functional and presentation currency

These financial statements are presented in Rwanda Franc (Frw), which is the company's functional and presentation currency.

In preparing the financial statements, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

36 Use of judgements 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 ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the year is set out in the following notes;

Property and Equipment

Land and buildings are recognised at fair value based on periodic, but at least every 3-5 years, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to revaluation reserves

in shareholders' equity. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency

36 Use of judgements and estimates (continued)

purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as under note 17.

Freehold land is not depreciated as it is deemed to have an indefinite life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Bank policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 32. (a). (iv), which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

Financial Statements

For the Year Ended 31 December 2023

Notes (Continued)

36 Use of judgements and estimates (continued)

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing Banks of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by BPR Plc in the above areas is set out in note 32. (a). (iv).

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of branch network, management considered the following:

With the transformation project having commenced, the business model for the bank will be impacted and projecting beyond a five-year planning period has uncertainties as to the Bank exercising its extension options.

As at 31 December 2023, potential future cash outflows of Frw 1.2 billion (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease term by a further two years to reflect the effect of exercising extension options would be an increase in recognised lease liabilities and right-of-use assets of Frw 1.980 mbillion and 1.578 billion respectively.

37 Summary of Other potential Material accounting policies

(a) Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Other fees and commissions expense relate mainly to transaction and service fees which are expenses as they are received.

(b) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Offsetting

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

(d) Financial assets and liabilities

Measurement methods

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets — assets that are credit-impaired at initial recognition — BPR Plc calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Financial Statements For the Year Ended 31 December 2023

Notes (Continued)

37 Summary of Other potential Material accounting policies

Measurement methods (continued)

When BPR Plc revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when BPR Plc becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which BPR Plc commits to purchase or sell the asset.

At initial recognition, BPR Plc measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(ii) Classification and subsequent measurement

BPR Plc classifies its financial assets in the following measurement categories:

- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below: Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- BPR Plc's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, BPR Plc classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Financial Statements

For the Year Ended 31 December 2023

Notes (Continued)

37 Summary of Other potential Material accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

Business model: the business model reflects how BPR Plc manages the assets in order to generate cash flows. That is, whether BPR Plc's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by BPR Plc in determining the business model for a Bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, BPR Plc assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, BPR Plc considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

BPR Plc reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

BPR Plc subsequently measures all equity investments at fair value through profit or loss, except where BPR Plc's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. BPR Plc's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when BPR Plc's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement of profit or loss.

(i) Impairment

BPR Plc assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. BPR Plc recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 32. (a). (iv) provides more detail of how the expected credit loss allowance is measured.

(ii) Modification of loans

BPR Plc sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, BPR Plc assesses whether or not the new terms are substantially different to the original terms. BPR Plc does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, BPR Plc derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

Financial Statements For the Year Ended 31 December 2023

Notes (Continued)

37 Summary of Other potentiall Material accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

BPR Plc subsequently measures all equity investments at fair value through profit or loss, except where BPR Plc's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. BPR Plc's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when BPR Plc's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the Net trading income' line in the statement of profit or loss.

(i) Impairment

BPR Plc assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. BPR Plc recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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(ii) Modification of loans

BPR Plc sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, BPR Plc assesses whether or not the new terms are substantially different to the original terms. BPR Plc does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, BPR Plc derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, BPR Plc also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in

derecognition, and BPR Plc recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iii) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash

flows from the assets have expired, or when they have been transferred and either (i) BPR Plc transfers substantially all the risks and rewards of ownership, or (ii) BPR Plc neither transfers nor retains substantially all the risks and rewards of ownership and BPR Plc has not retained control.

BPR Plc enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if BPR Plc:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

Financial Statements

For the Year Ended 31 December 2023

Notes (Continued)

37 Summary of Other potential Material accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by BPR Plc under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because BPR Plc retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which BPR Plc retains a subordinated residual interest.

(iv) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss: this classification is applied to derivatives. Gains or losses on derivatives are recognised in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, BPR Plc recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

(v) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between BPR Plc and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by BPR Plc are measured as the amount of the loss allowance. BPR Plc has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and BPR Plc cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including: notes and coins on hand, unrestricted balances deposited with the National Bank of Rwanda and highly liquid assets, subject to insignificant risk of changes in their fair value.

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

Financial Statements For the Year Ended 31 December 2023

Notes (Continued)

37. Summary of Other potential Material accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

(e) Property and equipment

(i) Initial recognition and measurement

An item of property, plant and equipment are initially recorded at cost which includes all costs necessary to bring the asset to working condition for its intended use. This includes not only its original purchase price but also costs of site preparation, delivery and handling, installation, related professional fees for architects and engineers, and the estimated cost of dismantling and removing the asset and restoring the site. Where purchased software is integral to the functionality of the related equipment, it is capitalized as part of that equipment. If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. In case of deferred payment for an item of property, plant, and equipment, interest at a market rate is recognized as part of the asset cost.

(ii) Subsequent cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of comprehensive income during the financial period in which they are incurred.

(iii) Subsequent measurement

Land and buildings are revalued periodically by external independent valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Revaluation reserve will be credited to retained earnings upon disposal of the asset. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

(iv) Depreciation

Freehold land is not depreciated. Depreciation on other assets is calculated on the straight-line basis to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings	20 – 50 years
Refurbishments	3 – 5 years
Fixtures, fittings and equipment	5 – 10 years
Motor vehicles and motor cycles	4 – 5 years
IT equipment	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining profit/loss.

(f) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank, are recognised as intangible assets, when the following criteria have been met:

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Financial Statements

For the Year Ended 31 December 2023

Notes (Continued)

37. Summary of Other potential Material accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

Computer software development costs recognised as assets are amortised over their estimated useful lives, not exceeding five years.

(g) Income tax expense

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that the taxation authority will accept an uncertain tax treatment. The Bank measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Deferred income tax in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Bank is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the Bank has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) 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. Control is conveyed when the customer has the right to direct the identified asset's use and to obtain substantially its economic benefits from that use.

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, 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. 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:

Financial Statements For the Year Ended 31 December 2023

Notes (Continued)

37. Summary of Other potential Material accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

- 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.

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.

From 1 January 2020, where the basis for determining future lease payments changes, the Bank remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The recognised right-of-use assets relate to the following types of assets:

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including cash and non-restricted balances with the National Bank of Rwanda, Treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the National Bank of Rwanda.

	31 December 2023 Frw'000	1 January 2023 Frw'000
Leasehold premises	5,209,782	2,952,153
Leased equipment	299,284	427,548
Leased motor vehicles	254,727	104,544

(j) Employee benefits

(i) Retirement benefit obligations

The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Bank's contributions to the defined contribution schemes are charged to the statement of comprehensive income in the year in which they fall due.

(ii) Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the Statement of financial position date is recognised as an expense accrual.

(k) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(l) Dividends payable

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(m) Guarantees

Guarantees are accounted for as off Statement of financial position transactions and disclosed as contingent liabilities.

Other receivables

Other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Financial Statements

For the Year Ended 31 December 2023

Notes (Continued)

37. Summary of Other potentiallt Material accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

o) Other payables

Other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Provisions

Provisions are recognised when:

- the Bank has a present legal or constructive obligation as a result of past events;
 - it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.
- Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

38 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the Bank in the current or future reporting

periods and on foreseeable future transactions.

These amendments are effective for annual periods beginning on or after 1 January 2023.

Financial Statements

For the Year Ended 31 December 2023

International Financial Reporting Standards and amendments effective for the first time for December 2022 year-ends		
Number	Effective date	Executive summary
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 (Published May 2017)	<p>The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.</p> <p>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.</p> <p>Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.</p> <p>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.</p>
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

Financial Statements

For the Year Ended 31 December 2023

Notes (Continued)

37. New standards and interpretations not yet adopted (continued)

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	Effective date	Executive summary
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. For further details see In brief INT2023-10.

39 Merger between BPR Bank Rwanda Plc and KCB Ban Rwanda Plc.

KCB Group Plc merged its two subsidiaries in Rwanda on 1st April 2022 to form BPR bank where it holds 87.56%

KCB Group Plc has also made a global offer to all the remaining Shareholders of BPR to acquire additional shares in the Bank.

40. Custody services

The Bank offers custody services to customers trading on the Rwanda Stock Exchange. Customers' investments in the capital markets are managed separately from the Bank's assets and investments. As at 31 December, the Bank was in custody of certificates of titles of custody customers' investments with following values;

	31 Dec 2023 Frw'000	31 Dec 2022 Frw'000
Government Bonds	84,876,669	72,854,925
Cash	5,677,053	12,326,971
Fixed Deposits	6,200,000	4,837,041
Equities	91,488,529	97,271,444
Corporate Bond	2,932,716	2,952,153
Total Asset	191,174,967	187,290,382

Financial Statements

For the Year Ended 31 December 2023

Notes (Continued)

40. Custody services (continued)

Other regulatory disclosures	31/12/2023 Amount (Frw'000')	
I. Capital Strength		
a) Core capital (Tier 1)		124,017,748
b) Supplementary capital (Tier 2)		
c) Total capital		124,017,748
d) Total risk weighted assets		566,195,423
e) Core capital/ Total risk weighted assets ratio (Tier 1 ratio)		21.90%
f) Tier 2 ratio		0.00%
g) Total capital/total risk weighted assets ratio		21.90%
h) Leverage Ratio		13.35%
II. Credit risk		
1. Total gross credit risk exposure: after accounting offsets and without taking into account credit risk mitigation		836,727,316
2. Average gross credit exposure, broken down by major types of credit exposure:		
a) Loans, commitments and other non-derivatives off-balance sheet exposure		691,116,478
b) Debt securities		145,610,838
c) OCT derivatives		-
3. Regional or geographic distribution of exposures, broken down in significant areas by major types of credit exposure;		
	Debt Securities	Loans & Commitments
a) Kigali	144,495,970	567,577,161
b) Northern Region	-	24,788,216
c) Southern Region	-	32,279,959
d) Eastern Region	-	35,162,105
e) Western Region	-	31,309,047
4. Sector distribution of exposures, broken down by major types of credit exposure and aggregated :		
	Debt Securities	Loans & Commitments
a) Government	145,610,838	-
b) Financial	-	-
c) Manufacturing	-	105,589,272
d) Infrastructure and construction	-	118,817,313
e) Services and Commerce	-	199,639,587
F) Others	-	177,155,144
5. Off-balance sheet items		89,915,162
6. Non-performing loans indicators		
a) Non-performing loans (NPL)		23,938,926
b) NPL ratio		3.47%
7. Related parties		
a) Loans to Directors, shareholders and subsidiaries		11,946,410
b) Loan to employees		12,833,845

Financial Statements

For the Year Ended 31 December 2023

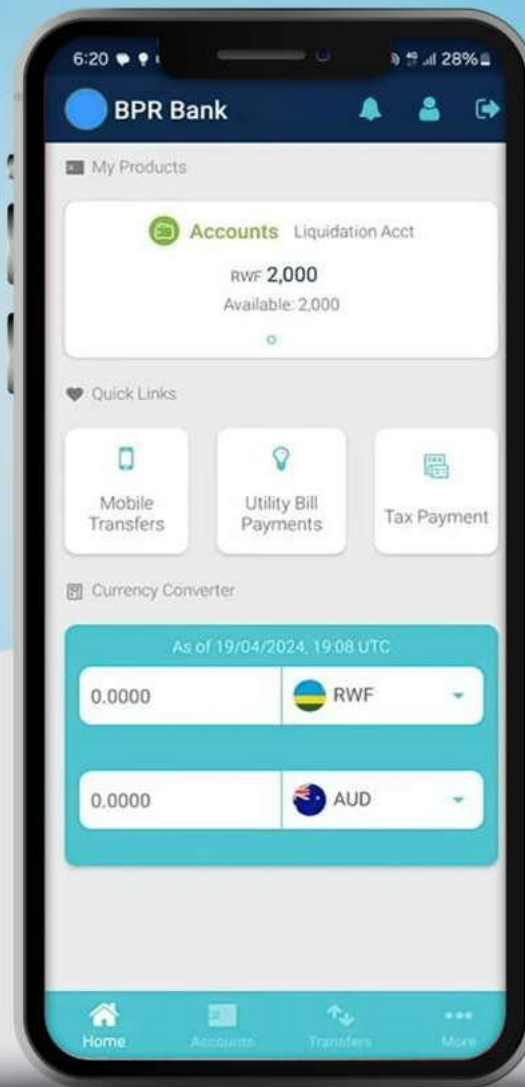
Notes (Continued)

340. Custody services (continued)

8. Restructured loans as at 31 December 2023			
a. No. of borrowers			736
b. Amount outstanding (Frw '000)			58,263,380
c. Provision thereon (Frw '000) (regulatory):			1,528,086
d. Restructured loans as % of gross loans			9.70%
III. Liquidity Risk			
a) Liquidity Coverage Ratio			237.65%
b) Net Stable Funding Ratio			180.28%
IV. Operational risk			
	Type	Number	Frw '000'
	a) Fraud cases	8	109,924
	b) Forged documents	1	30,771
	c) Account Manipulation	2	1,555
	d) Error	1	2,000
	e) Corruption	1	500
V. Market risk			
a) Interest rate risk			-
b) Equity position risk			-
c) Foreign exchange risk			759,563
VI. Country Risk			
a) Credit exposure abroad			-
b) Other asset held abroad			20,694,875
c) Liabilities to abroad			1,961,906
VII. Management and board composition			
a) Number of Board members			7
b) Number of independent Directors			4
c) Number of non-independent Directors			3
d) Number of female Directors			2
e) Number of male Directors			5
f) Number of senior managers			15
g) Number of females senior managers			4
h) Number of males senior managers			11

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